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TEA-W-2

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TARIFF COMMISSION REPORTS TO THE PRESIDENT ON TRANSISTOR
RADIO WORKERS' PETITION FOR ADJUSTMENT ASSISTANCE

The Tariff Commission today reported to the President the results of its investigation No. TEA-W-2, conducted under section 301(c)(2) of the Trade Expansion Act of 1962. The whole of the Commission's report to the President cannot be made public, since it contains certain information received in confidence. However, the following excerpts from that report and explanatory remarks indicate the Commission's finding and the principal considerations in support of the finding:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of its investigation, made under section 301(c)(2) of that act, in response to a workers' petition for determination of eligibility to apply for adjustment assistance. The petition was filed with the Commission on March 22, 1963, by the International Union of Electrical, Radio, and Machine Workers (IUE), AFL-CIO, on behalf of a group of workers from the plant at Sandusky, Ohio, owned and operated by the Philco Corp., a wholly owned subsidiary of the Ford Motor Co. ^{1/} Unemployment of these workers was attributed by the petitioners to "the increase in imports of transistor radios ^{2/} into the United States, which increase resulted in major part from concessions granted under trade agreements."

^{1/} The Philco Corp. became a wholly owned subsidiary of the Ford Motor Co. in December 1961.

^{2/} Transistor radios differ from tube-type radios in that they employ electronic devices, called transistors (usually made from germanium or silicon), to perform the functions of vacuum tubes. The principal advantages of using transistors in place of vacuum tubes in radios are their relatively small size, low power consumption, little required preheating, ruggedness, and long life.

The Commission instituted the investigation on March 29, 1963. Public notice of the receipt of the petition, of the institution of the investigation, and of a public hearing in connection therewith to begin on May 1, 1963, was given by publication of the notice in the Federal Register (28 F.R. 3301).

The public hearing was held on May 1, 1963, and interested parties were afforded opportunity to be present, to produce evidence, and to be heard.

In addition to information obtained at the hearing and from the petition and brief submitted by the petitioners, information pertinent to the investigation was obtained from the International Union of Electrical, Radio, and Machine Workers; from the Philco Corp.; from the U.S. Department of Commerce; from the Electronic Industries Association; from the Commission's files; through visits to plants of the Philco Corp. in Philadelphia, Pa., and in Sandusky, Ohio, and interviews there with company officials and plant managers; and through interviews in Sandusky with local union officials, with former employees of the Philco plant, and with officials of the Sandusky office of the Employment Security Commission of Ohio.

Finding of the Commission

On the basis of its investigation the Commission finds 1/ that transistor radios are not, as a result in major part of concessions granted under trade agreements, being imported in such increased quantities as to cause the unemployment of a significant number or proportion of the workers at the plant of the Philco Corp. in Sandusky, Ohio.

Considerations in Support of the Commission's Finding

On September 7, 1962, the Philco Corp. announced that it would concentrate the manufacture of electronic consumer products in the Philadelphia area and that, as a result, its production of radios would be shifted from Sandusky, Ohio, to Plant 10 in Philadelphia, Pa., and the Sandusky plant would be sold. It stated that the changeover would be completed by the early part

1/ Commissioner Sutton was on official duty with the U.S. Navy, and Commissioner Dowling was unavoidably absent when the finding was made. Both Commissioners, however, indicated that they concur in the finding of the other Commissioners in this investigation.

of 1963. Production of radios at the Sandusky plant ceased about mid-March. As the workers became unemployed through a series of layoffs, they filed for unemployment compensation at the Sandusky office of the Employment Security Commission of Ohio. By April 8, 1963, about 30 of the original group of about 250 workers had found jobs in the Sandusky area. By the end of April 1963, an additional 15 of the laid-off workers were transferred to jobs in Plant 10 in Philadelphia. ^{1/} Consequently, about 200 unemployed workers are seeking adjustment assistance in the instant case.

Before the Commission can make an affirmative finding under section 301(c)(2) of the Trade Expansion Act of 1962, it must determine (1) that the imports in question are entering the United States in increased quantities; (2) that the increased imports are due in major part to trade-agreement concessions; and (3) that such increased imports are the major factor in causing, or threatening to cause, unemployment or underemployment of a significant number of the workers of the firm or subdivision of the firm in question. If the Commission finds in the negative with respect to any one of these three requisites, it is foreclosed from making an affirmative finding for a group of unemployed workers.

In the instant case, the Commission finds (1) that transistor radios are being imported into the United States in increased quantities; (2) that the increased imports are not due in major part to trade-agreement concessions; and (3) that increased imports, whatever their cause, are not the major factor that led to the unemployment of workers from the Sandusky, Ohio, plant of the Philco Corp.

U.S. imports of transistor radios began in 1956, and in 1957 an estimated 100,000 sets were entered. The imports increased steadily thereafter; in 1960 reported imports amounted to 6.1 million units, with a foreign value of \$55.8 million, and by 1962

^{1/} An agreement was reached on Feb. 25, 1963, between the Philco officials and the IUE Locals 701 and 101 (representing the workers at Sandusky and Plant 10, Philadelphia, respectively) whereby workers from the Sandusky plant with sufficient seniority could transfer, not later than Aug. 1, 1963, to similar jobs at Philadelphia. According to union officials, only 60 of the Sandusky workers had not drawn their severance pay and thus retained their seniority rights. However, it is expected that few, perhaps not more than 5, in addition to the 15 mentioned above, will transfer to Philadelphia, because of the small number of jobs available at Plant 10 in relation to eligible job applicants from among members of both IUE Locals 701 and 101.

they had risen to 11.1 million units, valued at \$72.3 million * * * . Japan has been by far the principal foreign supplier * * * . Most of the imports have consisted of home-type transistor radios, principally portable and pocket types, not designed for installation in automobiles. A large part of the radios imported from Japan in recent years * * * have consisted of radios with fewer than 3 transistors, which are regarded in the trade as toys; imports of these are not considered, either by the petitioners or by the Tariff Commission, to be directly competitive with domestically produced radios, most of which contain 6 or more transistors.

U.S. trade-agreement concessions considered in this case consist of the cumulative reduction in the U.S. import duty applicable to radios. The concessions were granted on "radios and parts thereof," a classification which now includes transistor radios, although at the time that the concessions were granted, transistor radios were not articles of commerce. The U.S. rate of duty applicable to radios and parts thereof under the Tariff Act of 1930 was reduced from 35 percent ad valorem to 25 percent, effective January 1, 1939, in a trade agreement with the United Kingdom. The rate was further reduced, pursuant to the General Agreement on Tariffs and Trade, to 15 percent on January 1, 1948, and to 12-1/2 percent on June 6, 1951. The cumulative reduction from 1930 to mid-1951 amounted to 22-1/2 percentage points. All of the concessions were made before any U.S. commercial production or imports of transistor radios existed. The Philco Corp. did not begin producing such radios until 1956, some 5 years after the last trade-agreement concession.

Counsel for petitioners, in his brief, states:

It was contended by the spokesmen for the [trade expansion] bill that since workers would be displaced in some cases as a result of the reduction of tariffs, some compensation should be made to them. The essential justification stated was that injury suffered as a result of the advancement of the general welfare ought to be mitigated within reasonable limits by the authority responsible for the general welfare in the first instance. Assistance to industries and the workers injured by tariff reductions was regarded as an integral part of the whole program.

The Commission agrees with this statement and notes also that the report of the Committee on Ways and Means on the trade expansion bill supports it. On page 30 of the report 1/ the Committee stated:

Your committee believes that the scale of trade readjustment allowances [for workers] is appropriate in view of the fact that the finding that the unemployment was caused by increased imports resulting from the removal, in whole or in part, of tariff protection implies that continuation of the prior tariff would have provided full job protection. This worker assistance is, therefore, in the nature of an adjustment to conditions brought about by removal of prior job protection and is not unemployment insurance.

Transistor radios were not produced commercially in the United States prior to the middle 1950's. Accordingly, when the concessions referred to were granted there were no "jobs" in the manufacture of transistor radios in existence. At the time commercial production of such radios was initiated in the United States, the only "job protection" afforded by the tariff laws for workers engaged in the production of transistor radios was a duty of 12-1/2 percent ad valorem. None of this "job protection" has been removed by trade-agreement concessions.

Among the principal factors that led to increased imports was the creation by Japanese producers and U.S. importers of a market in the United States for the small pocket types of transistor radios (most of which contain 6 or more transistors). The view that the market for the small radios was not being satisfied by domestic producers was supported in the testimony of the petitioners' witness at the Commission's hearing in connection with this investigation, 2/ as follows:

The Japanese were apparently among the first to realize the market potential of small portable transistor radios.

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1/ House Rept. No. 1818, 87th Cong., 2d sess.

2/ Transcript of the hearing, statement by David Lasser, IUE, pp. 8-9, and 36.

The first phase was the production on a mass production basis of transistor radios in Japan. The American producers initially had not thought that there was a large market for this shirt pocket variety, and they were producing the larger, more expensive handbag type that sold for about \$50 to \$70. The Japanese felt that there was a market for the inexpensive shirt pocket size. And, therefore, in the late 1950's, around 1957, started the large-scale export. Prior to that there was no problem because they were not sending any in.

Now the second phase of the problem was the U.S. producers realizing that here is a big market they have overlooked, this inexpensive type, and they went into the mass production of them. And so you had this increasingly intense competition.

Japanese producers were assisted in their exploitation of the demand for small radios in the U.S. market by strict quality controls imposed on exports by the Japanese Government after April 1958 under the Export Inspection Law, and by financial and engineering assistance supplied by U.S. radio producers to the Japanese producers, who paid for such assistance in the form of fees and royalties.

Domestic production of transistor radios rose sharply after 1956, although not as sharply as imports. The more rapid rise in imports than in domestic production, however, in no way operated to cause an absolute decline in employment in the industry, and overall domestic production of such radios has been well maintained.

* * * * *

There is considerable evidence indicating that the increase in imports was not the major factor leading to the discontinuance of production at Philco's plant at Sandusky, Ohio, and the unemployment of its workers. For instance, in its statement to the press on September 7, 1962, the Philco Corp. announced that the production of

radios at Sandusky would be shifted to a plant in Philadelphia and noted that--

Production of high-fidelity phonographs was moved from Sandusky to Philadelphia two years ago. Meanwhile, home radio sales have been limited to small table models and portables. With this change in the market, Philco employment at Sandusky gradually has decreased from a postwar high of 2,000 to approximately 300 at present.

Because of this, there no longer is economic justification for maintaining separate facilities for the production of home radios alone * * * .

In addition, the Commission received confidential evidence including information on trends of production by types of products, at Sandusky as well as at the plant in Philadelphia, to which radio production was shifted, on changes in the company's production and imports of transistor radios by models, and on the total man-hours of workers devoted to production of transistor radios in relation to the total man-hours devoted to the production of tube-type radios and other products. The Commission is prohibited by law from revealing such confidential evidence but found it consistent with the finding in this case.

