

UNITED STATES TARIFF COMMISSION

**BICYCLE COASTER BRAKES:
WORKERS AND FORMER WORKERS OF THE
BENDIX CORP., MOTOR COMPONENTS DIVISION
ELMIRA, N. Y.**

**Report to the President
on Worker Investigation No. TEA-W-218
Under Section 301(c)(2) of the Trade Expansion Act of 1962**



**TC Publication 641
Washington, D. C.
January 1974**

UNITED STATES TARIFF COMMISSION

COMMISSIONERS

**Catherine Bedell, Chairman
Joseph O. Parker, Vice Chairman
Will E. Leonard, Jr.
George M. Moore
J. Banks Young
Italo H. Ablondi**

Kenneth R. Mason, Secretary to the Commission

**Address all communications to
United States Tariff Commission
Washington, D. C. 20436**

C O N T E N T S

	<u>Page</u>
Report to the President-----	1
Finding of the Commission-----	2
Considerations supporting the Commission finding-----	3
Views of Chairman Bedell, Vice Chairman Parker and Commissioner Moore-----	3
Views of Commissioners Leonard and Young-----	5
Information obtained in the investigation:	
Description of articles under investigation-----	A-1
U.S. tariff treatment-----	A-3
U.S. producers-----	A-4
U.S. consumption, production, and imports-----	A-4
The Bendix Corp.:	
The corporation-----	A-10
Motor Components Division, Elmira, N.Y.-----	A-11

* * * * * * *

Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that would result in the disclosure of the operations of an individual concern. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. Tariff Commission
January 15, 1974.

To the President

In accordance with sections 301(f)(1) and (f)(3) of the Trade Expansion Act (TEA) of 1962 (76 Stat. 872, 19 U.S.C. 1801), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(2) of that act to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with one-speed bicycle hubs incorporating coaster brakes (of the type provided for in item 732.36 of the Tariff Schedules of the United States) produced by the Bendix Corporation, are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of such firm or an appropriate subdivision thereof.

The investigation was instituted on November 27, 1973, on the basis of a petition filed on November 16, 1973, by the International Union of United Automobile, Aerospace and Agricultural Implement Workers on behalf of the former workers of the Elmira Heights plant, Elmira, New York, of the Motor Components Division of the Bendix Corporation, Southfield, Michigan. Public notice of the investigation (TEA-W-218) was published in the Federal Register (38 F.R. 33422) on December 4, 1973. No public hearing was requested and none was held.

The information in this report was obtained from officials of the Bendix Corporation, the petitioner, the American Bicycle Manufacturers Association, and the Commission's files.

Finding of the Commission

On the basis of its investigation, the Commission unanimously finds that articles like or directly competitive with one-speed bicycle hubs incorporating coaster brakes (of the type provided for in item 732.36 of the Tariff Schedules of the United States) produced by the Bendix Corp., Motor Components Division, Elmira, N.Y., are not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such firm, or an appropriate subdivision thereof.

Considerations Supporting the Commission's Finding

Views of Chairman Bedell, Vice Chairman Parker and Commissioner Moore 1/

On November 16, 1973, the International Union of United Automobile Aerospace and Agricultural Implement Workers filed a petition for adjustment assistance under section 301 (a)(2) of the Trade Expansion Act of 1962 on behalf of the former workers who had produced one-speed bicycle hubs incorporating coaster brakes for bicycles of the Elmira, N.Y., plant of the Bendix Corporation. The Elmira plant ceased production of coaster brakes in December 1972, and Bendix Corporation has transferred this operation to its plant in San Luis Potosi, Mexico.

Under section 301 (c)(2) of the Trade Expansion Act of 1962, each of the following requirements must be met before an affirmative finding may be made by the Commission:

- (1) An article like or directly competitive with an article produced by the workers concerned must be imported in increased quantities;
- (2) The increased imports must be a result in major part of concessions granted under trade agreements;
- (3) A significant number or proportion of the workers concerned must be unemployed or underemployed or threatened with unemployment or underemployment; and
- (4) The increased imports resulting in major part from trade-agreement concessions must be the major factor in causing or threatening to cause the unemployment or underemployment.

If any one of the above criteria is not satisfied in a given case, the Commission must make a negative determination. In the Commission's judgment, the first criterion has not been met in the case at hand. The

1/ Commissioner Ablondi concurs with the result.

Commission, therefore, has made a negative determination. It is not necessary to consider the other criteria.

The first criterion is that imports of articles like or directly competitive with articles produced by the petitioning workers in the Elmira plant of Bendix Corp. must be increasing. One-speed bicycle hubs incorporating coaster brakes are not being imported into the United States in increased quantities. On the contrary, such imports, have declined during the past several years. In 1968, U.S. imports of such coaster brakes amounted to 2.7 million units, valued at \$3.2 million, compared to 1.2 million units, valued at \$1.7 million in 1972. Imports of bicycle coasters brakes from the principal suppliers of bicycle coasters brakes, (Japan, West Germany, Czechoslovakia, and the United Kingdom) continued to decline in 1973. The U.S. imports for 1973 (Jan.-Aug.) totaled 1.7 million units; this however, includes * * * units imported from Mexico by Bendix utilizing the provisions of TSUS item 807.00. Inasmuch as imports have decreased, the first criterion has not been met.

Since the criterion established by the Trade Expansion Act of 1962 has not been satisfied fully the Commission must determine in the negative.

Considerations Supporting the Commission's Finding

Views of Commissioners Leonard and Young

We concur in the negative determination of our colleagues based on the finding that there are no increased imports of one-speed bicycle hubs incorporating coaster brakes, the article "like" that produced by Bendix Corporation at its Elmira, N.Y., plant. ^{1/} However, we believe an additional point should be considered.

The statute speaks in terms of imported articles that are "like or directly competitive with an article" produced by the petitioning workers. There is a question as to whether other types of imported bicycle brakes, such as caliper brakes and drum brakes, are directly competitive with coaster brakes. ^{2/} If such brakes are not directly

^{1/} It should be noted that the 1973 increase in imports of coaster brakes was the result of the imports from the newly established Bendix facility in Mexico. These imports cannot be considered in this determination, because they commenced after the closing of the Elmira Heights plant. That is to say, the unemployment preceded this increase in imports and, therefore, the increase in imports could not be the cause of the unemployment.

^{2/} For a discussion of the concept of "directly competitive," see the opinion of Commissioners Leonard and Young in Certain Woven Fabrics of Wool, Manmade Fibers, and Blends, . . . Workers of the Gonic Division of Rindge Industries, Inc., Report to the President on Investigation No. TEA-W-159 . . ., TC Publication 526, December 1972, p. 10; and the opinion of Commissioner Leonard in Footwear Uppers: Production Workers of the Sun Manufacturing Company . . . Report to the President, Worker Investigation No. TEA-W-110 . . ., TC Publication 429, October 1971, pp. 6-7. In these cases, "directly competitive" articles were considered to be those which, although not substantially the same in their inherent or intrinsic characteristics, are substantially equivalent for commercial purposes, that is, are adapted to the same uses and are essentially interchangeable therefor.

competitive with coaster brakes, then the determination of our colleagues is sufficient. However, if such brakes are directly competitive with the article produced by the Bendix workers, further consideration is necessary, since imports of such brakes more than doubled from 1971 to 1972 and have been increasing since then. With this increase in imports, were other types of bicycle brakes found to be directly competitive with the Bendix coaster brakes, we would make a negative determination because we find that such increased imports are not the result in major part of trade agreement concessions, as is required by the statute for an affirmative determination. There were no trade agreement rates in effect with respect to these articles as of January 12, 1971, such rates having been temporarily suspended by statutory enactment (Act of January 12, 1971, Public Law 91-689, 84 Stat. 2073). Therefore, the increase in imports that occurred in 1971, 1972, and 1973 could in no way be caused by concessions under trade agreements.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

The Bendix Corp. Motor Components Division plant at Elmira, New York, which is still in operation, discontinued the production of bicycle single-speed coaster brakes in December 1972 and transferred the production of such articles to a new plant in San Luis Potosi, Mexico. The Elmira plant continues to produce starter drives, electric clutches and brakes, electric fuel pumps, and carburetors.

The Bendix bicycle coaster brake is a freewheel bicycle clutch brake which is part of the rear wheel assembly; it enables a cyclist to coast by holding the pedals steady and to brake by applying back pressure on the pedals. Transmission of the driving power via the chain to the rear-wheel and the freewheeling when the pedals are at rest are performed by bringing a series of drive rollers into contact with a rotating cylinder and by releasing them respectively. "Back pedaling" causes two more or less conical components to slide into a slotted cylinder (brake sleeve), causing its expansion so that it is forced against the inside of the hub sleeve of the wheel, thus developing brake action.

Another type of brake commonly used on bicycles is the caliper brake which the Bendix Corporation did not manufacture.

Caliper brakes are independent of the drive mechanism. They are hand operated through levers on the grips of the bicycle, and they brake wheel motion through the friction of rubber pads against the sides of the wheel rims.

Until the late 1950's, most bicycles manufactured in the United States were equipped with coaster brakes; however, caliper brakes have become in recent years the braking mechanism most frequently installed on U.S. bicycles, particularly with respect to multi-speed bicycles.

A third type of bicycle brake, which is not domestically produced, is the three-speed hub incorporating a coaster brake. This type of hub functions as a coaster brake and, as the name implies, also provides gears which permit variations in power transmission to the rear wheel.

Another variable gear hub used is the d erailleur. The d erailleur consists of a free wheel with two or more sprockets and a mechanism that alters the line of the chain causing it to jump from one sprocket to another and thus altering the gear ratios. Caliper brakes are the only type used on bicycles equipped with d erailleurs.

U.S. Tariff Treatment

Imports of bicycle coaster brakes are dutiable under item 732.36 of the Tariff Schedules of the United States (TSUS). The current rate of duty for item 732.36 is 15 percent ad valorem, which became effective on January 1, 1972, and reflects the final stage of a concession granted in the Kennedy Round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Prior to the effective date of the first stage of the Kennedy Round (i.e., prior to January 1, 1968), the rate of duty was 30 percent ad valorem and had been in effect since 1930. 1/ That rate, established under paragraph 371 of the Tariff Act of 1930, was bound against increase in 1948.

Duties on certain bicycle parts (excluding coaster brakes of the type produced by Bendix), such as derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers, and multiple freewheel sprockets, were temporarily suspended until the close of December 31, 1973. 2/ (See item 912.10, part 1b, Appendix to the Tariff Schedules.) Prior to the suspension of duty these parts were also dutiable under item 732.36 of the TSUS; had the duty not been suspended they would also be dutiable at the current rate of 15 percent ad valorem applicable to that TSUS item.

1/ The Kennedy Round concession became effective in 5 annual stages, as follows: Jan. 1, 1968--27 percent ad val.; 1969--24 percent ad val.; 1970--1 percent ad val.; 1971--18 percent ad val.; 1972--15 percent ad val.

2/ Public Law 91-689, Jan. 12, 1971. This legislation was enacted at the request of the U.S. bicycle producers for the purpose of rendering the price of U.S. bicycles assembled with such parts more competitive with the price of foreign made bicycles containing such parts.

U.S. Producers

For the last decade, the Bendix Corp. has been the sole producer of bicycle coaster brakes in the United States. The other major producer of bicycle coaster brakes, New Departure of General Motors, ceased production in 1957. No domestic firm manufactures caliper brakes or three-speed coaster brakes.

U.S. Consumption, Production and Imports

Consumption and production of bicycle coaster brakes is directly related to consumption and production of bicycles inasmuch as nearly all of the units produced are utilized in the manufacture of bicycles. U.S. consumption of bicycles has greatly expanded since World War II, increasing from about 1.7 million units in 1946 to nearly 14 million units in 1972. Throughout the 1930's and 1940's, imports supplied a negligible share of the U.S. bicycle market; in 1951 they supplied less than 10 percent of the bicycles sold. The proportion of the market supplied by domestic producers declined steadily in each year thereafter until it was about 59 percent in 1955. A reversal of this trend then began and continued through 1966 when the domestic industry held about 84 percent of the bicycle market. Since 1966, however, the share of the market held by the domestic industry has again declined sharply; in 1972 imported bicycles supplied about 37 percent of U.S. consumption.

The recapture by U.S. producers of the predominant share of the domestic bicycle market in the 1960's, for the most part, can be attributed to the development and promotion of new styles of middle-weight bicycles by U.S. producers, such as those with "hi-rise" handle bars, "banana" seats, and "bobtail" fenders. This type of bicycle represented only 4 percent of the total number produced domestically in 1954 but had increased to more than 93 percent in 1959. In addition, the domestic industry built new plants, introduced new and modern assembly methods, began to import parts for assembly into bicycles, and undertook aggressive research and sales promotion programs. The resurgence of import sales that began in 1967 resulted from several factors, including the duplication of the aforementioned new styles by foreign producers, and increased consumer demand, particularly for multi-speed bicycles, at a time (in 1971-72) when domestic producers were operating at maximum capacity.

As previously stated, the Bendix Corp. has been the sole domestic producer of coaster brakes in recent years. Hence, that firm's production represents U.S. production, and its shipments, combined with imports represent U.S. consumption. (Exports are nil.)

The following table shows U.S. production, imports, shipments, and consumption of coaster brakes for 1967-72 and January-August 1973.

*

*

*

*

*

*

*

* * * * *

Despite the fact that during the period 1969-73 the domestic production of bicycles increased from 5.1 million units in 1969 to an estimated 10 million units in 1973, or nearly doubled, the market for coaster brakes incurred a limited growth while the market for caliper brakes greatly expanded as a result of the growing popularity of the multispeed bicycles, which are usually equipped with caliper brakes. As shown in the following table, the U.S. production of bicycles equipped with coaster brakes remained relatively unchanged, while the production of bicycles equipped with caliper brakes more than quadrupled--expanding from 1.3 million units in 1969 to 6.2 million units in 1973.

Bicycles equipped with coaster brakes and bicycles equipped with caliper
brakes: U.S. production 1969-73

(In thousands of units)

Year	Bicycles with coaster brakes	Bicycles with caliper brakes	Total
1969-----	3,747	1,342	5,089
1970-----	3,599	1,352	4,951
1971-----	3,937	2,582	6,519
1972-----	3,773	4,980	8,751
1973-----	3,827	6,173	10,000

Source: Bicycle Manufacturers' Association.

In 1969 three fourths of the bicycles produced in the United States were equipped with coaster brakes; in 1973 less than two-fifths were so equipped.

During the period 1967-72, imports of coaster brakes increased from 2.2 million units, valued at \$2.7 million, in 1967 to 2.7 million units, valued at \$3.2 million, in 1968, and then declined irregularly to 1.2 million units, valued at \$1.7 million, in 1972, as shown in the following table.

Bicycle coaster brakes: U.S. imports, 1967-72 and January-August 1973

Year	Quantity	Value
	<u>1,000 units</u>	<u>1,000 dollars</u>
1967-----	2,180	2,651
1968-----	2,747	3,182
1969-----	2,416	2,476
1970-----	1,975	2,310
1971-----	2,207	2,711
1972-----	1,237	1,749
1973 :		
Jan.-Aug.-----	<u>1/</u> 1,697	2,627

1/ Includes * * * units imported from Mexico by Bendix utilizing the provisions of TSUS item 807.00.

Source: Compiled from official statistics of the U.S. Department of Commerce.

The principal suppliers of bicycle coaster brakes in recent years were Japan, West Germany, Czechoslovakia, and the United Kingdom.

It is estimated that during the period 1968-72 approximately 90 to 98 percent of all bicycles imported were equipped with caliper brakes; accordingly, in that period imports of bicycles equipped with coaster brakes fluctuated from year to year, ranging from 95,000 to 145,000 units annually.

The Bendix Corp.

The corporation

The Bendix Corp. was incorporated in Delaware in 1929 as the Bendix Aviation Corp.; upon incorporation, it acquired all stock of the Bendix Corp. (organized in 1964). The current name of the corporation was adopted in 1960.

Through its acquisitions and growth, Bendix is a major supplier of products used widely in the automotive, aviation, missile, automation, marine, electronics, and sundry industrial fields. Acquisition of American Forest Products Corp. in October 1970 further diversified Bendix's operations to include the manufacture of lumber, other building materials, and containers, the development of land; and the construction of residences.

Total annual net sales of all products by the Bendix Corp. in 1972 were \$1,776.5 million, representing an increase of \$163.7 million, or 10 percent, over such sales in 1971. The principal line of sales for Bendix has been in the automotive equipment and service parts division, which accounted for 42 percent of all sales in 1972. Major product lines in this group include systems and components for use in automobiles, trucks, tractors, and other vehicles, including braking and power steering systems, starter drives, fuel pumps, electronic instrumentation and ignition components, automatic temperature controls, electric clutches and brakes for machinery, and bicycle brakes.

Bendix's divisions and subsidiaries operate domestic plants, research facilities, warehouses, and offices consisting of 21,700,000 square feet

of floor space, of which 17,300,000 square feet is owned and 4,400,000 square feet is leased. Bendix also has equity interests in firms which operate more than 500 manufacturing plants in 12 foreign countries. Employees as of September 30, 1972, totaled more than 74,700 people.

Motor Components Division, Elmira, N.Y.

Bendix began producing coaster brakes at Elmira in 1929. Other articles produced at Elmira are in the automotive area and include electric starter drives, electric clutches and brakes, electric fuel pumps, and carburetors. The Elmira facility consists of two plants, covering a total area of 520,166 square feet.

Production of coaster brakes for bicycles, which ceased at the Elmira plant in December 1972, has been transferred to the division's plant at San Luis Potosi, Mexico.

* * * * *

A-12 through A-18

*

*

*

*

*

*

*