Automotive Replacement Glass Windshields From China

Investigation No. 731-TA-922 (Final)

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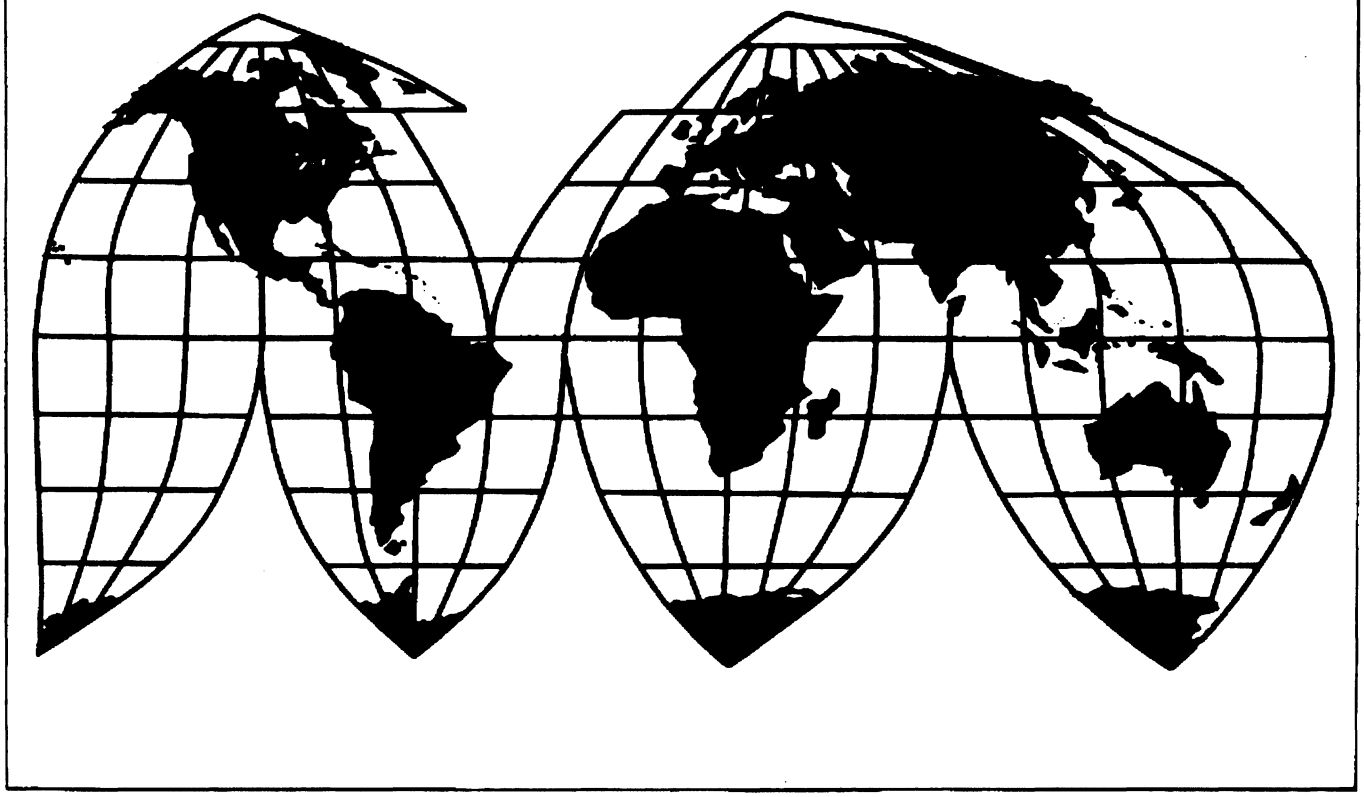
U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Bill Deese, *Economist*
James Stewart, *Accountant*
Laurent de Winter, *Attorney*

George Deyman, *Supervisory Investigator*

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436
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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-922 (Final)

AUTOMOTIVE REPLACEMENT GLASS WINDSHIELDS FROM CHINA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission determines,[2] pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is materially injured by reason of imports of automotive replacement glass windshields from China, provided for in subheading 7007.21.10 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV). The Commission further determines that critical circumstances do not exist with regard to those imports of the subject merchandise from China that were subject to the affirmative critical circumstances determination by the Department of Commerce.

BACKGROUND

The Commission instituted this investigation on March 20, 2001, following receipt of a petition filed with the Commission and the Department of Commerce by PPG Industries, Inc., Pittsburgh, PA; Safelite Glass Corp., Columbus, OH; and Apogee Enterprises, Inc., Minneapolis, MN. The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by the Department of Commerce that imports of automotive replacement glass windshields from China were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of October 23, 2001 (66 FR 53630). The hearing was held in Washington, DC on February 5, 2002, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] Vice Chairman Deanna Tanner Okun and Commissioner Jennifer A. Hillman dissenting.

VIEWS OF THE COMMISSION

Based on the record in this investigation, we determine that an industry in the United States is materially injured by reason of imports of automotive replacement glass windshields ("ARG windshields") from China that the U.S. Department of Commerce ("Commerce") found were sold in the United States at less than fair value.[1]

I. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[2] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[3] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation ... ."[4]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[5] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[6] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[7] Although the Commission must accept the determination of Commerce as to the scope of the imported

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[1] Vice Chairman Deanna Tanner Okun and Commissioner Jennifer A. Hillman dissenting. Vice Chairman Okun and Commissioner Hillman join sections I.A through I.D of these views.

[2] 19 U.S.C. § 1677(4)(A).

[3] 19 U.S.C. § 1677(4)(A).

[4] 19 U.S.C. § 1677(10).

[5] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case' "). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[6] See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

[7] Nippon, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration").

merchandise that has been found to be sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[8]

B. Product Description

In its final determination, Commerce defined the imported merchandise within the scope of this investigation as:

> ARG windshields, and parts thereof, whether clear or tinted, whether coated or not, and whether or not they include antennas, ceramics, mirror buttons or VIN notches, and whether or not they are encapsulated. ARG windshields are laminated safety glass (i.e., two layers of (typically float) glass with a sheet of clear or tinted plastic in between (usually polyvinyl butyral)), which are produced and sold for use by automotive glass installation shops to replace windshields in automotive vehicles (e.g., passenger cars, light trucks, vans, sport utility vehicles, etc.) that are cracked, broken or otherwise damaged.
>
> ARG windshields subject to this investigation are currently classifiable under subheading 7007.21.10.10 of the Harmonized Tariff Schedules of the United States ("HTSUS"). Specifically excluded from the scope of this investigation are laminated automotive windshields sold for use in original assembly of vehicles. While HTSUS subheadings are provided for convenience and Customs purposes, our written description of the scope of this investigation is dispositive.[9]

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[8] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission determination of six domestic like products in investigations where Commerce found five classes or kinds).

[9] In its final determination, Commerce clarified that ARG windshields for campers, heavy trucks, buses, farm and heavy machinery are included in the scope of this investigation. 67 Fed. Reg. 6482 (Feb. 12, 2002). Respondents argued that this clarification in effect expands the scope to include all self-propelled or self moving vehicles covered under Chapter 87 of the HTSUS such as "motorcycles, heavy-duty trucks, recreational vehicles, trains, trolley cars, subways, airplanes, helicopters, motor boats -- even, perhaps, spacecraft." Xinyi Prehearing Brief at 6; Xinyi Posthearing Brief at 6-7. According to respondents, the expansion allegedly complicates the Commission's definition of the domestic like product and of the domestic industry because "it leaves the Commission in the vulnerable position of rendering a final determination based upon its consideration of information about potential domestic like product(s) that is certainly incomplete or never collected." Xinyi Posthearing Brief at 6-7. However, Commerce did not expand the scope, it merely clarified it, explaining that the scope includes automotive windshields not just automobile windshields. Thus arguments that the scope has been expanded to include windshields for airplanes, boats, trains, trolleys, and spacecraft are without basis. Moreover, we find that Commerce's scope clarification virtually has no effect on the Commission's industry data because the only known producers of these windshields are Viracon, Guardian, and PPG, all of which included such windshields in their questionnaire responses. Finally, at the Commission's hearing, Commissioner Miller asked respondents to provide the Commission with useable data that would clarify whether companies other than automotive ARG windshield producers manufactured heavy-duty truck and recreational vehicle windshields, and if so, what percentage of the total ARG market these windshields represent. Hearing Tr. at 243-244. Respondents provided no information responsive to Commissioner Miller's request.

C. Domestic Like Product

In the preliminary phase of this investigation, petitioners contended that the domestic like product should not be expanded beyond the scope of subject imports in this investigation to include original equipment manufacturer windshields ("OEM windshields").[10] Two groups of respondents – Fuyao Glass Industry Co., Ltd. and Greenville Glass Industries, Inc. (collectively "FYG") and Diamond Triumph Auto Glass, Inc.; TCG International, Inc.; Shenzhen Benxun Automotive Glass Co., Ltd.; Xinyi Automotive Glass (Shenzhen) Co., Ltd.; Peaceful City Ltd.; Hebei Tong Yong Glass Industry Co., Ltd.; Hangzhou Safety Glass Co., Ltd.; Elite Auto Glass; North Star Glass; and Mygrant Glass (collectively "the Diamond Respondents") – argued that the domestic like product should include both ARG and OEM windshields.[11] The Commission acknowledged that there were factors supporting both proposed domestic like products and recognized that the record was incomplete. For purposes of its preliminary determination, however, it found that there was one domestic like product consisting of all ARG windshields, not including OEM windshields. Specifically, it found that the physical characteristics and uses of ARG and OEM windshields were very similar, but that the differences, particularly the fact that OEM windshields are produced to manufacturers' proprietary specifications with strict tolerances, were significant in the OEM market, and prevented ARG windshields from being interchangeable for OEM uses. It noted that there appeared to be largely different channels of distribution for ARG and OEM windshields because no manufacturers of new automobiles and vehicles purchased ARG windshields for production. While the manufacturing processes for OEM and ARG windshields are basically the same, and some domestic producers produce both OEM and ARG windshields using the same facilities and workers, the limited information on the record at that time suggested that the apparent majority of ARG and OEM windshields were produced in separate facilities with separate workers.[12]

In the final phase of this investigation, respondents renewed their argument that the Commission should find a single domestic like product that includes both ARG and OEM windshields,[13] while the petitioners maintained that the Commission correctly defined the domestic like product in its preliminary determination.[14] As set forth below, the Commission again finds one domestic like product comprised only of all ARG windshields.[15]

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[10] Petitioners' Postconference Brief at 7-21.

[11] FYG's Postconference Brief at 2-23; Diamond Respondents' Postconference Brief at 3-19.

[12] Automotive Replacement Glass Windshields from China, Inv. No. 731-TA-922 (Prelim.), USITC Pub. 3414 at 4-7 (Apr. 2001) ("Preliminary Determination").

[13] FYG's Prehearing Brief at 16; FYG's Posthearing Brief at 1-7; Diamond Respondents' Prehearing Brief at 7-15.

[14] See, e.g., Petition at 25-30; Petitioners' Prehearing Brief at 10-12, 14-17, 22-23; Petitioners' Posthearing Brief at 10-12, "Response to Commissioners' Questions," Hillman-6.

[15] Commissioner Bragg does not join the remainder of Section I.C of these views. Based upon her review of the record in this final phase investigation, Commissioner Bragg finds that there is a single domestic like product consisting of both ARG and OEM windshields. In particular, Commissioner Bragg notes that in contrast to the record in the preliminary phase investigation, the final record contains two new facts that, in her view, change the balance of the domestic like product determination to include OEM windshields: (1) seven domestic producers, accounting for approximately *** percent of reported U.S. production of ARG windshields in 2000, produced ARG and OEM windshields on the same equipment and machinery with the same workers; and (2) the majority of purchasers reported that ARG and OEM windshields are interchangeable. CR at I-9-10, II-6 & Table D-1; PR at I-6-7, II-3 & Table D-1. Thus, although ARG and OEM windshields have different channels of distribution, different prices, unique design processes, and no interchangeability in the original equipment installment market, nonetheless,

(continued...)

1. Analysis

Physical characteristics and uses. The general physical characteristics of ARG and OEM windshields are essentially the same. Both ARG and OEM windshields are made of the same raw material, laminated glass (usually "float" glass), have the same basic dimensions, and are produced to satisfy the same federal safety regulations (e.g., Federal Motor Vehicle Safety Standard 205).[16] ARG windshields, however, are produced to correspond to part numbers published by National Auto Glass Specifications ("NAGS"), while OEM windshields are not.[17] Moreover, some ARG windshields may come in a wider variety of colors and with features not available on OEM windshields.[18] Although there may not be a discernible difference in size, shape, or tint, many, but not all, purchasers reported that OEM windshields have logos, trademarks, or some distinguishing marking to identify them as such.[19]

Both ARG and OEM windshields have the same uses, broadly speaking, i.e., to fill the opening in the vehicle and to protect the vehicle and its occupants from the elements. However, virtually all OEM windshields are used in the production of new vehicles, with the exception of a small volume of OEM windshields sent to dealers for use in warranty replacement work.[20] ARG windshields are used to replace damaged windshields in the replacement market, and are seldom, if ever, used in the production of new vehicles.[21]

OEM windshields are manufactured to precise proprietary specifications and tight tolerances specified by the vehicle manufacturer, which may include spectral properties, glass and sunshade colors, attachment characteristics, and dimensional control parameters. ARG windshields, on the other hand,

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[15] (...continued)
ARG and OEM windshields have essentially the same general physical characteristics and uses, common manufacturing facilities and production employees, interchangeability in the replacement market (the market segment in which subject imports compete with the domestic like product), and the majority of purchasers perceived ARG and OEM windshields to be interchangeable. CR at I-3-12 & II-3-4, 6-7, PR at I-3-I-8 & II-2-II-3, 3-4. Commissioner Bragg finds that the record in this final phase investigation fails to establish a sufficiently clear dividing line distinguishing ARG and OEM windshields; therefore, she determines that, on balance, the record supports the definition of a single domestic like product consisting of ARG and OEM windshields. As a result, Commissioner Bragg finds a single domestic industry consisting of all domestic producers of ARG and OEM windshields. Given her broader like product definition, Commissioner Bragg recognizes that there are data concerns regarding an inconsistency between official statistics and the questionnaire data for OEM windshield production. CR at III-1, PR at III-1. Nonetheless, the final record indicates that the Commission data account for the vast majority of domestic OEM production. *See* CR/PR at Table III-2 & C-2. Consequently, Commissioner Bragg finds that there is sufficient evidence on the record upon which to base her determination consistent with her domestic-like product finding.

[16] Conference Tr. at 70 (Fennell); Hearing Tr. at 168 (Fennell).

[17] CR at I-6 -I- 7; PR at I-5.

[18] Hearing Tr. 85-86 (Miner) ("Differences, different manufacturers in the after-market can create variations in product types that would not be acceptable in an OEM type product. Some customers on a windshield will add a sunshade where there is no sunshade in an OEM, totally unacceptable in one market, up to the manufacturer's discretion to create that product in a second market. We see that on a vast number of part numbers, different colors of glass. Coatings in some OEM type products that we provide that other after-market suppliers don't provide any coating at all on the product").

[19] CR at II-6 n.12; PR at II-3, n.12.

[20] CR at I-2; PR at I-2.

[21] CR at I-4; PR at I-4. FYG argues that ***. The Commission economist, Mr. Deese, contacted *** in order to clarify this point. ***. See Staff notes of William Deese, March 8, 2002.

are generally not produced to those proprietary specifications.[22] The automated assembly lines used by vehicle manufacturers require windshields produced to those precise specifications, and the use of ARG windshields deviating from those specifications can jam the robotic equipment and shut down the entire assembly line.[23]

By contrast, many ARG windshields are "reverse-engineered" from OEM windshields, which attempt to match the specifications of corresponding OEM windshields. Typically, tolerances for ARG windshields are less exacting than those for OEM windshields. While producers of ARG windshields try to match the colors of the original equipment windshield, they have the latitude of offering colors not offered on an OEM basis, so the ARG counterpart to an OEM windshield can be visibly different.[24]

Manufacturing Facilities and Employees. It is undisputed that production of OEM windshields involves the same basic procedures and raw materials as production of ARG windshields. However, there can be significant differences.

Production facilities for OEM windshields are designed for high-volume runs and maximum yields to minimize the per unit cost to the OEM customer, with production of a limited number of OEM windshield part numbers and limited pattern changes.[25] By contrast, facilities producing only ARG windshields are typically designed for flexibility, to produce large numbers of different windshield part numbers, with short-to-medium volume runs and frequent pattern changes.[26]

As noted, ARG windshields are typically reverse-engineered using an OEM windshield obtained from a vehicle dealer, generally without access to the proprietary specifications for that OEM windshield.[27] Because OEM windshields are produced to meet the strict proprietary specifications of vehicle manufacturers, product development is considerably more lengthy and costly for OEM windshields than it is for ARG windshields. It can take 14 months to two years before the OEM windshield is ready for production and shipment, while the ARG windshield product development process can last three months or less. Additionally, the OEM product development process requires numerous engineers and technicians to work with the customer on its specifications, and can cost ten times more than the ARG product development process.[28]

Of the seven reporting domestic ARG windshield producers, only one (***) does not produce OEM windshields as well.[29] Six of seven of these producers make both ARG and OEM windshields using the same facilities and the same workers, and the record indicates that the majority of ARG windshields in 2000 were produced in the same facilities in which OEM windshields were produced. *** accounted for *** percent of domestic ARG production in 2000. The seven ARG producers, who accounted for *** percent of U.S. ARG production in 2000, stated that they did produce OEM

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[22] CR at I-6; PR at I-5. Hearing Tr. at 22 (Dumbris) "That's why the OEM specification for this BMW windshield are three inches of paper in a binder weighing about eight pounds, while the ARG specification for a similar BMW windshield that was reverse engineered at Berea is two pages long. It's also why no OEM customer accepts ARG windshields for OEM application. The OEM customer demand these physical differences and the OEM windshield producers meet them."

[23] CR at I-4, I-6; PR at I-4 - I-5; Hearing Tr. at 25 (Dumbris); see Petitioners' Postconference Brief, ***.

[24] CR at I-4, I-6, I-8; PR at I-4 - I-6; Hearing Tr. 85-86 (Miner).

[25] CR at I-8 to I-9; PR at I-6; Hearing Tr. at 22-30 (Dumbris).

[26] CR at I-8; PR at I-6; Hearing Tr. at 22-30 (Dumbris).

[27] CR at I-8; PR at I-6.

[28] CR at I-7 to I-9; PR at I-5 - I-6; Hearing Tr. at 25 (Dumbris).

[29] CR at III-1; PR at III-1. Viracon/Curvlite produces primarily for the ARG market, but produces some OEM windshields for buses and recreational vehicles. CR at I-8 n.31; PR at I-6, n.32.

windshields on the same equipment used in the production of ARG windshields.[30] Specifically, PPG, which accounts for *** percent of domestic ARG production, produces ***.[31]

Interchangeability. While OEM windshields can be used interchangeably with ARG windshields in the aftermarket, the evidence in this investigation indicates that such use in the aftermarket tends to be limited to replacement by automobile dealers pursuant to a warranty.[32] The OEM windshields sold in the replacement market tend to be more expensive than their ARG counterparts; thus, some installers reported that for practical purposes they are not interchangeable.[33] Reverse-engineered ARG windshields, however, cannot be used in the OEM market because they are not designed to the vehicle manufacturers' precise proprietary specifications and may affect assembly operations.[34]

Customer and Producer Perceptions. The evidence presented by petitioners indicates that they, as well as some original equipment manufacturers that use OEM windshields, consider ARG and OEM windshields as two different products.[35] Respondents, on the other hand, suggest that ARG distributors and vehicle owners, the ultimate end users, perceive them to be the same product.[36]

The Commission's purchaser questionnaire data show that many distributors and retailers in the aftermarket tend to view ARG and OEM windshields as interchangeable in that market.[37] Nine out of 16 responding purchasers reported that they consider OEM windshields to be interchangeable with ARG windshields, but they also reported that the demand for OEM windshields in the ARG market is usually related to replacement under warranty or to customer preference, considered to account for a small share of aftermarket demand.[38]

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[30] CR at I-9, PR at I-6.

[31] CR at I-8, III-1; PR at I-6, III-1.

[32] CR at I-10; PR at I-7.

[33] Questionnaire response of ***; CR at II-7; PR at II-3.

[34] CR at II-6 - II-7; PR at II-3.

[35] CR at I-10; PR at I-7.

[36] CR at I-10; PR at I-7.

[37] CR at II-6 - II-7; PR at II-3. In evaluating customer perceptions in this investigation, we have relied primarily on the perceptions of those customers who purchase products from the manufacturers, rather than the perceptions of the ultimate end-users – individual car owners. The Commission has in prior investigations taken into account consumer perceptions in its domestic like product analysis, when the product is one the consumer purchases directly "off the shelf" at the retail level. See, e.g., Certain Pasta from Italy and Turkey, Invs. Nos. 701-TA-365-366, 731-TA-734-735 (Final), USITC Pub. 2977 at 10-11 (July 1996); Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 at 6 (July 1996); Fresh Cut Roses from Colombia and Ecuador, Invs. Nos. 731-TA-684-685 (Final), USITC Pub. 2862 at I-7 (March 1995). Car owners, however, generally do not purchase windshields "off the shelf." Instead, they typically purchase the *service* of having a replacement windshield installed. For this reason, the producers of ARG windshields target their marketing campaigns at the installer and not at the car owner. CR at I-10 and II-8; PR at I-7. In such circumstances, we believe that perceptions of car owners are of less probative value than are the perceptions of producers and their customers, the distributors or OEMs, in ascertaining distinctions between the types of windshields at issue. Moreover, to the extent that such perceptions are relevant, the record contains no probative information concerning whether or why car owners prefer to use OEM or ARG windshields. See the Commission's similar conclusions about consumer perceptions in Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 (April 1997). ("Brake Drums") at 11 n.37.

[38] CR at II-6; PR at II-3.

Purchaser *** stated that ARG and OEM windshields have the same characteristics, fit, and function.[39] *** stated that, while ARG and OEM windshields may be technically interchangeable, the higher cost and limited availability of OEM windshields in the ARG windshield market made actual interchangeability impractical.[40] *** stated that, although technically interchangeable, installation methods, packaging, and delivery methods were different between ARG and OEM windshields and thus ARG and OEM windshields were not actually used interchangeably. *** stated that ARG windshields may not meet OEM specifications.[41]

The Commission asked automobile manufacturers if they could use ARG and OEM windshields interchangeably in their automotive assembly lines. *** stated that they could not use ARG and OEM windshields interchangeably.[42]

Channels of Distribution. OEM windshields are generally sold to vehicle manufacturers, with a small volume re-sold by the vehicle manufacturers to car dealerships for use in warranty replacement.[43] By contrast, ARG windshields are generally sold to distributors and auto glass installation shops, and are not sold to OEMs.[44] The domestic ARG producers have increasingly become vertically integrated from production through to wholesale distribution and retail glass installation operations. Domestic producers PPG, Safelite, and Apogee are vertically integrated into the wholesale distribution level, and Apogee, Guardian Industries, and Safelite are integrated into the glass installation shop level.[45]

Price. To compare prices of ARG and OEM windshields, the Commission collected pricing data on four ARG windshields and their OEM counterparts. Because of the much larger volume production runs of OEM windshields, the cost per unit of an OEM windshield to vehicle manufacturers is lower than that for an ARG windshield, despite the larger development and engineering costs for OEM windshields. The lower prices of OEM windshields appear to reflect this lower per-unit cost.[46] However, there is evidence that OEM windshields purchased by a consumer through a dealer in the aftermarket will be considerably more expensive than an ARG windshield purchased through a distributor or retail shop.[47]

2. Conclusion

We find one domestic like product comprised of ARG windshields. ARG and OEM windshields have the same basic physical characteristics and end uses; the differences between them, principally their conformity with vehicle manufacturers' proprietary specifications, are subtle. Nevertheless, those distinctions do have significant implications for other factors pertinent to the domestic like product analysis. Interchangeability is limited. ARG windshields, which are not designed to those proprietary specifications, may not be used in lieu of OEM windshields in automobile manufacturing. Although OEM windshields may be used in lieu of ARG windshields, this use appears to be limited primarily to warranty replacement where OEM windshields are required. There are significant differences in

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[39] CR at II-6; PR at II-3.

[40] CR at II-7; PR at II-3.

[41] CR at II-7; PR at II-3.

[42] CR at II-7; PR at II-3; CR at I-10; PR at I-7.

[43] CR at I-10 - I-11, II-3 - II-4; PR at I-7, II-3; ***, however, reported that they sell OEM windshields to distributors and glass replacement shops. CR at II-6.

[44] CR at I-10 - I-11, II-3 - II-4; PR at I-7, II-3.

[45] CR at I-11; PR at I-7 - I-8.

[46] CR at I-12; PR at I-8.

[47] CR at I-12; PR at I-8.

channels of distribution, in that OEM windshields are sold primarily to vehicle manufacturers, and ARG windshields are sold primarily to distributors and retail auto glass outlets. While certain basic manufacturing steps are the same for ARG and OEM windshields, and there is significant overlap in some common manufacturing facilities and employees producing both types of windshields in the United States, there are significant differences between the two in the time and expense devoted to product development. Moreover, while OEM windshields tend to be produced in high volume production runs with limited flexibility to change patterns, ARG windshields are generally produced in flexible production facilities that use low to moderate volume production runs, and make frequent pattern changes.

On the basis of this record, we find one domestic like product coextensive with the scope consisting of ARG windshields.

D. Domestic Industry and Related Parties

1. Domestic Industry

Section 771(4) of the Act defines the relevant industry as "the producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes the major proportion of that product."[48] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[49]

In the preliminary phase of this investigation, based on its domestic like product determination, the Commission found a single domestic industry that included all domestic producers of ARG windshields.[50] For the same reason, we again define the domestic industry as all domestic producers of ARG windshields.[51] [52]

2. Related Parties

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves

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[48] 19 U.S.C. § 1677(4)(A).

[49] See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[50] Preliminary Determination, USITC Pub. 3414 at 7-8.

[51] Except as otherwise noted in the staff report, the domestic industry's trade data are based on information submitted by the following domestic producers – Carlex, Guardian, Pilkington, PPG, Safelite, Viracon/Curvlite, and Visteon. CR/PR at III-1.

[52] Commissioner Bragg defines the domestic industry as all domestic producers of ARG and OEM windshields; she further notes that this definition encompasses the same producers as those identified by her colleagues, although she relies on the available data from these producers for both domestic ARG and OEM production.

importers.[53] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.[54]

In the preliminary phase of this investigation, no party argued for the exclusion of any domestic producers as a related party.[55] In the final phase of this investigation, petitioners argued that appropriate circumstances do not exist to exclude any domestic producers that are related parties from the domestic industry. None of the respondents addressed this issue.[56]

We find that the two domestic producers of ARG windshields, *** and ***, who directly imported Chinese subject merchandise during the period of investigation are related parties.[57] We do not, however, find appropriate circumstances exist to exclude either of these producers from the domestic industry. *** reported importing *** ARG windshields, valued at $*** from China in 1999 and *** ARG windshields valued at $*** from China in 2000.[58] *** was the ***-largest domestic producer of ARG windshields in 2000 with *** percent of reported production that year.[59] Its ratio of subject imports to domestic production was *** percent in 1999 and *** percent in 2000.[60] Given this low ratio of subject imports to production, it does not appear that *** primary interest lies in importing subject merchandise. Moreover, *** operating income ratio to net sales value was ***.[61] Given that there is no evidence that *** derived any significant benefit from importing, we find that appropriate circumstances do not exist to exclude *** from the domestic industry.

*** reported importing *** ARG windshields, valued at $*** from China in 1998, *** ARG windshields, valued at $***, from China in 1999, and *** ARG windshields, valued at $*** from China

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[53] 19 U.S.C. § 1677(4)(B).

[54] Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd mem., 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the less than fair value sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producer vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), aff'd mem., 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, e.g., Melamine Institutional Dinnerware from China, Indonesia, and Taiwan, Invs. Nos. 731-TA-741 to 743 (Final), USITC Pub. 3016 (Feb. 1997) at 14 n.81.

[55] Preliminary Determination, USITC Pub. 3414 at 8.

[56] See, e.g., Petitioners' Prehearing Brief at 24, n.24.

[57] See, e.g., CR at III-2, IV-1; PR at III-2, IV-1 ***. See, e.g., CR at III-2; PR at III-2; ***; Foreign Producer Questionnaire responses of ***.

[58] See, e.g., *** domestic producer and importer questionnaire responses; CR at III-4; PR at III-2; CR/PR at Table III-2.

[59] See, e.g., CR at III-1; PR at III-1.

[60] See, e.g., *** domestic producer and importer questionnaire responses; CR at III-4; PR at III-2; CR/PR at Table III-2.

[61] See, e.g., CR/PR at Table VI-2.

in 2000.[62] ***.[63] Its imports of subject merchandise from China were equivalent to *** percent of its U.S. production of ARG windshields in 1998, *** percent in 1999, and *** percent in 2000.[64] Given this low ratio of subject imports to production, *** primary interest appears to lie in its domestic production. Moreover, given that *** had the *** financial performance of ***, and the *** financial performance in 1999 and 2000,[65] we find no evidence that it has been shielded from the effects of any unfairly traded imports as a result of its own importation. Accordingly, we find that appropriate circumstances do not exist to exclude *** from the domestic industry.[66]

II. MATERIAL INJURY BY REASON OF LESS THAN FAIR VALUE IMPORTS[67]

In the final phase of an antidumping duty investigation, the Commission determines whether an industry in the United States is materially injured by reason of the imports under investigation.[68] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[69] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[70] In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[71] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[72]

For the reasons discussed below, we determine that the domestic industry is materially injured by reason of subject imports from China found to be sold at less than fair value.

A. Conditions of Competition

Several conditions of competition are pertinent to our analysis.

Domestic producers, importers and purchasers agree that the demand for ARG windshields is primarily determined by the number of vehicles on the road, the number of miles driven, vehicle age, and

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[62] See, e.g., CR at III-4; PR at III-2.

[63] See, e.g., *** Importer Questionnaire response at II-4.

[64] See, e.g., CR at III-4; PR at III-2. ***. See, e.g., Foreign Producer Questionnaire responses of ***; CR at III-3.

[65] See, e.g., CR/PR at Table VI-2.

[66] Therefore, for purposes of our analysis in the final phase of this investigation, the domestic industry consists of Carlex; Guardian; Pilkington; PPG; Safelite; Viracon/Curvlite; Visteon; and Daimler/Chrysler. See, e.g., CR/PR at III-1.

[67] Vice Chairman Okun and Commissioner Hillman do not join section II of these Views. See Separate and Dissenting Views of Vice Chairman Okun and Commissioner Hillman.

[68] 19 U.S.C. § 1673d(b).

[69] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[70] 19 U.S.C. § 1677(7)(A).

[71] 19 U.S.C. § 1677(7)(C)(iii).

[72] Id.

weather. Since the 1990s, motor vehicle use and the average age of vehicles on the road has been increasing, which has led to a steady increase in the consumption of ARG windshields.[73] Apparent domestic consumption of ARG windshields increased from 11,939,656 units in 1998, to 12,314,872 units in 1999, and 12,612,138 units in 2000; apparent domestic consumption in interim 2001 was 10,137,666 units compared to 9,718,883 units in interim 2000.[74] [75]

A major segment of the ARG windshield market (possibly as much as 50 to 70 percent) is related to claims by insured motorists for windshield replacement.[76] Some or all of the U.S. producers act as third-party administrators for certain property and casualty insurance companies in the United States with respect to such claims for windshield replacement.[77] Petitioners contended, however, that the majority of auto glass claims are satisfied by the policy holder's preferred shop, not a shop suggested by the auto glass replacement service provider.[78]

While most domestic producers of ARG windshields also produce OEM windshields, we note that demand for OEM windshields differs from that of ARG windshields. Demand for OEM windshields is almost entirely driven by the demand for new vehicles whereas demand for ARG windshields is driven by such factors as the number of vehicles on the road, miles driven, vehicle age, and weather.

There has been increasing vertical integration in the domestic industry over the investigation period. As a result of recent mergers and acquisitions, some domestic producers now operate at several levels of the ARG windshield production and distribution system, including wholesale distribution and retail glass installation shops. Thus, some domestic producers supply and compete with independent distributors for sales at both the wholesale and retail level. This vertical integration, along with increasing concentration, has contributed to the price competitiveness of this market.[79]

Windshield sales under insurance claims account for 56.2 percent of retail sales.[80] Several domestic producers have arrangements with insurance companies through which they administer claims including locating installers.[81] Insurance companies are aggressive in reducing costs, and there is no evidence that any particular supplier or country of origin windshield is preferred.[82]

The record indicates that subject imports from China and the domestic like product are highly substitutable.[83] While in the past Chinese ARG windshields were perceived to be of lower quality than domestically produced ARG windshields, in recent years this perception of lower quality has largely

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[73] Preliminary Confidential Report ("PCR") at II-12; Preliminary Public Report ("PPR") at II-6.

[74] CR/PR at Table IV-2. However, on a value basis, apparent domestic consumption declined from $649.5 million in 1998 to $605.6 million in 1999, and then increased to $618.3 million in 2000; apparent domestic consumption in interim 2000 was $480.0 million compared to $519.0 million in interim 2001. Id.

[75] PCR at II-8; PPR at II-4; Conference Tr. at 54 (Tann); PCR at II-13; PPR at II-7.

[76] PCR at II-2, II-7; PPR at II-1 to II-2, II-4.

[77] Conference Tr. at 54-55 (Tann); 103-104, 108-109 (Harris).

[78] Conf. Tr. at 13-16 (Jungbluth), 77-79 (Wiley); Petition at 30-32.

[79] Conf. Tr. at 13-14, 15-16 (Jungbluth); 77-79 (Wiley); Petition at 30-32.

[80] CR at II-7; PR at II-4.

[81] CR at II-7; PR at II-4.

[82] CR at II-8; PR at II-4.

[83] CR at II-15; PR at II-7; Conference Tr. at 43 (Chimka).

been eliminated, and subject imports from China are now viewed as substitutable for the domestic like product.[84] [85]

Finally, nonsubject imports declined over the period of investigation, both by quantity and by value.[86] [87]

B. Volume of Subject Imports

Section 771(7)(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[88]

The volume of subject ARG windshields imported from China increased dramatically throughout the period of investigation from 481,393 units in 1998 to 1,089,278 units in 1999, and 1,808,630 units in 2000; subject imports were 1,217,620 units in interim 2000 compared to 1,680,646 units in interim 2001.[89] Thus, the volume increased 275.7 percent between 1998 and 2000.[90]

The market penetration of subject imports also increased during the period of investigation.[91] Subject import market penetration, measured by quantity, increased from 4.0 percent in 1998 to 8.8

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[84] CR at II-15; PR at II-7; Conference Tr. at 38-39 (Chimka); 62-63 (Tann); 63 (Jungbluth); 72 (Anderson).

[85] Commissioner Bragg notes that domestic producers AFG Industries, Guardian, Pilkington, and Visteon produce both ARG and OEM windshields whereas AP Technoglass, the DaimlerChrysler Corp., Carlex and a few smaller producers primarily produce OEM windshields. Safelite is the only company that produces exclusively ARG windshields. CR at II-1; PR II-1. Viracon/Curvelite produces primarily for the ARG windshield market but also produces OEM windshields for busses and recreational windshields. There are many importers of subject and nonsubject products (primarily from Canada and Mexico), as well as independent wholesalers and retailers. CR at II-1; PR II-1.

[86] Nonsubject imports increased in quantity from 5,368,130 units in 1998 to 5,514,042 units in 1999, then decreased to 5,202,413 units in 2000; nonsubject imports were 4,024,712 units in interim 2000 compared to 3,948,530 units in interim 2001. By value, nonsubject imports declined from $212.3 million in 1998 to $207.3 million in 1999 and $200.4 million in 2000; nonsubject imports were $155.5 million in interim 2000 compared to $164.0 million in interim 2001. By value, the market share of nonsubject imports decreased from 32.7 percent in 1998 to 34.2 percent in 1999 and 32.4 percent in 2000. CR/PR at Tables IV-1 to IV-2.

[87] Petitioners argued for the inclusion of imports from Hong Kong in the Commission's analysis of subject import volume alleging that these imports are of Chinese origin. However, Commerce has not addressed transshipments and the United States Customs Service's country of origin designation does not identify imports from Hong Kong as being originally from China. We find that the record does not contain sufficient evidence to support an independent determination of transshipment. Therefore, we include imports from Hong Kong in our discussion and analysis of nonsubject imports. We note, however, that imports from Hong Kong were relatively insignificant during the period of investigation and would not have affected our ultimate injury determination had we decided to treat them as subject imports.

[88] 19 U.S.C. § 1677(7)(C)(i).

[89] CR/PR at Table IV-1.

[90] CR/PR at Tables IV-1, C-1.

[91] Commissioner Bragg finds that when measured against her broader like product definition, both the absolute volume of subject imports and the increase in that volume relative to apparent domestic consumption, are significant. *See* CR/PR at Table C-2.

percent in 1999, and to 14.3 percent in 2000. Subject import market penetration was higher in interim 2001, when it was 16.6 percent, than in interim 2000, when it was 12.5 percent.[92]

The domestic industry lost market share to subject imports from China. Domestic producers' market share, measured by quantity, decreased from 51.0 percent in 1998 to 46.4 percent in 1999, and to 44.4 percent in 2000. The domestic industry's market share was lower in interim 2001, at 44.5 percent, than in interim 2000, when it was 46.1 percent.[93] The market share of nonsubject imports also decreased, from 44.9 percent in 1998 to 41.3 percent in 2000.[94]

We consequently find the absolute volume of subject imports, and the increase in that volume relative to apparent domestic consumption, to be significant.

C. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[95]

As noted above, the domestic product and subject imports are highly substitutable, and price is an important factor in purchasing decisions.[96] While quality is also an important factor in purchasing decisions, contract bids are generally solicited from suppliers whose quality and reliability have already been established, making price and volume the focal point of contract negotiations.[97] For instance, some purchasers reported that they require potential suppliers to pass certain qualification procedures to assure that quality standards are met before they will enter into contract negotiations with them.[98] Some purchasers reported disqualifying certain suppliers because of poor quality.[99] Also, domestic producers and purchasers reported that most insurance companies, although not direct purchasers of windshields, want the lowest price regardless of brand or country of origin and that insurance companies are aggressive in reducing costs.[100] [101]

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[92] CR/PR at Table IV-2.

[93] CR/PR at Table IV-2.

[94] CR/PR at Table IV-2.

[95] 19 U.S.C. § 1677(7)(C)(ii).

[96] Purchasers reported that quality and price are the most important factors in choosing a supplier. CR/PR Table II-3.

[97] CR at II-19; PR at II-10.

[98] CR at II-19; PR at II- II-10

[99] CR at II-19; PR at II-10.

[100] CR at II-8; PR at II-4.

[101] Commissioner Bragg notes that although quality is important, during contract negotiations quality has already been established and price is the most important factor.

In the preliminary phase of the investigation the Commission noted that in the final investigation it would collect pricing data covering a broader product range than it did during the preliminary phase.[102] Thus, in the final phase of the investigation the Commission asked the parties to comment on how the Commission could best collect and analyze pricing data in order to cover a fair and accurate cross section of the ARG windshield market. Because of the large number of product types and wide disparity in prices between those products, the parties acknowledged that aggregate industry-wide pricing data would be of limited probative value in making direct price comparisons. Therefore, at petitioners' and respondents' suggestion, the Commission gathered pricing information on a representative sample of eight different ARG windshield model numbers.[103] According to the parties, these model numbers accounted for some of the largest volume sales of ARG windshields during the period of investigation and are a fairly representative sample of the market for ARG windshields.[104]

The Commission requested that U.S. producers, importers, and purchasers of ARG windshields provide quarterly data for the total delivered quantity and value of ARG windshield transactions to unrelated parties in the U.S. market.[105] Data were requested from January 1998 to September 2001 for producers and importers and from January 1999 to September 2001 for purchasers.[106]

For domestic producers, prices for ARG windshields fluctuated sharply downward throughout most of the investigation period.[107] While some of this decline may be attributable to expanded supply of particular ARG windshields as more companies produce them,[108] we note that prices dropped even for products for which quarterly volumes remained relatively stable and also when quarterly volumes showed increases.[109] These price decreases were occurring as the Chinese product was increasing its presence in the market at price levels well below those of the domestic windshields, thereby depressing the domestic prices.

Product-specific domestic producer and importer pricing data indicate frequent and substantial underselling by subject merchandise over the period of investigation. Subject imports undersold the domestic like product in all but five quarters. For the seven pricing products for which there were comparisons between the subject merchandise and the domestic like product, the underselling margins ranged from 0.7 to 67.5 percent.[110]

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[102] Preliminary Determination at 15.

[103] CR at V-5; PR at V-3 to V-4.

[104] See generally, Comments to draft Questionnaires filed September 10, 2001.

[105] Respondents argued that data should be gathered at the retail level instead of at the first unrelated sale level. The Commission practice has consistently been to gather pricing data, whenever practicable, at the first unrelated sale level. Although some importers may be integrated all the way down to the retail level and some U.S.-produced ARG windshields are sold through related parties at the retail level, many transactions still occur at the unrelated wholesale or distribution level. CR at V-5 n.9; PR at V-3 n.9. Thus, we find that the record evidence does not support deviation from our prior established practice.

[106] CR at V-5; PR at V-3.

[107] CR at Tables V-1 - V-8.

[108] CR at V-19, n. 12.

[109] See, for example, Table V-3.

[110] Underselling margins ranged from 17.5 to 44.1 percent for product 1 over 11 quarters; from 26.9 to 67.5 percent for product 2 over 15 quarters; from 9.9 to 52.1 percent for product 4 over 15 quarters; from 1.0 to 36.0 percent for product 6 over 11 quarters; from 12.3 to 54.1 for product 7 over 15 quarters; from 10.8 to 53.9 percent for product 8 over 15 quarters; from 0.7 to 32.2 percent for product 9 over 15 quarters; and from 23.2 to 39.1 percent for product 11 over 11 quarters. CR/PR at Tables V-1 to V-8.

Purchaser pricing data also show consistent and pervasive underselling by subject imports. Subject imports from China undersold the domestic like product in 75 out of 88 quarters observed. Margins of underselling ranged from 1.5 to 68.2 percent.[111]

In light of the importance of price in purchasing decisions and the significant and increasing volume and market share of subject imports during the period of investigation, we find the underselling indicated by the pricing data to be significant. We also find that increased volumes of lower priced and substitutable subject imports depressed domestic prices to a significant degree.[112]

Respondents argued that price declines in the domestic ARG market during the period of investigation were largely due to the "product life cycle" effect.[113] However, we find that the record does not suggest that product life cycle effects played an important role in domestic price declines during the period of investigation. First, respondents were unable to substantiate their argument with any quantifiable pricing data. Although domestic industry representatives did agree that prices may decline to certain plateaus over the product life span,[114] petitioners refuted the basic premise of respondents' argument. They stated that the information relied on by respondents was in reference to a division of Apogee that does not produce ARG windshields.[115] We, therefore, cannot conclude that the price declines in this market over the period of investigation are explained to any significant degree by any product life cycle effect.

Respondents also claim that domestic ARG producers that also produce OEM windshields are able to sell their windshields at a substantial premium compared with the lower-priced Safelite (the only domestic ARG producer that does not produce OEM) windshields and subject imports from China. Respondents contend that the large price disparities between subject imports and the domestic like product can be explained by this price premium because domestic producers can market their windshields as manufactured by an "original equipment manufacturer." Evidence on the record does not support this argument. When Safelite's reported prices are compared to prices of subject imports from China, the imported Chinese product also undersold Safelite's reported prices in every quarter for which comparable data were reported.[116] Moreover, Safelite's reported truckload prices were *** domestic producers' prices *** percent of the time, even though Safelite cannot market its windshields as manufactured by an "original equipment manufacturer."[117]

We have also considered Respondents' contention that vertical integration in the domestic industry insulates it from foreign price competition. As indicated earlier, the record shows that the domestic industry has become increasingly vertically integrated as some domestic producers became

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[111] CR/PR Table V-11 to V-18.

[112] Commissioner Bragg notes that there were no sales of subject merchandise for OEM applications and thus price comparisons involving domestic OEM windshields are not possible. Commissioner Bragg further notes that the decline in average unit values for the domestic like product, as she has defined it (*see* n.15), is consistent with record evidence that significant volumes of subject imports served to depress prices for the domestic like product to a significant degree. *See* CR/PR at Table C-2.

[113] CR at V-19; PR at V-7. "As discussed in our prehearing brief, nominal prices declined over time for specific windshield specifications. But these are not necessarily indicative of adverse trends or adverse effects. As reported by Apogee in its SEC form 10Ks, prices for specific windshield models were generally characterized by declines over the product life cycles as new windshields and refinements and enhancements to older windshields are introduced." Hearing Tr. at 185-186 (Klett).

[114] Hearing Tr. at 112.

[115] Petitioners' Posthearing Brief at Okun-9-11.

[116] CR/PR App E; CR at V-20 to V-21; PR at V-7 to V-8.

[117] CR at V-21; PR at V-8.

involved at the wholesale distribution and retail outlet levels, some produced their own float glass, and several domestic producers merged or formed other relationships with other players in the market, including insurance companies.[118] Further, information collected in this final phase of the investigation about vertical arrangements and the role of insurance companies, does not confirm respondents' arguments that these arrangements curtailed competition from independent distributors. Only three out of fifteen purchasers agreed with this allegation,[119] and record data showed ***.[120] There is no indication that vertical integration or insurance company arrangements influence the purchasing decisions of retailers, or otherwise prevent retailers from buying Chinese ARG windshields.[121]

Additionally, we find that while vertical integration by domestic producers is a significant condition of competition in this market, it does not insulate the domestic industry from foreign price competition to any measurable degree. For instance, one would not expect an insulated domestic industry to lose market share to subject imports, as the domestic industry did during the period of investigation. Moreover, the domestic industry's volume, value, and average unit values of transfers to related firms decreased during the period of review, as did its volume, value, and average unit values of commercial sales.[122]

Therefore, we find, based primarily on the evidence of declining price trends and significant underselling by subject imports, and the high degree of substitutability between the domestic like product and subject imports, that subject imports have significantly depressed prices and that subject imports are having significant negative price effects on the domestic like product.

D. Impact of the Subject Imports

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.[123] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor

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[118] In the preliminary phase of this investigation, we indicated that we would examine the significance of these trends in any final phase investigation. We attempted to collect additional information on this issue, including the collection of additional information about vertical arrangements, sending questionnaires to insurance companies, and asking for additional information at the hearing.

[119] See, e.g., CR at II-2 to II-3; PR at II-1 to II-2.

[120] See, e.g., Petitioners' Posthearing Brief at Answers to Commissioner Hillman's Questions at 1-3.

[121] The statute directs the Commission to examine the condition of the domestic industry as a whole, e.g., 19 U.S.C. §§ 1673d(b) 1677(4)(A); see also, e.g., Sandvik AB v. United States, 721 F. Supp. 1322, 1330 (Ct. Int'l Trade 1989) ("there is no basis" for a firm by firm analysis of the condition of the domestic industry due to the statute's admonition to determine whether the domestic industry "as a whole" is materially injured by subject imports."), aff'd, 904 F.2d 46 (Fed. Cir. 1990). Nevertheless, respondents raised a number of data problems with respect to individual companies' reported information and argued such problems affected the Commission's analysis. In any event, an examination of the financial condition of each responding U.S. producer does not lend credence to respondents' argument. See, e.g., Mem. INV-Z-026 (Mar. 6, 2002).

[122] CR/PR Table VI-1.

[123] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[124] [125] [126]

The domestic industry's condition declined between 1998 and 2000, as reflected by virtually all domestic industry performance indicators. The domestic industry's production levels and the quantity and value of its U.S. shipments decreased between 1998 and 2000.[127] During this time, domestic ARG production capacity and capacity utilization also declined.[128] The number of production workers, hours worked, and wages paid each declined from 1998 to 2000.[129] Domestic producers' end-of-period ARG inventories fluctuated during the period of investigation but accounted for an increasingly larger ratio of

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[124] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386 and 731-TA-812 to 813 (Prelim.), USITC Pub. 3155 (Feb. 1999) at 25, n.148.

[125] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its amended final antidumping determination, Commerce found the following weighted average margins: FYG 11.80; Xinyi 3.71; Benxun 9.84; Changchun 9.84; Guilin 9.84; Wuhan 9.84; TCGI 9.84; China-wide 124.50. 67 Fed. Reg. at 6484 (Feb. 12, 2002).

[126] Commissioner Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on the domestic producers. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996); Anhydrous Sodium Sulfate from Canada, Inv. No. 731-TA-884 (Prelim.), USITC Pub. 3345 (Sept. 2000) at 11, n.63.

[127] ARG production declined from 6.4 million units in 1998 to 6.3 million units in 1999 and to 6.1 million units in 2000, a 4.6-percent decline. Production was lower in interim 2001, at 4.5 million units, than it was in interim 2000, when it was 4.7 million units. See, e.g., CR/PR at Table III-1. The quantity of the domestic industry's U.S. ARG shipments declined from 6.1 million units in 1998 to 5.6 million units in 2000, a decline of 8.0 percent. The quantity of U.S. shipments was higher in interim 2001, at 4.51 million units, than it was in interim 2000, when it was 4.48 million units. See, e.g., CR/PR at Table III-1. The value of the domestic industry's U.S. shipments declined from $417.2 million in 1998 to $365.5 million in 2000, a decline of 12.4 percent. The $300.8 million in U.S. shipments in interim 2001 was more than the $287.1 million in U.S. shipments in interim 2000. See, e.g., CR/PR at Table III-1.

[128] Domestic production capacity declined from 8.6 million units in 1998 to 8.0 million units in 2000, a decline of 3.3 percent. Capacity was higher in interim 2001, when it was 7.0 million units, than in interim 2000, when it was 6.3 million units. See, e.g., CR/PR at Table III-1. Capacity utilization fluctuated during the period of investigation, increasing from 74.4 percent in 1998 to 78.2 percent in 1999, and then decreasing to 73.4 percent in 2000. Capacity utilization was lower in interim 2001, at 64.7 percent, than in interim 2000, when it was 74.8 percent. See, e.g., CR/PR at Table III-1. Two domestic producers, Amilite Corp./dba Premier Autoglass Corp. and Calwin/AKG Industries, ceased production of ARG windshields. CR at III-1 n.2; PR at III-1. ***. CR at III-2; PR at II-2.

[129] The number of production and related workers declined from 1,967 in 1998 to 1,837 in 2000. The 1,885 production and related workers in interim 2001 were more than the 1,807 workers in interim 2000. Hours worked declined from 2,795 in 1998 to 2,506 in 2000, and the 1,859 hours worked in interim 2001were more than the 1,826 hours worked in interim 2000. Wages paid declined from $52.6 million in 1998 to $47.8 million in 2000, but were higher in interim 2001, at $39.0 million, than in interim 2000, when they were $37.0 million. CR/PR at Table III-1. On the other hand, some employment indicators improved during the period of investigation. Hourly wages increased from $18.81 in 1998 to $19.15 in 2000, and hourly wages in interim 2001 of $21.00 were higher than in interim 2000, at $20.27. Productivity increased from 1.96 units per hour in 1998 to 2.13 units per hour in 2000, although productivity in interim 2001 of 2.15 units per hour was lower than in interim 2000 of 2.25 units per hour. CR/PR at Table III-1.

total domestic shipments over time.[130] These declines occurred during a period of increasing apparent domestic consumption.[131] While the subject imports were increasing in both quantity and market penetration, the domestic industry's market share declined from 51.0 percent in 1998 to 44.4 percent in 2000.[132]

Domestic producers' per unit cost of goods sold generally decreased during the period of investigation, declining from $41.69 in 1998 to $40.11 in 2000.[133] The domestic industry's unit net sales value declined from $67.63 in 1998 to $64.73 in 2000.[134] Operating income as a share of net sales declined from 8.7 percent in 1998 to 1.3 percent in 1999, before recovering somewhat to 3.1 percent in 2000.[135] Although research and development expenses increased from $*** in 1998 to $*** in 2000, capital expenditures declined from $*** in 1998 to $*** in 2000.[136] [137] The decreased volume, market share, and revenue of the domestic industry contrast with the substantially increased volume of significantly lower-priced imports that have obtained a significant and growing share of the market, at the domestic industry's expense.

The record indicates limited improvement in certain financial indicators between 1999 and 2000,[138] and in performance indicators between interim 2000 and interim 2001. While we recognize that these improvements occurred as subject imports continued to increase, the domestic producers argued that some of these apparent improvements are due to the fact that subject imports induced domestic producers to cut costs and/or change their product mix towards production of the higher-end, ARG windshields, such as those for SUVs and minivans, which are larger, cost more, and have higher profit

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[130] End-of-period inventories were 2.1 million units in 1998, 2.0 million units in 1999, 2.3 million units in 2000, 2.0 million units in interim 2000, and 2.0 million units in interim 2001. The ratio of inventories to total domestic shipments was 33.3 percent in 1998, 34.6 percent in 1999, 39.4 percent in 2000, 32.1 percent in interim 2000, and 33.0 percent in interim 2001. CR/PR at Table III-1.

[131] Apparent domestic consumption increased from 11.9 million units in 1998 to 12.6 million units in 2000; apparent domestic consumption in interim 2001 was 10.1 million units compared to 9.7 million units in interim 2001. CR/PR at Table IV-2.

[132] CR/PR at Table IV-2. The domestic industry's market share was slightly lower in interim 2001, at 44.5 percent, than it was in interim 2000, when it was 46.1 percent. Id.

[133] CR/PR at Table VI-1.

[134] CR/PR at Table VI-1. Unit net sales declined from 6.2 million units in 1998 to 5.6 million units in 2000.

[135] Industry operating income declined from $36.6 million in 1998 to $4.9 million in 1999 and then increased to $11.3 million in 2000; operating income in interim 2001 at $13.4 million was lower than in interim 2000 when it was $15.8 million. Operating income as a ratio of net sales declined from 8.7 percent in 1998 to 1.3 percent in 1999 then increased to 3.1 percent in 2000; the ratio in interim 2001 (4.4 percent) was lower than in interim 2000 (5.4 percent). CR/PR at Table VI-1.

[136] CR/PR at Table VI-3.

[137] Domestic producers also reported a number of other negative effects from subject imports on their firms' growth, investments, ability to raise capital, and/or development and production efforts. CR/PR at Appendix E. Safelite filed a voluntary petition under chapter 11 of the Federal Bankruptcy Code on June 9, 2000 as part of a pre-arranged plan to restructure its debt. See, e.g., CR at VI-3 n.4; PR at VI-1; Petitioners' Posthearing Brief at Ex. 16.

[138] CR/PR Table VI-3.

margins.[139] Furthermore, the improved operating income and margin still show an industry performing substantially worse than in the beginning of the investigation period.

The significant increase in the volume of subject imports both absolutely and relative to apparent domestic consumption combined with the significant underselling and price-depressing effects of subject imports resulted in overall declines in most domestic industry performance indicators, the departure of two domestic producers from the industry, the closures of production facilities, and the bankruptcy of another producer. We accordingly find that the subject imports are having a significant adverse impact on the domestic industry.[140]

E. Critical Circumstances

Because Commerce made affirmative critical circumstances determinations with respect to certain imports of ARG windshields from China, and given our respective determinations that a domestic industry is materially injured by reason of the volume of subject imports, we must further determine "whether the imports subject to the affirmative [Commerce critical circumstances] determination . . . are likely to undermine seriously the remedial effect of the antidumping order to be issued."[141] The URAA SAA indicates that the Commission is to determine "whether, by massively increasing imports prior to

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[139] Petitioners' Final Comments at 10; Testimony of Safelite (recovery by going to lower volume higher margin). See, e.g., CR at VI-6; PR at V-1; Petitioner's Final Comments at 10; Hearing Tr. at 57, 211 (indicating that only in the last three months had the Chinese started supplying ARG windshields for the Chevy Suburban DW1217, which domestic producers had supplied until then). We note that the domestic industry's unit cost of goods sold in interim 2001 is 4.6 percent higher than in interim 2000 whereas unit cost of goods sold had fallen between 1998 and 1999 and between 1999 and 2000. Likewise, the domestic industry's unit net sales value in interim 2001 was 4.3 percent higher than in interim 2000 whereas unit net sales value had fallen 5.6 percent between 1998 and 1999 and was only 1.4 percent higher in 2000 than in 1999. CR/PR at Table C-1.

[140] Given her definition of the domestic like product and the domestic industry, Commissioner Bragg notes that inclusion of domestic OEM windshield production does not substantially alter the trends displayed in the data relied upon by the majority to assess the impact of subject imports, or the conclusions reached. Indeed, the record indicates that as the volume of significantly lower-priced subject imports captured increasing market share from domestic producers of ARG and OEM windshields, the financial performance of the domestic industry continuously deteriorated throughout the period of investigation. In particular, domestic production, capacity utilization, U.S. shipments, number of production workers, net sales, and capital expenditures each declined significantly; in addition, operating margins decreased from 8.2 percent in 1998 to -0.3 percent in 2000, and decreased between interim periods. CR/PR at Table C-2. Moreover, four domestic producers operated with losses in 2000, and two additional domestic producers ceased production of ARG windshields during the period of investigation. Domestic producer questionnaires; INV-Z-032; CR at III-1 n.2, PR at III-1; Tr. at 93-95 (Petitioners' response to question posed by Commissioner Bragg). Consequently, Commissioner Bragg concurs that subject imports are having a significant adverse impact on the domestic industry she has defined (see n. 15).

[141] 19 U.S.C. § 1673d(b)(4)(A)(i)(emphasis added). The statute further provides that in making this determination:

the Commission shall consider, among other factors it considers relevant--

(I) the timing and volume of the imports,

(II) a rapid increase in inventories of the imports, and

(III) any other circumstances indicating that the remedial effect of the antidumping order will be seriously undermined.

19 U.S.C. § 1673d(b)(4)(A)(ii).

the effective date of the relief, the importers have seriously undermined the remedial effect of the order."[142]

In its final determinations, Commerce made affirmative findings of critical circumstances with respect to the "all others" category of nonresponding producers and exporters of ARG windshields from China.[143]

Consistent with Commission practice, in considering the timing and volume of imports, we have compared import quantities prior to filing of the petition with those subsequent to the filing of the petition.[144] The record contains monthly export data for the firms subject to the affirmative Commerce critical circumstances determinations. We have examined the data included in the six-month periods before and after the filing of the petitions.

Petitioners are not pursuing critical circumstances because the share of subject imports for which Commerce made an affirmative critical circumstances finding is ***.[145] Similarly, we determine that imports of ARG windshields subject to affirmative critical circumstances findings by Commerce will not seriously undermine the remedial effect of the antidumping orders as both the level of subject imports and importers' inventory levels were lower in the months after the filing of the petition and were very small relative to the volume of ARG windshields from China not subject to critical circumstances.[146]

Accordingly, we make negative critical circumstances determinations concerning those imports of ARG windshields from China that are subject to final affirmative critical circumstances findings by Commerce.

CONCLUSION

For the foregoing reasons, we determine that an industry in the United States is materially injured by reason of subject imports of ARG windshields from China that Commerce found to be sold at less than fair value in the U.S. market.

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[142] SAA at 877.

[143] 66 Fed. Reg. 6482 (Feb. 12, 2002).

[144] See Certain Preserved Mushrooms from China, India, and Indonesia, Invs. Nos. 731-TA-777-779 (Final), USITC Pub. 3159 (Feb. 1999) at 24 (Views of Vice Chairman Miller and Commissioners Hillman and Koplan), 28 (Views of Chairman Bragg and Commissioners Crawford and Askey); Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 at 19 (April 1997).

[145] Petitioners' Posthearing Brief at appendix Bragg-3.

[146] CR/PR Table IV-3.

DISSENTING VIEWS OF VICE CHAIRMAN DEANNA TANNER OKUN AND JENNIFER A. HILLMAN

Based on the record in this investigation, we find that an industry in the United States is not materially injured or threatened with material injury by reason of imports of automotive glass replacement ("ARG") windshields from China that the U.S. Department of Commerce ("Commerce") found were sold in the United States at less than fair value ("LTFV").[1]

I. NO MATERIAL INJURY BY REASON OF LESS THAN FAIR VALUE IMPORTS

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the imports under investigation.[2] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[3] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[4] In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[5] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[6]

For the reasons discussed below, we determine that the domestic ARG windshield industry is not materially injured by reason of subject imports from China that are sold in the United States at less than fair value.

A. Conditions of Competition[7]

Several conditions of competition are pertinent to our analysis.

1. Demand / Major Market Segment

Domestic producers, importers and purchasers agree that the demand for ARG windshields is primarily determined by the number of vehicles on the road, the number of miles driven, vehicle age, and weather. Since the 1990s, motor vehicle use and the average age of vehicles on the road has been

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[1] There is no issue in this investigation regarding whether there is a reasonable indication that a domestic industry is materially retarded by reason of subject imports.

[2] 19 U.S.C. § 1673d(b).

[3] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[4] 19 U.S.C. § 1677(7)(A).

[5] 19 U.S.C. § 1677(7)(C)(iii).

[6] Id.

[7] Based on our definition of ARG windshields as the domestic like product in these investigations, we find that Chinese subject imports exceeded the three percent statutory negligibility threshold during the pertinent period. CR/PR at Table IV-1; 19 U.S.C. § 1677(24). Accordingly, we conclude that Chinese subject imports are not negligible.

increasing, and has led to a steady increase in the consumption of ARG windshields.[8] Apparent domestic consumption of ARG windshields increased from 11,939,656 units in 1998, to 12,314,872 units in 1999, and 12,612,138 units in 2000; apparent domestic consumption in interim 2000 was 9,718,883 units compared to 10,137,666 units in interim 2001.[9] [10]

A major segment of the ARG windshield market (approximately 56.2 percent, but perhaps up to 70 percent) is related to claims by insured motorists for windshield replacement.[11] Many of the domestic producers act as third-party administrators for certain property and casualty insurance companies in the United States with respect to such claims for windshield replacement.[12] Based on limited data, the record reflects a significant portion of these claims are directed toward related installers.[13]

While most domestic producers of ARG windshields also produce OEM windshields, we note that demand for OEM windshields differs from that of ARG windshields. Demand for OEM windshields is almost entirely driven by the demand for new vehicles whereas, as noted above, demand for ARG windshields is driven by such factors as the number of vehicles on the road, the number of miles driven, vehicle age, and weather.

2. Domestic Industry / Supply

Domestic producers AFG Industries, Guardian, Pilkington, PPG and Visteon produce both ARG and OEM windshields whereas AP Technoglass, the DaimlerChrysler Corp., Carlex and a few smaller producers primarily produce OEM windshields. Safelite and Viracon/Curvlite produce almost

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[8] Confidential Staff Report ("CR") at II-12, Public Staff Report ("PR") at II-6.

[9] CR/PR at Table IV-2. However, on a value basis, apparent domestic consumption declined from $649.5 million in 1998 to $605.6 million in 1999, and then increased to $618.3 million in 2000; apparent domestic consumption in interim 2000 was $480.0 million compared to $519.0 million in interim 2001. Id.

[10] There is evidence in the record that some domestic producers have advertised windshield repair as an alternative to windshield replacement, and that windshield repair has increased. (We note that some purchasers reported that windshield repair is only feasible for limited types of windshield damage). CR at II-13, PR at II-7; Transcript of Staff Conference ("Conference Tr.") at 54 (testimony of Mr. Tann).) However, the Commission lacks data concerning windshield repair. While the increase in apparent domestic consumption appears to weigh against concluding that windshield repair has diminished demand for windshield replacement, without windshield repair data, it is impossible to conclude how much impact this has had on windshield replacement demand.

[11] This figure is based on responses of purchasers that had retail sales. Producers and distributors generally reported that they did not know the share of their sales that were related to insurance claims. CR at II-7, PR at II-4. The actual share could be as much as 70 percent of the market. Conference Tr. at 107-108 (testimony of Mr. Harris); see also Safelite Glass Corp. SEC Form 10-K for FY 1999 at 1 (attached to FYG's Prehearing Brief at exhibit 12) ("Safelite has targeted its marketing efforts principally towards auto insurance companies which management believes, through their policyholders, directly or indirectly influence approximately 70% of the selections of automotive glass replacement and repair providers").

[12] Conference Tr. at 54-55 (testimony of Mr. Tann); 103-104, 107-109 (testimony of Mr. Harris).

[13] Transcript of Hearing ("Hearing Tr.") at 132-34 (testimony of Mr. Pearson) ("In some situations, that allocation goes to Safelite because of a pricing advantage that we provide to the insurance company"); Petitioners' Posthearing Brief at Miller-8. The table gives the percentage of claims distributed to Safelite stores for five insurance companies. While this shows that *** claims for certain insurance companies (***) are directed toward related installers (*** percent and *** percent, respectively), the table provides no data concerning the quantity of claims, which could be significant for the larger insurance companies.

exclusively ARG windshields. There are many importers of subject and nonsubject products (primarily from Canada and Mexico), as well as independent wholesalers and retailers.[14]

The record indicates that domestic producers of both ARG and OEM windshields shift production between ARG to OEM windshields based on demand and OEM contractual obligations.[15] Indeed, domestic producer *** shifted production away from ARG windshields to OEM production during the period of investigation.[16] However, because of a high level of competition for OEM contracts and additional certification requirements by automotive OEMs, it may be easier to shift from producing for the OEM windshield market to producing for the ARG windshield market than vice versa.[17]

The record also indicates that domestic producers recently have had some difficulty supplying the market because of increased consolidation and the switch by some domestic producers to manufacture mainly for the OEM market.[18] A purchaser stated that *** and *** had put it on allocation in the summer of 2000.[19] This is partially confirmed by the fact that two domestic producers stated that they had to place customers on allocation because of ***.[20]

3. Vertical Integration

There has been increasing vertical integration in the domestic industry during the period of investigation. As a result of recent mergers and acquisitions, some domestic producers now operate at several levels of the ARG windshield production and distribution system, including wholesale distribution and retail glass installation shops.[21] Thus, an increasing number of domestic producers supply and compete with independent distributors for sales at both the wholesale and retail level.[22]

4. Substitutability

The record indicates that subject imports from China and the domestic like product are highly substitutable.[23] While in the past Chinese ARG windshields were perceived to be of lower quality than domestically produced ARG windshields, in recent years this perception of lower quality has largely been eliminated, and subject imports from China are now viewed as substitutable for the domestic like

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[14] CR at II-1, PR at II-1.

[15] CR at II-10, PR at II-5; Hearing Tr. at 23 (testimony of Mr. Dumbris), at 160-161 (testimony of Mr. Skidmore).

[16] *** is contractually obligated to produce OEM windshields for ***. CR/PR at Table III-2; CR at II-6, PR at II-3; *** Questionnaire Response at Question II-3, II-4.

[17] CR at II-10, PR at II-5.

[18] CR at II-11, PR at II-5 - II-6; Hearing Tr. at 164 (testimony of Mr. Topping), at 172 (testimony of Mr. Fennel). In its questionnaire response, *** stated that *** stopped selling ARG windshields to them because it had switched to the OEM market. *** Questionnaire Response. Moreover, as discussed above, *** also has shifted resources from ARG production to OEM production.

[19] *** Questionnaire Response.

[20] *** Questionnaire Response; *** Questionnaire Response.

[21] CR at II-1 - II-2, PR at II-1. Indeed, during the period of investigation, domestic producers reported that approximately 31 percent to *** percent of U.S. shipments are to related parties. Id.

[22] Conference Tr. at 13-14, 15-16 (testimony of Mr. Jungbluth); 77-79 (testimony of Mr. Wiley).

[23] CR at II-15, PR at II-7; Conference Tr. at 43 (testimony of Mr. Chimka).

product.[24] However, as the domestic industry has achieved greater vertical integration down to the retail level during the period of investigation, the importance of substitutability has diminished.

5. Price-Competitive Market

The ARG market is price competitive because there are numerous suppliers of ARG windshields, a significant portion of the market is supplied by nonsubject imports, and the insurance companies use their market position to leverage lower prices.[25] The available information in the record suggests that purchasing decisions are made largely on the basis of price.[26] Although concentration has increased in the U.S. windshield market and distribution system in recent years, domestic competitors and importers limit large domestic producers' ability to influence market prices.[27] Moreover, petitioners report that in the last few years, "the automotive replacement windshield installation industry has been going through a consolidation as smaller operators are unable to compete effectively with the larger, diversified companies. This has greatly increased the downward pressure on prices for ARG windshields at the wholesale level."[28]

6. Nonsubject Imports

Finally, while nonsubject imports declined over the period examined, both by quantity and by value, they were a significant part of the market, holding market share similar to that of the domestic industry.[29] Nonsubject imports increased in quantity from 5,368,130 units in 1998 to 5,514,042 units in 1999 then decreased to 5,202,413 units in 2000; nonsubject imports were 4,024,712 units in interim 2000 compared to 3,948,530 units in interim 2001.[30] By value, nonsubject imports declined from $212.3

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[24] CR at II-15, PR at II-7; Conference Tr. at 38-39 (testimony of Mr. Chimka); 62-63 (testimony of Mr. Tann); 63 (testimony of Mr. Jungbluth); 72 (testimony of Mr. Anderson).

[25] CR at II-8, PR at II-4. Domestic producers and purchasers reported that most insurance companies want the lowest price regardless of brand or country of origin and that insurance companies are aggressive in reducing costs. The record indicates that insurance companies tell retailers/installers what they can charge, which forces retailers to seek lower prices from distributors or manufacturers. Id.

[26] CR at II-15, PR at II-7 - II-8; Conference Tr. at 14 (testimony of Mr. Jungbluth); 23 (testimony of Mr. Tann); 37-41 (testimony of Mr. Chimka); 148 (testimony of Mr. Dunnegan).

[27] CR at II-1, PR at II-1.

[28] Petition at 35-36.

[29] CR/PR at Table C-1.

[30] CR/PR at Table IV-1. Petitioners argued for the inclusion of imports from Hong Kong in the Commission's analysis of subject import volume on the basis that these imports are of Chinese origin. However, Commerce has not addressed whether to include transshipments in the scope of subject merchandise and the U.S. Customs Service's country of origin designation through Hong Kong does not identify imports from Hong Kong as being originally from China. Consistent with Congressional direction to respect Hong Kong's status as a separate customs territory, we have not assumed imports from Hong Kong to be imports from China for purposes of evaluating subject import volume. 22 U.S.C § 5712(3). Moreover, it has been the Commission's consistent practice to decline to make a determination regarding the country of origin of imports or regarding transshipments, where to do so would be inconsistent with the Customs Service's country of origin designation or with Commerce's definition of the scope of subject merchandise – unless Commerce has specifically included transshipments in the scope of subject merchandise or the Commission itself has obtained persuasive evidence that the imports have been transshipped. See Certain Stainless Steel Butt-Weld Pipe Fittings from Italy, Malaysia, and the Philippines, Invs.

(continued...)

million in 1998 to $207.3 million in 1999 and $200.4 million in 2000; nonsubject imports were $155.5 million in interim 2000 compared to $164.0 million in interim 2001.[31] By quantity, the market share of nonsubject imports was 44.9 percent in 1998 and 44.4 percent in 1999, then decreased to 41.3 percent in 2000; nonsubject imports' market share by quantity was 41.4 percent in interim 2000 compared to 38.9 percent in interim 2001.[32] By value, the market share of nonsubject imports decreased from 32.7 percent in 1998 to 34.2 percent in 1999 and 32.4 percent in 2000.[33]

B. Volume

Section 771(C)(I) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[34]

The volume of subject imports of ARG windshields from China increased 275.7 percent during 1998-2000, rising from 481,393 units to 1,808,630 units. Subject import volume was 38.0 percent higher in interim 2001 than in interim 2000, reaching 1,680,646 units.[35] As a share of apparent U.S. consumption (by volume), subject imports rose from 4.0 percent in 1998 to 14.3 percent in 2000, and were 16.6 percent in interim 2001 compared to 12.5 percent in interim 2000.[36] Consequently, we find the volume of subject imports, and the increase in that volume relative to apparent domestic consumption, to be significant.

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[37]

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[30] (...continued)
Nos. 731-TA865-867 (Final), USITC Pub. 3387 (January 2001) at 10-11, n. 64. Commerce did not include transshipments in its scope, and we find that the record does not contain sufficient evidence to support an independent determination of transshipment. Therefore, we include imports from Hong Kong in our discussion and analysis of nonsubject imports. We note, however, that imports from Hong Kong were relatively insignificant during the period of investigation and would not have affected our ultimate injury determination had we decided to treat them as subject imports.

[31] CR/PR at Table IV-1.

[32] CR/PR at Table C-1.

[33] Id.

[34] 19 U.S.C. § 1677(7)(C)(I).

[35] CR/PR at Table IV-1; CR/PR at Table C-1.

[36] CR/PR at Table IV-2.

[37] 19 U.S.C. § 1677(7)(C)(ii).

As noted above, the ARG windshield market is price competitive, with increasing concentration in the market during the period of investigation. The Commission's questionnaires identified eight specific ARG windshield products for comparison, representing *** percent of U.S. producers' shipments during the period of investigation.[38] Specific product price comparisons indicate extensive underselling by subject imports over the investigation period.[39] Petitioners, however, recognize that the extensive underselling by subject imports throughout the period of investigation in part, reflects the advantages U.S. producers posses in availability, delivery time, and less restrictive quantity requirements.[40] [41] [42] Nonetheless, based on the limited price comparisons in the record, we find the underselling by subject imports to be significant when viewed in isolation.

However, we do not find that the record indicates significant price suppression or depression from subject imports. Rather we find the declines in prices for the specific ARG windshield products are more attributable to product life cycles, increasing pricing pressure from the largest purchaser segment – the insurance industry – and the increasing consolidation of the automotive replacement windshield installation industry. Furthermore, the increasing vertical integration of several large domestic ARG windshield producers has helped to insulate the domestic industry from subject import competition.

Petitioners and respondents agree that ARG windshield prices naturally trend downward over time, and prices are highest when the specific ARG windshield is first introduced into the market.[43] All eight of the specific ARG windshields for which the Commission requested pricing data (1) are for vehicle models introduced from 1993 to 1998, (2) have been on the market for a long enough period of time to have significant competition in the ARG market, and (3) as noted above, represent a small share of the numerous ARG windshield products in the market.[44] Consistent with the record evidence, natural price declines from product life cycles likely have contributed to the price declines reported for these specific products.[45]

As noted above, the record also contains evidence of pricing pressure exerted by the insurance industry.[46] Apogee, the parent company of petitioner Viracon/Curvlite, stated that the ARG windshield market's pricing structure "has changed significantly in recent years as insurance companies seek volume pricing at discounted rates from historical levels . . . Consequently, margins have narrowed at the retail, wholesale and manufacturing levels . . . "[47] Pilkington, in 1999, noted ***.[48] Moreover, ***

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[38] Total shipments reported by U.S. producers for the eight products totaled *** units, or *** percent of commercial sales, during the period of investigation. See CR/PR at Tables V-1 thru V-8, and Table III-3.

[39] CR/PR at Tables V-1 thru V-8.

[40] Petitioners' Posthearing Brief at 5.

[41] CR/PR at Table II-5.

[42] The domestic product appears to have a large advantage in delivery time (nine out of 11 firms reporting). CR/PR at Table II-5. Indeed, one purchaser, ***, reported having to wait four to six months for delivery of Chinese product. CR at V-34, PR at V-11.

[43] Hearing Tr. at 112 (testimony of Mr. Miner), 179-180 and 235-236 (testimony of Mr. Carino). See also FYG Posthearing Brief at exhibit 3.

[44] CR at V-5, PR at V-3 - V-4; CR V-19, PR at V-6 - V-7.

[45] Id.; FYG Posthearing Brief at exhibit 3.

[46] At least 56.2 percent of windshield sales were to insured motorists. CR at II-7, PR at II-4.

[47] Apogee Enterprises, Inc. SEC Form 10-K for FY 2001 at 5 (attached to FYG's Prehearing Brief at exhibit 5).

[48] ***.

reported that *** insurance company dictated retailer prices, forcing retailers to obtain lower prices from ARG windshield distributors and manufacturers.[49]

Petitioners, however, argue that the presence of imports from China facilitated the ability of insurance companies to put downward pressure on prices.[50] The record does not support this theory. In its public SEC filings, Apogee reported that the insurance industry price pressure existed as far back as 1997, when the Chinese presence in the market was minimal.[51]

In addition, petitioners report that consolidation at the automotive replacement windshield installation level has placed downward pressure on prices.

> In the last few years, the automotive replacement windshield installation industry has been going through a consolidation as smaller operators are unable to compete effectively with the larger, diversified companies. This has greatly increased the downward pressure on prices for ARG windshields at the wholesale level.[52]

Moreover, during the period of investigation, an increasing share of the domestic industry's ARG windshield production was shielded from subject import price competition. Concentration in the domestic ARG market increased during the period as some U.S. producers enhanced their vertical integration. For example in 2000, the largest domestic producer, PPG ***. Under the agreement, PPG *** to distribution and retail markets for its ARG windshields through a large installer ***.[53]

Increased integration by several domestic producers resulted in an increasing share of total shipments being transferred to related firms, with increasing unit values, rather than competing with subject imports.[54] Indeed, U.S. producers' transfers to related firms increased from 32.2 percent of total domestic ARG windshield shipments during 1998 to *** percent in interim 2001.[55] On an absolute basis, related transfers were *** percent higher in 2001 (annualized) than in 1998.[56] Average unit values for related transfers increased *** percent, from $63.47 to *** during 1998-2000, and increased an additional *** percent, reaching ***, during interim 2001.[57] The shift toward higher-value related transfer shipments during the period of investigation provided increased insulation for the domestic industry from subject import pricing.

Therefore, we find that pricing declines are more attributable to product life cycles, increased pricing pressure from the insurance industry, and consolidation at the automotive replacement windshield installation level than to subject imports. Furthermore, an increasing shift by domestic producers toward higher-value related transfer shipments has helped to shield the domestic industry from subject import price competition.

Finally, the declines in prices for the selected ARG windshield products contrasts sharply with trends in average unit values for the aggregate like product and the domestic industry's profitability, particularly during the period of investigation when the volume and market share of subject imports was

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[49] CR at II-8, PR at II-4.

[50] Conference Tr. at 14 (testimony of Mr. Jungbluth); Hearing Tr. at 44 (testimony of Mr. Jungbluth).

[51] Apogee Enterprises, Inc. SEC Form 10-K for FY 1998 at 5 (attached to FYG's Prehearing Brief at exhibit 5).

[52] Petition at 35-36.

[53] CR at II-1, PR at II-1.

[54] CR/PR at Table III-3; CR/PR at Table VI-1.

[55] CR/PR at Table III-3.

[56] Id.

[57] Id.

greatest. The average unit values of U.S. producers' net sales declined 4.3 percent, from $67.63 to $64.73 during 1998-2000, then rebounded to $67.61 in interim 2001, reaching the 1998 level.[58] The domestic industry's profitability similarly improved, after declining sharply from 1998-1999.[59] Consequently, we do not place substantial weight on the declines in prices for the selected domestic products given the limited volume of such sales, nor subject import underselling amidst increased profitability and aggregate prices, as measured in average unit values, during the height of subject import volumes and market share.[60] [61]

In sum, while the record indicates declining domestic prices and extensive underselling by subject imports during the period of investigation, we do not find that subject imports have suppressed or depressed the prices for the domestic like product to a significant degree. Accordingly, we find that the subject imports have not had significant adverse effects on domestic prices during the period of investigation.

D. Impact of the Subject Imports

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[62] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered

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[58] CR/PR at Table VI-1.

[59] U.S. producers' operating income to net sales was 8.7 percent, 1.3 percent, and 3.1 percent during 1998-2000, and was 4.4 percent in interim 2001, compared with 5.4 percent during the same period in 2000. CR/PR at Table VI-1. We note that ***. CR at VI-3, PR at VI-1; CR/PR Table VI-2.

[60] We are mindful that average unit values in this investigation cover a large number of ARG windshield products, may reflect shifting product mixes and are not necessarily a proxy for actual prices. However, we find the increasing trend in average unit values, which likely reflects an increasing share of higher-value related transfers and continuing shifts by U.S. producers' to the newest product models are inconsistent with reported product specific price declines and alleged subject import price suppression or depression. CR/PR at Table III-3; Hearing Tr. at 137-143 (discussion related to the value-added features present now in ARG products); Apogee Enterprises, Inc. SEC Form 10-K for FY 2000 at 4 (attached to FYG's Prehearing Brief at exhibit 5) ("Viracon/Curvlite seeks to offer a broad selection of windshields by promptly adding new windshields as new models are introduced"); Hearing Tr. at 211 (testimony of Mr. Topping) (only in the last three months had the Chinese started supplying ARG windshields for the Chevy Suburban, part DW1217 – the most popular part in the United States – which domestic producers had supplied until then).

[61] Additionally, although lost sales or lost revenues may constitute anecdotal evidence of direct price competition, there were few confirmed lost sales or lost revenues in this investigation. At best, the evidence of lost sales or lost revenues constitute a small volume and the results are mixed. CR at V-32 - V-35, PR at V-10 - V-11.

[62] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.")

"within the context of the business cycle and conditions of competition that are distinctive to the industry."[63] [64]

We find that the subject imports of ARG windshields have not had a significant impact on the condition of the domestic ARG windshield industry. Although the volume and market share of the subject imports increased substantially during the period of investigation, the record does not indicate that these increases had any significant impact on the condition of the domestic industry. Indeed, the record lacks a correlation between increasing subject imports and the performance of the domestic industry. This is consistent with the fact that the domestic industry increasingly is integrating vertically and relies on business generated from insurance claims to insulate itself from import competition.

The data show that over the investigation period, the domestic industry experienced declines in many economic indicators, such as operating income, production, shipments and market share.[65] [66] [67] [68] However, most of the industry's declines over the investigation period in capacity, production and shipments are attributable to ***. *** continued to shift resources from ARG windshield production to OEM windshield production ***.[69] Indeed, *** produced almost *** fewer ARG windshields in 2000

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[63] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885; Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386 and 731-TA-812-813 (Preliminary) USITC Pub. 3155 (Feb. 1999) at 25, n. 148.

[64] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its amended final antidumping duty determination, Commerce assigned the following antidumping duty margins to subject imports: Benxun (9.84); Changchun (9.84); FYG (11.80); Guilin (9.84); TCGI (9.84); Wuhan (9.84); Xinyi (3.71); all others from China (124.50). 67 Fed. Reg. 11670, 11673 (March 15, 2002).

[65] The domestic industry's production fell from 6,374,238 units in 1998 to 6,079,991 units in 2000; and it was 4,525,948 units in interim 2001 compared to 4,683,883 units in interim 2000. CR/PR at Table III-1. The industry's share of domestic apparent consumption declined, from 51.0 percent in 1998 to 44.4 percent in 2000, but slightly increased in interim 2001 to 44.5 percent. CR/PR at Table C-1. The industry's domestic shipments also declined from 6,090,133 units in 1998 to 5,601,095 units in 2000, but improved slightly over the interim periods. CR/PR at Table III-1.

[66] While employment, hours worked and wages declined from 1998 to 2000, they all improved in 2001. Moreover, the industry's hourly wages and productivity levels generally improved or remained stable over the period of investigation. Id.

[67] The domestic industry's capacity utilization fluctuated over the investigation period and did not decline significantly until the end of the period. Initially, it increased from 74.4 percent in 1998 to 78.2 percent in 1999 before it receded back to 73.4 percent in 2000. Id. The real decline occurred in interim 2001 when the domestic industry's capacity utilization declined from 74.8 percent in interim 2000 to 64.7 percent in interim 2001. Id. However, during this time of decline, the domestic industry significantly increased production capacity. Indeed, while the industry decreased capacity early in the period of investigation – decreasing by 6.2 percent between 1998 and 1999 – it increased capacity by 3 percent between 1999 and 2000 and by 11.7 percent between interim periods. CR/PR at Table C-1.

[68] Inventories increased over the period. Id. While inventories increased, we note that the domestic industry finds that it is necessary to maintain a "significant amount of inventory" to cover the breadth of product line as well as to be prepared for sudden localized swings in demand due to bad weather. CR at II-10, PR at II-5; Petitioners' Posthearing Brief at Okun-5. In addition, while capital expenditures slightly declined over the period of investigation, they remained at fairly high levels. CR/PR at Table VI-3. Finally, we note that research and development expenses actually increased slightly over the period. Id.

[69] CR/PR at Table III-2; *** Questionnaire Response at Question II-3, II-4.

than *** in 1998, and *** fewer units between the interim periods.[70] ***.[71] As ***[72] and *** is contractually obligated to produce OEM windshields for ***,[73] we attribute these declines in capacity, production and shipments, and the industry's declines for those factors, to *** shifting resources because of contractual obligations rather than to a producer exiting the ARG windshield market because of subject import competition.[74] [75]

Furthermore, there is little, if any, causal nexus between the subject imports and the financial condition of the industry, particularly at the end of the period of investigation when the volume of subject imports was the greatest.[76] Significantly, the only major decline in performance indicators occurred between 1998 and 1999 – falling from 8.7 percent operating income margin to 1.3 percent and increasing from one firm reporting losses to three – when subject imports increased by about 608,000 units. But, in the next year when subject imports increased even more substantially, by almost 720,000 units, the industry began to rebound – improving from 1.3 percent operating income margin to 3.1 percent and declining from three firms reporting losses to one. This trend also continued in the interim period. In interim 2001, the operating income margin was 4.4 percent (compared to 5.4 percent in interim 2000) and no firm reported losses as imports continued to grow – increasing 38 percent between interim periods.[77] Therefore, during the times when there was the greatest increase in subject imports, the financial condition of the industry actually improved.

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[70] Id.

[71] *** Questionnaire Response at Question II-3, II-4.

[72] CR at III-1, PR at III-1.

[73] CR at II-6, PR at II-3.

[74] Moreover, there is evidence that ***. See *** attached to FYG's Prehearing Brief at exhibit ***; Petition at ***.

[75] In our preliminary determination, the Commission noted that we intended to "examine the performance of individual domestic producers to ensure that our assessment of the impact of subject imports on the domestic industry" was not distorted by the conditions of individual domestic producers unrelated to subject imports. Automotive Replacement Glass Windshields from China, Inv. No 731-TA-922 (Prelim), USITC Pub. 3414 at 15 (Apr. 2001). While the Commission must consider the industry as a whole, we must not attribute declines in important performance indicators to subject imports when the record demonstrates that those declines are driven by one producer that has shifted its priorities based on factors unrelated to subject import competition.

[76] The statute permits the Commission to reduce the weight accorded to the data for the period after the filing of the petition in making its determination of material injury or threat of material injury of an industry in the United States. 19 U.S.C. § 1677(I). The Commission may do this after considering "whether any change in the volume, price effects, or impact of imports of the subject merchandise since the filing of the petition . . . is related to the pendency of the investigation . . . ." Id. Based on the trends for these factors, there is no reason to discount the improvements in the condition of the domestic industry between the interim periods. The Commission often discounts the interim period data if subject import volume has ceased or slowed considerably. This did not occur in this investigation. Indeed, subject imports increased by 38 percent between interim periods and were on track to surpass the increase in the number of units between 1998-1999, based on annualized figures. CR/PR at Table C-1. While domestic producers argued that these apparent improvements were the result of reducing costs (see, e.g., Petitioners' Final Comments at 10, Hearing Tr. at 57 (testimony of Mr. Goudy)), this is a normal business practice that can be attributed to any type of competition, whether it be from subject imports, nonsubject imports, domestic competition or adjusting to the pressure applied by the insurance industry to lower prices.

[77] The domestic industry's financial condition most likely will have improved from 2000 to full year 2001. The nine-month period in 2000, when the industry reached 5.4 percent operating income margin, but then declined in the full-year period to 3.1 percent, was not typical. This is explained by the fact that ***, this affected the industry's operating margins for interim 2000 and calendar year 2000. CR at VI-3, PR at VI-1.

While the domestic industry's financial condition declined between 1998 and 2000, we attribute much of this deterioration to the pricing pressure exerted by the insurance industry and product life cycle.[78] As noted above in the pricing section, the domestic industry recognizes that the ARG windshield market's pricing structure has changed significantly in recent years as insurance companies seek volume pricing at discounted rates from historical levels, which has led to a decline in profitability.[79] The insurance industry is looking for the lowest price as long as quality is met.[80] As a major segment of ARG windshield market sales – approximately 56.2 percent, but perhaps up to 70 percent – is related to claims by insured motorists for windshield replacement,[81] the insurance industry leverages lower prices. This pressure from the insurance industry significantly explains the decline in prices.

Furthermore, the record indicates that much of the domestic industry is sheltered from import competition by acting as third-party administrators in the insurance claims market. Arguably, the domestic industry has invested heavily in establishing insurance claim call centers so that it can reap at least one of two benefits from it – (1) insurance claims call center administration fees,[82] and/or (2) the ability to direct a larger portion of the claims to their own products.[83] [84] This has allowed them to control a large segment of the windshield replacement market because domestic ARG windshield producers have increasingly integrated operations down to the retail level. While they do not capture all of the insurance

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[78] As noted above, the financial condition of the industry began to improve in 2000.

[79] Apogee Enterprises, Inc. SEC Form 10-K for FY 2001 at 5 (attached to FYG's Prehearing Brief at exhibit 5). See also Pilkington "Step Change Programme in North America," March 2000 at slide 10 (attached to FYG's Prehearing Brief at exhibit 2); CR at II-8, PR at II-4.

[80] "{I}nsurance companies expect to receive a better deal than a cash customer because they are buying hundreds of thousands of windshields." Hearing Tr. at 73-74 (testimony of Mr. Pearson). However, we note that if the domestic producers can capture more volume in the insurance claims replacement market, then they can afford to offer lower prices, which in turn helps them secure more of the claims.

[81] CR at II-7, PR at II-4; Conference Tr. at 107-108 (testimony of Mr. Harris).

[82] CR at II-7, PR at II-4; Hearing Tr. at 149 (testimony of Mr. Harris) (stating that installers also pay fees to PPG and have paid fees to both Harmon and Safelite in certain insurance programs).

[83] Hearing Tr. at 103-104, 107-108, 215-216 (testimony of Mr. Harris); Chapter 11 Plan of Reorganization, filed in the United States Bankruptcy Court for the District of Delaware, June 9, 2000, at II.A. (attached to Petition at exhibit 35) ("Safelite acts as administrator of an insurance company's automotive glass claims. By entering into these arrangements . . ., Safelite has been able to increase its volume and enhance its base of recurring revenues").

[84] Petitioners argue that insurance companies require that customer preference is always honored, and they submitted the scripts used by the third-party administrators to process claims. Hearing Tr. at 132-134 (testimony of Mr. Pearson). However, consumer choice is relatively rare in this industry. Most consumers do not have experience with auto glass companies because the their demand for ARG windshields is erratic. Therefore, when a third-party administrator inquires whether the insured has a preference for an installer, it is unlikely that they will have one. Hearing Tr. at 216-217 (testimony of Mr. Harris). If the policyholder does not have a preference, then the insurance companies direct the third-party administrator as to how they would like that business allocated. Petitioners admit that some of that allocation goes to them because of a pricing advantage that they provide to the insurance company. Hearing Tr. at 132-134 (testimony of Mr. Pearson).

claims, they secure a significant portion of them.[85] This helps to insulate domestic producers from subject import competition.

Finally, concentration in the domestic ARG windshield industry also helps to insulate the industry from subject import competition. The industry increasingly has moved toward vertical integration. As a result of recent mergers and acquisitions, some domestic producers now operate at several levels of the ARG windshield production and distribution system. Some domestic producers have become involved at the wholesale distribution and retail glass installation levels. Some produce their own float glass and several domestic producers have merged or formed distribution relationships.[86] Domestic producers reported that approximately 31 percent to *** percent of U.S. shipments are to related parties.[87] The record data show a shift toward sales to related distributors from unrelated parties.[88] [89] [90]

We find that this growing vertical integration by domestic producers is a significant condition of competition in the ARG windshield market and that it helps to insulate the domestic industry from subject import competition. While the domestic industry has lost market share since the beginning of the period, this loss of market share has decreased (1) as the industry became more vertically integrated, (2) as the increase in subject imports grew the most, and (3) as the industry had problems supplying the retail level of the market in 2000 and interim 2001. In addition, as noted above, the domestic industry's volume, value and average unit values of transfers to related firms increased during the investigation period as the same factors for commercial sales decreased.[91] These trends indicate that the domestic industry is becoming more insulated from import competition and help to explain the industry's improved financial performance in the face of increased subject import volumes.

Therefore, we find that subject imports from China have not had a substantial negative impact on the domestic industry. Accordingly, we do not find that the domestic ARG windshield industry is materially injured by reason of subject imports from China.

II. NO THREAT OF MATERIAL INJURY BY REASON OF LESS THAN FAIR VALUE IMPORTS

Section 771(7)(F) of the Act directs the Commission to determine whether the domestic industry is threatened with material injury by reason of the subject imports by analyzing whether "further dumped

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[85] Hearing Tr. at 132-34 (testimony of Mr. Pearson) ("In some situations, that allocation goes to Safelite because of a pricing advantage that we provide to the insurance company."); Petitioners' Posthearing Brief at Miller-8; Chapter 11 Plan of Reorganization, filed in the United States Bankruptcy Court for the District of Delaware, June 9, 2000, at II.B. (attached to Petition at exhibit 35) ("Given Safelite's vertical integration, a transaction with a policyholder of an insurance company customer is more profitable for Safelite when its shop, rather than that of a network affiliate, provides the replacement glass or repair service." ***.

[86] CR at II-1 to II-2, PR at II-1.

[87] CR at II-1, PR at II-1; CR/PR at Table III-3.

[88] While the record indicates that subject imports from China and the domestic like product are highly substitutable, we note that as the domestic industry has achieved greater vertical integration down to the retail level during the period of investigation, the importance of substitutability has diminished.

[89] While transfers to related firms declined from 1998 to 2000, the trend reversed between interim periods. Domestic producers transferred 1,370,463 units to related firms in interim 2000 compared to *** units in interim 2001. CR/PR at Table III-3. This change is attributable to *** as it *** shifted its sales to related distributors from unrelated end users. See also Petitioners' Posthearing Brief at ***.

[90] ***.

[91] CR/PR at Table III-3; CR/PR at Table VI-1.

or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."[92] The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole."[93] In making our determination, we have considered all factors that are relevant to this investigation.[94] Based on an evaluation of the relevant statutory factors, we find that an industry in the United States is not threatened with material injury by reason of imports of ARG windshields from China that are sold in the United States at less than fair value.

Initially, we find that the domestic industry is not vulnerable to a threat of material injury by reason of the subject imports from China. As was the case with our present material injury analysis, there are two major factors in our analysis of threat of material injury. First, the domestic industry is becoming increasingly insulated from subject import competition. Second, through these changes, the industry's condition has improved even as the increases in subject imports were the greatest. Therefore, there are no imminent changes that would lead to a threat of material injury by reason of subject imports. We discuss the statutory factors below.

A. Foreign Production Capacity

The record indicates that there may be unused production capacity in China to produce ARG windshields. In particular, there are a large number of ARG windshield producers in China, and exports of ARG windshields from China have been increasing over the investigation period, both to the United States and to other export markets.[95] [96] The record overall indicates that the recent increase in subject imports to the United States is likely to continue.

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[92] 19 U.S.C. §§ 1673b(a) and 1677(7)(F)(ii).

[93] 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int'l Trade 1984); see also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992), citing H.R. Rep. No. 98-1156 at 174 (1984).

[94] 19 U.S.C. § 1677(7)(F)(I). Factor I regarding countervailable subsidies and Factor VII regarding raw and processed agriculture products are inapplicable to the product at issue. See 19 U.S.C. § 1677(7)(F)(I)(I) and (VII).

[95] The Commission received data from 12 of 14 Chinese producers, which accounts for a substantial portion of the total production in China, and accounts for essentially all U.S. imports of ARG windshields from China in 2000. CR at VII-1, PR at VII-1.

[96] Chinese producers have increased their capacity from 2,865,674 units in 1998 to 4,189,474 units in 2000. CR/PR at Table VII-1. They project total capacity to expand to 4.9 million units in 2001 and to almost 5.5 million units in 2002. Id. Chinese producers also have increased their production from 1,827,902 units in 1998 to 3,563,392 units in 2000. Id. They project total production to expand to a little more than 4 million units in 2001 and to almost 4.8 million units in 2002. Id. Over the period of investigation, approximately two-thirds of Chinese production has been for export and approximately two-thirds of those exports have been directed toward the United States. Id. Capacity utilization was at almost 64 percent in 1998 and has grown to about 85 percent in 2000. Id. Chinese producers anticipate that capacity utilization will remain at about that level in 2002. Id.

B. Volume and Market Penetration

As noted in our material injury analysis, the rate of increase of volume and market penetration has been high.[97] Eight firms reported imports or arrangements for importation of about 460,000 units after interim 2001.[98]

C. Likely Price Effects

As noted in our material injury analysis, data are mixed. While the record indicates declining domestic prices and extensive underselling by subject imports during the period of investigation, these declines contrast sharply with trends in average unit values for the aggregate like product and the domestic industry's profitability, particularly during the period of investigation when the volume and market share of subject imports was the greatest. We find that it is unlikely that subject imports will enter the U.S. market at prices likely to suppress or depress domestic prices to any significant degree. As noted above, the record indicates that subject import prices have had no significant adverse effects on domestic prices. We see nothing in the record that indicates that conditions of competition in the industry will change so significantly in the imminent future that domestic prices will likely be adversely affected to a significant degree by subject import prices. Indeed, the domestic industry is becoming increasingly insulated from subject import competition because of vertical integration.

D. Inventories

The ratios of Chinese producers' home inventories to production and shipments both declined during the period of investigation.[99] The ratio of importers' inventories to imports declined during the period of investigation whereas the ratio of importers' inventories to U.S. shipments of imports rose during the period.[100] These ratios increased in interim 2001 as compared to interim 2000, as the increases coincided with an increase in exports to the United States during the same period.[101] However, the inventory-to-shipment ratio reported by Chinese producers and U.S. importers are much lower than those reported by domestic producers.[102] Accordingly, we find that inventory levels do not indicate a likelihood of increased imports in the imminent future, which would threaten to injure the domestic industry.[103]

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[97] CR/PR at Table VII-1. Respondents contend that Chinese market penetration is not significant when compared to that of nonsubject imports.

[98] CR at VII-3, PR at VII-3.

[99] CR/PR at Table VII-1 (from 14.5 percent in 1998 to 8.4 percent in 2000 and from 14.4 percent in 1998 to 8.4 percent in 2000, respectively).

[100] CR/PR at Table VII-2 (from *** percent in 1998 to *** percent in 2000 and from *** percent in 1998 to *** percent in 2000, respectively).

[101] The ratios of inventories to imports and inventories to U.S. shipments of imports increased to *** percent and *** percent, respectively. Id.

[102] See Tables III-1, VII-1 and VII-2.

[103] We also find no reasonable indication of likely product shifting in China. The record contains no evidence that equipment in China used in the production of other products is likely to be directed to the production of subject imports.

E. Negative Effects on Development and Production Efforts

As noted in our material injury analysis, while capital expenditures slightly declined during the period of investigation, they remained at fairly high levels. Moreover, research and development expenses actually increased slightly over the period.[104] Therefore, we also find that subject imports are not likely to have an actual or potential negative effect on the domestic industry's existing development and production efforts.

F. Dumping in Third-Country Markets

On December 19, 2001, Canada instituted an antidumping duty investigation on ARG windshields from China. On February 15, 2002, Canada made a preliminary determination of injury.[105] This may or may not shift Chinese exports from Canada to the United States.

As noted above, due to the facts that (1) the domestic industry is becoming increasingly insulated from subject import competition, and (2) through these changes, the industry's condition has improved as the increase in subject imports grew the greatest, we do not find it likely that imports of subject merchandise will significantly depress or suppress domestic prices. Nor do we find any other demonstrable trends indicating a likely threat of material injury.

Therefore, based on the record in this investigation, we find that the domestic industry producing ARG windshields is not threatened with material injury by reason of subject imports from China.

III. CONCLUSION

For the foregoing reasons, we determine that the domestic industry producing ARG windshields is neither materially injured nor threatened with material injury by reason of subject imports from China that are sold in the United States at less than fair value.

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[104] CR/PR at Table VI-3.

[105] CR at VII-3, PR at VII-3.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by PPG Industries, Inc. (PPG), Pittsburgh, PA; Safelite Glass Corp. (Safelite), Columbus, OH; and Apogee Enterprises, Inc. (Apogee), Minneapolis, MN, on February 28, 2001, alleging that an industry in the United States is materially injured and threatened with further material injury by reason of less-than-fair-value (LTFV) imports of automotive replacement glass (ARG) windshields[1] from China. Information relating to the background of the investigation is provided below.[2]

Effective date	Action
February 28, 2001	Petition filed with Commerce and the Commission; institution of Commission investigation
March 20, 2001	Commerce's notice of initiation
April 17, 2001	Commission's preliminary determination
September 19, 2001	Commerce's preliminary determination
September 19, 2001	Commission's scheduling of the final phase (66 FR 53630, October 23, 2001)
October 24, 2001	Commerce's amended preliminary determination
February 5, 2002	Commission's hearing[1]
February 12, 2002	Commerce's final determination (67 FR 6482, February 12, 2002)
March 15, 2002	Commerce's amended final determination (67 FR 11670, March 15, 2002)
March 19, 2002	Commission's vote
March 28, 2002	Commission's determination sent to Commerce
[1] App. B contains a list of witnesses who appeared at the hearing.	

[1] The imported products covered by this investigation, as defined by Commerce, consist of "ARG windshields, and parts thereof, whether clear or tinted, whether coated or not, and whether or not they include antennas, ceramics, mirror buttons or VIN notches, and whether or not they are encapsulated. ARG windshields are laminated safety glass (i.e., two layers of (typically float) glass with a sheet of clear or tinted plastic in between (usually polyvinyl butyral)), which are produced and sold for use by automotive glass installation shops to replace windshields in automotive vehicles (e.g., passenger cars, light trucks, vans, sport utility vehicles, etc.) that are cracked, broken, or otherwise damaged . . . Specifically excluded from the scope of this investigation are laminated automotive windshields sold for use in original assembly of vehicles." In its final determination, Commerce clarified that ARG windshields for buses and farm and heavy machinery are included in the scope of the investigation.

ARG windshields are classifiable under subheading 7007.21.10 (statistical reporting number 7007.21.1010, which also includes original equipment windshields) of the Harmonized Tariff Schedules of the United States (HTS), with a normal trade relations duty rate, applicable to products from China, of 4.9 percent *ad valorem*.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C, tables C-1 and C-2. Except as noted, U.S. industry data are based on questionnaire responses of eight firms that accounted for a very large share of the U.S. production of ARG windshields during 2000. U.S. import data are from official Commerce statistics except for imports of ARG windshields from Canada, Mexico, Japan, and Germany, which are from responses to Commission questionnaires. Few or no imports from Japan or Germany were reported by questionnaire respondents.

COMMERCE'S FINAL DETERMINATION OF SALES AT LTFV

On February 12, 2002, Commerce determined that ARG windshields from China are being, or are likely to be, sold in the United States at LTFV.[3] The weighted-average margins of sales at LTFV are as follows:

Producer/exporter[4]	*Weighted-average dumping margins (in percent ad valorem)*[5]
Benxun	9.84
Changchun	9.84
FYG	11.80
Guilin	9.84
TCGI	9.84
Wuhan	9.84
Xinyi	3.71
All others	124.50

COMMERCE'S CRITICAL CIRCUMSTANCES DETERMINATION

On July 30, 2001, petitioners alleged that critical circumstances exist with respect to this investigation.[6] In its final determination, Commerce found that critical circumstances exist for all producers and exporters in China other than Benxun, Changchun, FYG, Guilin, TCGI, Wuhan, and Xinyi.[7] Available monthly critical circumstances import data for the periods before and after the filing of the petition are presented in Part IV of this report.

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[3] 67 FR 6482.

[4] The full names of the firms Benxun, Changchun, FYG, Guilin, TCGI, Wuhan, and Xinyi are specified in Commerce's February 12, 2002, notice of its final antidumping determination (67 FR 6482), which is presented in app. A.

[5] Commerce's amended final determination of LTFV, March 7, 2002.

[6] "Critical circumstances" means that (1) there is a history of dumping and material injury by reason of dumped imports of the subject merchandise in the United States or elsewhere, or the person by whom or for whose account the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at LTFV and that there was likely to be material injury by reason of such sales; and (2) there have been massive imports of the subject merchandise over a relatively short period.

[7] 67 FR 6482, February 12, 2002.

THE SUBJECT PRODUCT

The imported products subject to this investigation consist of ARG windshields from China. ARG windshields are defined on page I-1 of this report. The subject product does not include original equipment manufacturer (OEM) windshields, which are windshields made to the exacting specifications of vehicle manufacturers for use in the production of vehicles. ARG windshields are produced in China, in numerous other countries, and by at least eight producers in the United States. Information on the comparability of the ARG windshields produced in China, nonsubject countries, and the United States is presented in Part II of this report.

DOMESTIC LIKE PRODUCT ISSUES

The Commission's determination regarding the domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price, all of which are discussed in the sections below. A great deal of attention was spent on the issue of domestic like product by both petitioners and respondents during the course of this investigation. Petitioners contend that the domestically-produced product "like" the subject imports should consist of ARG windshields, coextensive with the defined scope of the investigation, and that OEM windshields have fundamental differences from ARG windshields.[8] Respondents contend that the domestic like product should also include OEM windshields because they are essentially, if not actually, the same as ARG windshields.[9] In its preliminary determination, the Commission found that there is "one domestic like product consisting of all ARG windshields, and not including OEM windshields . . . In any final phase of these investigations, we will obtain additional information, especially from purchasers and producers of OEM windshields, and we will re-examine our like product determination."[10]

Physical Characteristics and Uses

The physical characteristics of ARG windshields (e.g., dimensions, the use of laminated glass, the inclusion of specific items such as antennas) are very much the same as those of OEM windshields;

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[8] E.g., Alan Dumbris, Plant Manager, PPG's ARG windshield fabrication plant in Berea, KY, transcript of the Commission's conference (conference transcript), pp. 27-29.

[9] Respondents represented by Garvey, Schubert & Barer, consisting of several Chinese firms and U.S. importers (collectively "Chinese respondents") contend that the petitioners and others in the domestic industry produce OEM windshields that are identical to ARG windshields (postconference brief, p. 1) and that, for example, PPG produces windshields for the aftermarket and OEM windshields in the same plants, on the same production lines, and with the same employees (postconference brief, p. 8). Respondents Fuyao Glass Industry Group Co., Ltd. and Greenville Glass Industries, Inc. (collectively "FYG") claim that there are "no clear dividing lines" between OEM windshields and those sold for installation in the aftermarket (postconference brief, p. 4) and that all automotive glass windshields fit the openings in the vehicle for which they were designed, have tolerances close enough to be indistinguishable, meet the same U.S. Government safety standard, and have identical raw materials (postconference brief, pp. 4-8 and Ed Fennell, General Manager, Bartlestone Glass Distributors, conference transcript, p. 70). Respondent Pilkington North America has not taken a position on the issue of domestic like product.

[10] *Automotive Replacement Glass Windshields from China, Investigation No. 731-TA-922 (Preliminary)*, USITC Pub. 3414, April 2001, p. 7.

reportedly, even auto glass experts may not be able to tell them apart.[11] With regard to uses, ARG windshields are used in the replacement market (aftermarket) to replace damaged windshields. ARG windshields normally are not used in the production of new vehicles because even though these windshields are essentially the same as OEM windshields, they are not necessarily exactly the same and therefore, according to petitioners, could jam robotic assembly equipment in vehicle assembly plants.[12] In contrast, OEM windshields are normally used solely in the production of new vehicles.[13] Petitioners claim that because the vast majority of ARG windshields are "reverse engineered" from OEM windshields to attempt to match the specifications of the corresponding OEM windshields,[14] they therefore may not meet the same aesthetic and functional uses as the OEM product, and cannot be used in automated robotic assembly operations.[15] Chinese respondents contend that ARG and OEM windshields have the same basic uses because they are all designed to go on a specific vehicle model and that in fact they are produced on the same lines and are identical except for the identifying logo.[16] Respondent FYG contends that there is no difference in the end use of a windshield used to "fill an opening" in a new car versus a used car.[17]

The physical characteristics of ARG windshields and OEM windshields are essentially the same.[18] For example, laminated glass (usually "float" glass) is the only glass that can meet the National Highway Traffic Safety Administration's standards, and both ARG and OEM windshields are indeed made of such glass and are subject to Federal Motor Vehicle Safety Standard 205.[19]

However, there are also differences between ARG windshields and OEM windshields, although the petitioners stated, "{T}hese differences are subtle and likely not discernible to the average person with no experience in the OEM market . . . The differences between OEM and ARG windshields are not

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[11] Norm Harris, President, Diamond Triumph Auto Glass, conference transcript, p. 135.

[12] Alan Dumbris, transcript of the Commission's hearing (hearing transcript), p. 26.

[13] "A small volume" of OEM windshields is sent to dealers for use in warranty replacement work (Robert A. Chimka, Director of ARG Marketing, PPG, conference transcript, p. 36).

[14] Petitioners' postconference brief, p. 10, and Alan Dumbris, hearing transcript, p. 24.

[15] Petitioners' postconference brief, pp. 11-12, and Alan Dumbris, conference transcript, pp. 29-30. Petitioners point out that tolerances for ARG windshields typically encompass a wider range and allow more variation than OEM windshields, that OEM windshields must meet more exacting tolerances because they are installed by robotic assembly equipment, and that differences between ARG and OEM windshields, while subtle, are critically important to OEM customers (Alan Dumbris, conference transcript, p. 29).

[16] Ed Fennell, conference transcript, pp. 70-71, and Alan Skidmore, Chief Operating Officer and owner of Trans America Glass, d/b/a Speedy Auto Glass, Autostock Distribution, and Novus Repair, conference transcript, p. 111.

[17] FYG's posthearing brief, p. 8.

[18] PPG's web site *www.ppg.com/gls_autoreplace/tradetipsnews.htm,* March 24, 2001, stated that "PPG automotive glass is made with the same manufacturing processes, tooling and quality inspections PPG uses for original-equipment parts. As a result, PPG replacement windshields and tempered parts fit like original equipment, look like original equipment, meet the same safety standards as original equipment, and have the same high optical quality as original equipment." (PPG also produces OEM windshields, and thus is privy to the vehicle manufacturers' exacting specifications for some models.)

[19] Laminated glass consists of two or more layers of glass separated by, and bonded to, thin transparent sheets of plastic. The plastic prevents the glass from shattering when broken. The automotive industry is the largest market for this type of glass, which is typically used in automobile and truck windshields and in the side and rear windows of buses and certain trucks. Float glass is so named because the production process "floats" a continuous strip (ribbon) of raw molten glass on top of a bed of molten tin. The ribbon is slowly cooled to a predetermined uniform thickness as it moves along the production line, producing annealed float glass that is flat in shape.

obvious in the aftermarket, but they are critical in the OEM market."[20] For example, tolerances for ARG windshields typically encompass a wider range and allow more variation than OEM windshields.[21] Moreover, producers of ARG windshields have the latitude to use different substrates of glass to try to match the colors of the original equipment manufacture. In addition, the ARG windshield manufacturers have the latitude of offering colors that are not offered in OEM windshields, so that the aftermarket counterpart to an OEM windshield can be visibly different.[22] In contrast to ARG windshields, OEM automotive windshields are produced and sold for use by vehicle manufacturers. According to the petitioners, OEM windshields must meet vehicle manufacturers' strict specifications and tight tolerances that include, for example, spectral properties, glass and sunshade colors, attachment characteristics, and dimensional control parameters.[23] These specifications are proprietary to the vehicle manufacturers, which require these characteristics for use on automated assembly lines and for uniform aesthetic and functional reasons.[24] A windshield that deviates from the accepted tolerances can jam the robotic equipment, thereby shutting down the entire assembly line,[25] so an ARG windshield would not be acceptable for use in the production of new vehicles.

As new car models are introduced into the market, the National Auto Glass Specifications (NAGS) assigns each vehicle a unique part number for the windshield for eventual replacement. These part numbers are used by domestic and foreign manufacturers to produce ARG windshields for the U.S. market.[26] NAGS part numbers do not apply to OEM windshields.[27]

In response to a question on whether there is any indication on the windshields that firms produce that would distinguish the windshields as ARG windshields or as OEM windshields, the following responses were received: ***,[28] *** answered "Yes;" *** answered "No;" and *** did not respond to the question. *** stated in its purchaser's questionnaire response that *** percent of the OEM windshields it purchased had a name, logo, or trademark on the windshield.

Manufacturing Facilities and Production Employees

Although production of OEM windshields involves roughly the same procedures and raw materials as ARG windshields, according to petitioners there are a number of differences that distinguish the production facilities, workers, and processes. Product development, tooling, and testing of OEM windshields reportedly is more lengthy and costly than development, tooling, and testing for ARG windshields. Three producers responded to this in the Commission's questionnaire. ***. Because OEM windshields must be produced to meet the proprietary specifications of the OEM customer, the OEM windshield manufacturer typically has a greater number of engineers and other technicians available to

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[20] Petitioners' postconference brief, p. 20, footnote 58.

[21] Alan Dumbris, conference transcript, p. 29.

[22] Robert Jungbluth, President and General Manager of Viracon/Curvlite, a wholly-owned subsidiary of Apogee, conference transcript, p. 48.

[23] Petition, p. 25. This is not true for e.g., bus and farm equipment windshields, in which ARG and OEM windshields can be used interchangeably because the vehicles are not produced on robotic assembly lines. Petitioners' posthearing brief, response to Commissioners' questions, p. Hillman-6.

[24] Petition, pp. 25-27.

[25] Alan Dumbris, conference transcript, p. 29.

[26] Robert A. Chimka, conference transcript, p. 37.

[27] Petitioners' postconference brief, responses to questions, p. A-30.

[28] ***.

work with the customer than is the case for ARG windshields.[29] Product development for OEM windshields can take from 14 months to 2 years or longer before the windshield is ready for production and shipment to the vehicle manufacturer.[30]

ARG windshields are typically reverse engineered. The ARG windshield manufacturer may tool the product using an OEM windshield obtained from a vehicle dealer. Because the ARG windshield producer often does not have access to the proprietary specifications for the OEM part, the producer uses its own internally-developed specifications. These can vary from one ARG producer to the next, and the only uniform requirements are that the windshield meets federal safety regulations and fits the opening in the vehicle. ARG windshield product development typically takes less than three months before the part is ready for commercial production and shipment to customers.[31] Facilities designed to produce only ARG windshields offer greater flexibility for quick pattern changes and the equipment is most efficient when engaged in short-to-medium volume runs.[32] For example, PPG's ARG-only facility in Berea, KY typically produces 35-40 different part numbers a week and over 700 in a year, with average production runs of less than 1,000 pieces.[33] The facility can shift production from one part number to another in less than one-half hour.

The production facilities for OEM windshields are designed for high-volume runs and maximum yields to minimize the per-unit cost to the OEM customer. PPG's typical runs at its OEM facilities (***) range between 10,000 and 20,000 windshields, and the same windshield part number is produced on the same line for several days up to a week before a pattern change is made. An OEM plant may produce from one to three OEM part numbers in a week and 12 to 18 part numbers in a year.[34]

In response to a question on whether OEM windshields are produced on the same equipment and machinery and/or with the same production and related workers used in the production of ARG windshields, 7 firms (***), accounting for approximately *** percent of reported U.S. production of ARG windshields in 2000, answered "Yes." ***, accounting for approximately *** percent of reported production, answered "No."

Interchangeability

Both ARG and OEM windshields have individual design and functional characteristics that limit their use to specific motor vehicles. Petitioners point out that ARG windshields are not interchangeable with OEM windshields for original installation and assembly because vehicle manufacturers do not accept ARG windshields.[35] They maintain that manufacturers of OEM windshields do not share their customers' product specifications with other windshield producers, forcing other producers to "reverse engineer" specifications from an existing windshield, and that reverse-engineered windshields cannot

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[29] PPG has a staff of over 40 employees available to work on OEM windshield product development, compared to a staff of 4 to work on ARG windshield product development. Alan Dumbris, conference transcript, p. 28.

[30] Alan Dumbris, conference transcript, pp. 27-28.

[31] Alan Dumbris, conference transcript, p. 28.

[32] One of the petitioners, PPG, produces only ARG windshields at one plant, and both ARG and OEM windshields at two other plants ***. Safelite produces windshields only for the ARG market (Jerry Tann, Vice President, Wholesale Sales, Safelite Glass Corporation, conference transcript, p. 17). Apogee (Viracon/Curvlite) produces windshields primarily for the ARG market, although it also produces a small volume of windshields for buses and recreational vehicles (Robert Jungbluth, conference transcript, p. 9).

[33] Alan Dumbris, conference transcript, pp. 30-31.

[34] Alan Dumbris, conference transcript, p. 30.

[35] Petitioners' postconference brief, p. 13.

meet the same tight tolerances as OEM windshields. Chinese respondents contend that ARG and OEM windshields are completely interchangeable and can be substituted for one another on the same vehicle in the aftermarket and the OEM market.

U.S. producers and importers of ARG windshields were requested by the Commission's questionnaire to indicate whether their firms consider OEM windshields to be interchangeable with ARG windshields. Three U.S. producers, accounting for *** percent of reported U.S. production of ARG windshields in 2000, responded "No." One of these was ***, which stated that "***." ***. *** answered "Yes" and *** answered neither Yes nor No, indicating that the aftermarket is very different from the OEM market. *** answered "Yes," stating that aftermarket replacement windshields have the same quality standards and are produced on the same equipment as OEM windshields. *** stated that in rare situations it ***.

Nine out of 16 purchasers responded that they consider ARG and OEM windshields to be interchangeable.

Customer and Producer Perceptions

Petitioners stated that both customers and producers perceive ARG and OEM windshields to be different products and that vehicle manufacturers do not accept ARG windshields for use in the assembly of new cars.[36] Chinese respondents contend that car owners perceive both ARG and OEM windshields to be "one in the same, windshields."[37] Respondent FYG contends that customers perceive the ARG and OEM windshields to be exactly the same, and that the products are indistinguishable.[38] Purchasers *** stated in their questionnaire responses that they could not use ARG and OEM windshields interchangeably in their OEM vehicle assembly; *** added that although ARG and OEM windshields are technically interchangeable, windshield installation methods differ between plant installation and field repairs, and actual interchangeability is impractical.

Channels of Distribution

Petitioners contend that whereas OEM windshields are sold to the OEM manufacturers, ARG windshields are sold to independent warehouse distributors, combination distributors/retailers, and large retail installation shops.[39] Petitioners acknowledge that a small volume of OEM windshields is sold by the OEM customers to car dealerships for use in warranty replacement.[40] Chinese respondents contend that both ARG and OEM windshields are sold in the replacement market in direct competition with one another,[41] and that petitioners are vertically integrating and moving down into the distribution/retail

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[36] Petition, pp. 29-30.

[37] Chinese respondents' postconference brief, p. 17.

[38] FYG's postconference brief, p. 16, and Norm Harris, conference transcript, p. 135.

[39] Petitioners' postconference brief, p. 14.

[40] Robert Chimka, conference transcript, p. 36.

[41] Chinese respondents' postconference brief, p. 11.

market.[42] FYG contends that except in the case of PPG,[43] there is no clear dividing line in the manner in which the product is distributed.[44]

ARG windshields are sold to distributors and auto glass installation shops, while OEM windshields normally are sold to vehicle manufacturers. Several domestic producers are vertically integrated into the wholesale distribution of ARG windshields and/or are vertically integrated down into glass installation shops. Reportedly, the major domestic windshield manufacturers sell in the aftermarket through central distribution warehouses,[45] although some ARG windshields are shipped directly to purchasers.[46] Additional information on the channels of distribution is presented in Part II of this report.

Price

In the preliminary phase of this investigation, petitioners contended that ARG windshields typically are more expensive than OEM windshields,[47] but also stated that in the aftermarket the price of an OEM windshield purchased through a dealer is typically considerably more than the price of its ARG counterpart purchased from a distributor or retail shop.[48] Chinese respondents contend that OEM windshields are sold at lower prices than ARG windshields because of the volume discounts inherent in the sale to vehicle manufacturers.[49]

In the final phase of this investigation, the Commission requested questionnaire data on four specific OEM windshields and on eight specific ARG windshields. Four of the eight ARG windshields were the direct counterparts of the four OEM windshields. Pricing data obtained in response to the questionnaires are presented in Part V of this report. Data comparisons from U.S. producers and purchasers indicated that the prices of the OEM products were generally lower than the prices of the comparable ARG products. Purchasers reported that OEM windshields are generally priced lower than ARG windshields, but that OEM windshields generally sell for more than ARG windshields when sold in the replacement market.

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[42] Ibid., p. 36.

[43] PPG reports that all windshields it produces for the ARG windshield market are shipped to its central distribution warehouse in Chillicothe, OH. Once a windshield is shipped to Chillicothe, including windshields produced on an OEM line, they are never re-shipped to an OEM customer for OEM installation. Robert Chimka, conference transcript, pp. 34-35.

[44] FYG's postconference brief, p. 11.

[45] James Carino, Vice President and General Manager, Greenville Glass Industries, conference transcript, p. 85.

[46] Norm Harris, hearing transcript, p. 152.

[47] Petition, p. 30.

[48] Petitioners' postconference brief, pp. 20-21.

[49] Chinese respondents' postconference brief, p. 18.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

Market Structure

AFG Industries, Guardian Automotive Products (Guardian), Pilkington North America (Pilkington), PPG, and Visteon produce windshields for both the ARG windshield market and the OEM windshield market. AP Technoglass, the DaimlerChrysler Corp., and the Carlex Glass Co. manufacture primarily for the OEM windshield market. Safelite produces exclusively for the ARG windshield market. Viracon/Curvlite produces primarily for the ARG windshield market, but also produces OEM windshields for buses and recreational vehicles. A few other smaller producers produce primarily for the OEM windshield market. Also, there are many importers of subject and nonsubject products, as well as independent wholesalers and retailers.

Concentration has increased in the U.S. windshield market and distribution system in recent years, although domestic competitors and importers limit large U.S. producers' ability to influence market prices. PPG, the largest U.S. ARG windshield producer, increased its effective position in the ARG windshield market by entering into an agreement with Viracon/Curvlite, a wholly-owned subsidiary of Apogee Enterprises, Inc., in August 2000. Viracon/Curvlite reported that ***.

Some windshield producers are vertically integrated. For example, Pilkington and PPG produce float glass (the primary input in the manufacture of windshields) and other products including other glass products. U.S. producers reported that approximately 31 to *** percent of U.S. shipments are to related parties (see table III-3 in Part III). PPG has ties into wholesale distribution and retail markets. Apogee owns Harmon Glass Co., a large retail installation chain, and owned Glass Depot, a distributor. In mid-2000, Apogee and PPG combined their U.S. distribution activities into PPG Auto Glass, and Glass Depot ceased active business. Although PPG has no direct presence in the retail market, it has an arrangement, similar to franchising, called Prostars with some independent retailers. Retail shops that display a PPG Prostars sign offer certified installers, glass produced by manufacturers of OEM windshields, and a warranty. *** VVP America, which has several distribution and retail chains throughout the United States and is owned by Vitro, S.A. of Mexico. Guardian produces for both the OEM windshield market and the ARG windshield market; it ***, has wholesale distribution centers, and has 50 retail outlets. Safelite has a network of regional warehouses and retail stores and also sells to non-related distributors. In 1999, Safelite purchased the former second-largest automotive glass retailer–Vistar, which itself resulted from the merger of the previous second and fourth largest retailers. Safelite is reportedly now the largest retail windshield replacement and repair company in the United States.[1] The Fuyao Glass Industry Group of China owns Greenville Glass, an importer and distributor. Diamond Triumph is an importer and is integrated through to the retail level, where most of its sales occur.

Respondents alleged in the preliminary phase of this investigation that domestic producers of ARG windshields try to use their presence at the retail level and agreements with insurance companies (discussed later in this section) to curtail competition from independent distributors.[2] Only three out of 15 responding purchasers agreed with this allegation. *** agreed with the allegation and stated that ***

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[1] Gerry Tann, Vice President of Wholesale Sales, Safelite, hearing transcript, p. 46.

[2] *** also alleged in its questionnaire response for this final phase of the investigation that domestic producers were trying to minimize competition with their own integrated retail shops by not supplying certain volume-sensitive or technologically-advanced products to independent shops. *** asserted in its questionnaire response that the petitioners exerted control over the ARG windshield market through vertical integration and their influence on sales related to insurance claims.

tries to raise wholesale glass prices but tries to lower retail margins by administering auto glass insurance programs. *** also agreed with the allegation and stated that *** stopped selling truckloads to distributors and actively goes after integrated parts of businesses and that *** goes after *** customers.[3] *** stated that as administrators of insurance claims petitioners recommend their own stores and that *** no longer sells to it. ***, which disagreed with the allegation, stated that domestic manufacturers aggressively compete with each other in sales to independent distributors and have significantly reduced selling prices.

Marketing Channels

ARG Windshields

For companies integrated through to the retail level, a significant portion of ARG windshield sales are internal consumption or to related parties. For example, ***. U.S. producer shipments for internal consumption or to related firms ranged from 31 percent to 33 percent of total U.S. shipments from 1998 to 2000 but increased to *** percent during January to September of 2001 (table III-3). Large purchasers, such as distributors and wholesale or retail chains, buy ARG windshields in truckload quantities. Smaller purchasers buy less-than-truckload quantities from domestic producers and from distributors.[4] Purchasers, which are distributors or integrated distributor-retailers, reported selling ARG windshields to automotive dealers, body shops, individuals covered by insurance, fleet managers, retailers, and warehouse distributors.

Purchasers were asked to report their 10 largest suppliers of ARG windshields from 1998 to 2000. Staff weighted those responses by the total reported year 2000 ARG windshield purchases. The results show that *** was the largest supplier followed in order by *** (table II-1).[5] *** to dealerships and independent distributors, reported having few suppliers. ***, respectively a retailer and a former distributor, *** as previously mentioned, purchase primarily from U.S. producers. *** purchase primarily from U.S. producers, but also from other sources.

OEM Windshields

In contrast to ARG windshields, which are sold to a large number of distributors and retailers, OEM windshields are sold mainly to automotive OEMs. Approximately 12 to 13 million windshields are

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[3] FYG in its prehearing brief (exhibits 8 and 12) presented Safelite's SEC filings that state it made a strategic shift away from lower-margin truckload sales to higher-margin retail sales. Safelite in its questionnaire response stated that ***.

[4] The Commission's questionnaire did not ask for a breakdown of commercial shipments to truckload and to less-than-truckload customers; therefore, there is no firm information on the share of commercial shipments to these two channels of distribution. The Commission's questionnaire did ask purchasers to report pricing for both truckload and less-than-truckload purchases. The fact that the vast majority of purchasers' reported pricing is for truckload purchases is one indication that the first level of sale for both U.S. producers and importers is usually in truckload quantities.

[5] Staff believes that the major ARG windshield suppliers are identified in table II-1, although only a limited number of purchasers provided sufficient information for this compilation. The questionnaire did not ask purchasers to report their top suppliers of OEM windshields, but if the responses were weighted by total reported 2000 purchases, which include a substantial quantity of OEM windshields, the top 10 suppliers would be *** (in order starting with the largest supplier).

sold annually in the ARG windshield market[6] and 15 to 16 million windshields in the OEM windshield market.[7] *** reported purchasing *** OEM windshields from 1998 to September 2001 compared to purchases of ARG windshields totaling ***. Producers that fabricate OEM windshields sell them directly to the automotive OEMs under long-term contracts, whereas ARG sales are usually in the spot market or short-term contracts.

Table II-1
ARG windshields: Major suppliers of reporting purchasers, 2000

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The major OEM windshield producers have contracts with a variety of automotive OEMs. For example, Pilkington supplies the following OEM vehicle manufacturers: GM, BMW/Rover, Toyota, Ford, Volvo, DaimlerChrysler, Nissan, and Honda among others.[8] PPG is an OEM supplier for various models of Audis, BMWs, Buicks, Cadillacs, Chevrolets, Chryslers, Dodges, Fords, Hondas, and Toyotas among others.[9] Other producers have more limited OEM ties. For example, Visteon, which used to be part of Ford, is believed to produce *** in the OEM market. MacGraw Glass, a subsidiary of DaimlerChrysler, produces OEM windshields ***.[10] Pilkington and PPG promote their products in the ARG windshield market as being of a higher quality because they are OEM windshield manufacturers.[11]

OEM windshield producers sell some windshields manufactured for the OEM windshield market in the ARG windshield market,[12] either through their related distribution chain or to independent wholesalers. *** reported that they sell OEM windshields to distributors and glass replacement shops. The demand for OEM windshields in the ARG market is usually related to replacement under warranty or to customer preference.

Nine out of 16 responding purchasers reported that they consider OEM windshields to be interchangeable with ARG windshields. *** stated that ARG and OEM windshields have the same characteristics, fit, and function. *** stated that they were interchangeable if both meet the same specifications. *** stated that, while ARG and OEM windshields may be technically interchangeable, the higher cost and limited availability of OEM windshields in the ARG windshield market made actual interchangeability impractical. *** stated that, although technically interchangeable, installation methods, packaging, and delivery methods were different between ARG and OEM windshields and that this meant that ARG and OEM windshields were not actually used interchangeably. *** stated that ARG windshields may not meet OEM specifications.

The Commission asked automotive OEMs if they could use ARG and OEM windshields interchangeably in their original equipment assembly operations. *** replied that they could not.

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[6] Tables C-1 and C-2, app. C.

[7] Ibid.

[8] See website, *www.lof.com/auto/oe/index.htm.*

[9] See website, *www.ppg.com/gls_autoglass/vehicles.asp.*

[10] ***.

[11] See Pilkington and PPG's web sites, respectively, *www.epremier.net/development/800600/wrapper.htm* and *www.ppg.com/gls_autoreplace/default.asp.*

[12] Although there may be no discernible difference in size, shape, or tint, many, but not all, purchasers reported that OEM windshields have logos, trademarks, or some distinct marking to identify them as such. Some purchasers, such as ***, maintain that there is no difference between ARG and OEM windshields. ***.

Sales Covered by Insurance

Windshield sales to insured motorists comprise approximately 56.2 percent of retail sales.[13] Some U.S. windshield producers, for example PPG and Safelite, have third-party contracts with insurance companies to administer windshield-replacement claims. PPG's program, called LYNX, receives notice of damage from the vehicle owner, verifies insurance coverage, locates an installer to perform the work, audits the installer invoice, and passes payment from the insurer to the installer. LYNX is paid on a fee-per-claim basis principally by the insurer. LYNX handled *** auto glass claims. Safelite provides a similar "full-service" approach from the viewpoint of the covered motorists. Offer and acceptance agreements are one method of obtaining suppliers. In this method the insurance carrier has contracts with the service provider that establish price and other requirements. The insurance company "offers" an agreement that includes set prices. If the service provider "accepts" the offer, it becomes a contract establishing prices. LYNX and some other programs also contract directly with service providers. In this approach, a third-party administrator submits proposals and negotiates with an insurance carrier on behalf of its contracted service providers. If the contract is won, the participating service providers are bound by the negotiated contract. LYNX reportedly has contracts with *** through this method.

*** and *** stated that most insurance companies want the lowest price regardless of brand or country of origin and that insurance companies are aggressive in reducing costs.[14] *** reported that *** tells retailers what they can charge, which forces retailers to seek lower prices from distributors or manufacturers. *** also stated that insurance companies tell the installer what to charge. *** reported that the single installation insurance job is usually priced higher than multiple installation jobs for fleet or dealer managers. *** added that, on average, an insured motorist replaces a windshield only once every seven years and that an insurance company does not want to lose seven years of premiums for a $50 savings in windshields.

*** stated that consumer "Right of Choice" legislation gives the covered vehicle owner the right to stipulate the brand used in insurance work. *** stated that it honored any policy holder preferences but that these occurred less than *** percent of the time. *** reported that if the policy holder selects a different installation shop, some programs ask the shop to bill at the "reasonable and customary" rate and that some programs require *** to provide the policy holder a quote of the reasonable and customary rate, if the shop will not bill at that rate. *** added that insurance companies ultimately determine what is reasonable and customary but that it assists the insurance company by providing data from its ***. *** stated that third-party administrators or the insurance agent may refer customers to an installer whereas cash customers usually shop and compare prices among installers. It uses windshields from any supplier unless the customer specifies a brand.

*** stated that the general nature of the insurance business had not changed in the last three years. In contrast, ***, in its questionnaire response, stated that the insurance business had changed significantly in recent years. It reported that petitioners are in a primary position to recommend installers and that they direct business to their own affiliated installers, which improves their profitability relative to independent operators. *** stated that the third-party administrators often delay payment for services

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[13] This figure is based on responses of purchasers that had retail sales. Producers and distributors generally reported that they did not know the share of their sales that were related to insurance claims. Responding purchasers with retail establishments included All Star Glass, Auto Glass Specialists, Guardian, Harmon Auto Glass, Safelite, and VVP America. These purchasers' responses were weighted by the total quantity of their reported 2000 purchases.

[14] Purchaser questionnaires were sent to several insurance companies, but they responded that they did not purchase ARG windshields (stating that they provide insurance coverage which may include the complete installation of an ARG windshield), and they did not complete the questionnaires.

because of the high volume of claims processing. *** also stated that the petitioners influence pricing by developing guidelines for the offer and acceptance agreements. *** reported that it cannot participate in the insurance business unless it agrees to prices negotiated by a third-party administrator and the insurance company. *** stated that it had grown its insurance business during the last three years; however, insurance segment sales *** of its total revenue for the first nine months of 2001. *** stated that the prices that insurance companies are willing to pay have consistently decreased during the past few years, in part due to greater availability of ARG windshields. *** added that insurance business is hard to obtain because large glass companies control the largest insurance companies and keep agents from deviating from their affiliated companies.

U.S. SUPPLY

The domestic industry produced 6.1 million ARG windshields in 2000 (table III-2 in Part III). U.S. production decreased by 1.4 percent between 1998 and 1999, decreased by 3.3 percent between 1999 and 2000, and decreased by 3.4 percent between the first three quarters of 2000 and the similar period for 2001. Unit labor costs were at a low in 2000 and at a high in interim 2001 (table III-1). Productivity (units produced per hour), however, was highest in interim 2000. Respondents alleged that PPG has an inefficient distribution system that adds costs to the volumes they wish to purchase by shipping product to a central location (Chillicothe, OH) instead of selling to them directly from the factory.[15]

For ARG windshield producers that also produce for the OEM market, some relationship exists between the two markets. For example, *** reported that whatever capacity remains after meeting its OEM contractual obligations is available for ARG windshield production. Because of high competition for OEM contracts and additional certification requirements by automotive OEMs, it may be easier to shift from producing for the OEM windshield market to producing for the ARG windshield market than vice versa.

Exports ranged from 1.2 to 3.1 percent of total shipments of U.S. producers during 1998 to interim 2001. These figures suggest relatively little ability to compete in foreign markets.

The ratio of U.S. producers' inventories to U.S. shipments of ARG windshields (39.4 percent in 2000) was higher than in many industries. Producers maintain fairly large inventories because of the high number of windshield products and the desire to be able to respond to sudden changes in demand. Petitioners, nevertheless, asserted that inventory levels are higher than normal because imports from China have resulted in decreased sales of domestic ARG windshields.[16] Such inventory levels increase the ARG windshield producers' ability to increase shipments in the short run in response to a price increase.

Some domestic ARG windshield retailers stated that a supply shortage exists because of increased consolidation and the switch by Guardian to produce mainly for the OEM market.[17] *** stated that *** and *** put it on allocation in the summer of 2000 due to lack of capacity. In their questionnaire responses, *** stated that *** had ceased selling to them because of ***. *** stated that *** had announced it would no longer sell truckload quantities to outside customers due to limited excess capacity.[18] *** and *** stated in their questionnaire responses that *** resulted in temporary

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[15] Norm Harris, Diamond Triumph, hearing transcript, p. 152.

[16] Petitioners' posthearing brief, responses to Commissioners' questions, pp. Okun-5-7.

[17] Wes Topping, Elite Auto Glass, hearing transcript, p. 164 and Ed Fennel, Bartlestone Glass, hearing transcript, p. 172. *** stated in its questionnaire response that ***.

[18] ***.

supply problems and required them to put customers on allocation. *** stated in its questionnaire response that it had stock outages a very small percentage of the time.

The U.S. ARG windshield producers have demonstrated that they can operate relatively efficiently at moderately high capacity utilization rates and could increase production in response to increased prices. Based on this information, U.S. ARG windshield producers are likely to respond to price changes with moderate changes in the quantity of shipments of U.S.-produced ARG windshields to the U.S. market.

IMPORT SUPPLY OF CHINESE PRODUCT

Chinese producers reported that their capacity to produce ARG windshields was 4.2 million units in 2000, which was well below U.S. producers' capacity. Reported capacity utilization in China ranged from a low of 63.8 percent in 1998 to a high of 86.0 percent in January-September 2001 (table VII-1). Shares of total Chinese shipments destined for internal consumption and the home market steadily decreased from 37.4 percent in 1998 to 21.5 percent in 2000; the interim 2001 share (20.1 percent) was close to the interim 2000 share (20.2 percent). The share of Chinese shipments exported to countries other than the United States increased from 20.8 percent in 1998 to 25.9 percent in 2000 and continued to increase in interim 2001 (27.8 percent) compared to interim 2000 (26.5 percent). The share of Chinese shipments exported to the U.S. market grew from 41.8 percent in 1998 to 52.6 percent in 2000, although the share decreased slightly in interim 2001 (52.1 percent) compared to interim 2000 (53.3 percent).

Based on available information, the Chinese producers are likely to respond to changes in effective demand in the U.S. market with moderate changes in the quantity of ARG windshields shipped to the U.S. market. The fairly moderate capacity utilization and relatively low shares of shipments exported to third-country markets and consumed in the home market contribute to this degree of responsiveness.

U.S. DEMAND

Demand Characteristics

U.S. producers, importers, and purchasers agree that the demand for ARG windshields is primarily determined by the number of vehicles on the road, the number of miles driven, vehicle age, and weather. Continuation of trends experienced in the 1990s, in which motor vehicle use climbed steadily while the average age of vehicles on the road increased,[19] has led to a steady increase in the consumption of ARG windshields. *** reported in its questionnaire response that demand had increased by around 1 percent per year. Apparent U.S. consumption of ARG windshields was 12.6 million units in 2000; consumption increased by 3.1 percent from 1998 to 1999, by 2.4 percent from 1999 to 2000, and by 4.3 percent from interim 2000 to interim 2001.

The volume of new vehicle production determines the demand for OEM windshields; a downturn in new vehicle production began in 2000. Approximately 12.8 million automobiles and trucks were assembled in the United States in 2000.[20] Vehicle assembly increased by 8.5 percent from 1998 to 1999, decreased by 1.9 percent from 1999 to 2000, and decreased by 10.5 percent from 2000 to 2001.

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[19] U.S. Census Bureau, *Statistical Abstract of the United States*, 2000, table 1031.

[20] Federal Reserve Bank's G17 report, *www.federalreserve.gov/releases/G17*, retrieved on March 5, 2002.

Substitute Products

Windshield repair and OEM windshields were reported by purchasers to be potential substitutes for the installation of ARG windshields. Relative prices of repair and OEM windshields were reported not to have changed during the period examined. Some purchasers stated that although OEM windshields are technically a substitute for ARG windshields, the higher cost and decreased availability often make the use of an OEM windshield impractical in the ARG windshield market. Other purchasers noted that although the use of windshield repair has increased, windshield repair is only feasible for limited types of windshield damage.

Cost Share

OEMs reported that windshields represent less than 1 percent of the cost of a new vehicle. *** reported that a windshield accounts for *** percent of an aftermarket installation. Labor, sealants, and adhesives account for the other costs. Diamond Triumph notes that total installation costs include: ***. Given these cost categories, the cost for the windshield accounts for approximately *** percent of the company's total installation costs.[21]

Purchases

Data summarizing reported purchaser quantities and unit values are shown in table II-2; data are incomplete as not all purchasers responded to the Commission's questionnaire or provided data on their purchases. Purchases from domestic sources were dominant both for ARG and OEM windshields. More purchases of ARG windshields were reported from nonsubject sources than from Chinese sources. No purchases of Chinese OEM windshields were reported. From both U.S. and nonsubject sources, the quantities of OEM windshields purchased exceeded the quantity of ARG windshield purchases. Unit values of ARG windshields from the United States were highest; those from China were lowest, with nonsubject ARG windshields in the middle. Unit values of ARG windshields from U.S. sources decreased from 1998 to 1999, increased from 1999 to 2000, then decreased from 2000 to interim 2001. Unit values of Chinese ARG windshields were steady. Unit values of OEM purchases from both domestic and nonsubject sources were relatively steady.

SUBSTITUTABILITY ISSUES[22]

The degree of substitution between domestic and imported ARG windshields depends upon relative prices, quality, availability, lead times, and conditions of sale (e.g., price discounts/rebates, payment terms, product services, etc.). Available data suggest that domestic and imported Chinese ARG windshields are highly substitutable.

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[21] Chinese respondents' posthearing brief, responses to Commissioners' questions, p. 25. Information is in response to Commissioner Koplan's question (hearing transcript, p. 255), and this was the only party to respond to the request.

[22] Much of this section is based on responses to the Commission's purchasers' questionnaire. All Star Glass, Auto Glass Specialists, Diamond Triumph, Glass Depot, GM, Guardian, Harmon, Honda, Lewis Auto Glass, Mygrant, Mopar, Northstar, Pilkington, PPG, Safelite, Toyota, VVP America, and Whalley provided information used in this section. Ford did not respond, and only the aftermarket part (Mopar) of DaimlerChrysler responded.

Table II-2
ARG and OEM windshields: Purchasers' reported volumes and average unit values, by sources, 1998-2000 and January-September 2001

Source	1998	1999	2000	January-September 2001
ARG windshields (*units*)				
United States	3,156,936	3,789,146	2,559,114	1,854,648
China	112,484	207,468	322,675	275,576
Nonsubject	732,164	382,612	506,324	435,241
Unit values of ARG windshields				
United States	$78.21	$64.37	$81.06	$66.79
China	35.12	36.66	36.66	37.31
Nonsubject	64.11	53.73	55.10	60.43
OEM windshields (*units*)				
United States	4,592,971	5,114,566	4,841,438	4,056,631
Nonsubject	1,082,619	1,266,365	1,462,574	1,204,353
Unit values of OEM windshields				
United States	$43.23	$43.30	$42.96	$42.41
Nonsubject	37.57	37.98	39.64	37.48
Source: Compiled from data submitted in response to Commission questionnaires.				

Factors Affecting Purchasing Decisions

Purchasers were asked to identify the three most important factors when selecting a supplier. Quality and price were mentioned most frequently (table II-3).

Table II-3
ARG windshields: Most important factors in selecting a supplier

Factor	Number of firms reporting		
	First factor	Second factor	Third factor
Quality	11	3	1
Price	2	11	3
Availability	1	1	3
Delivery	0	0	4
Service	0	1	3
Other	3	1	3
Source: Compiled from data submitted in response to Commission questionnaires.			

Purchasers were asked to rate the importance of each of 14 factors in their purchasing decisions for ARG windshields (table II-4). Availability, delivery time, product consistency, product quality, and reliability of supply tended to be rated very important. Minimum quantity requirements, technical support/service, and U.S. transportation costs were among the least important, with the other factors falling in-between.

Table II-4
ARG windshields: Importance of factors in purchasing decisions

Factor	Number of firms reporting		
	Very important	Somewhat important	Not important
Availability	15	1	0
Delivery terms	8	8	0
Delivery time	13	3	0
Discounts offered	9	7	0
Lowest price	8	8	0
Minimum quantity requirements	4	10	2
Packaging	8	8	0
Product consistency	16	0	0
Product quality	16	0	0
Product range	5	10	1
Reliability of supply	14	2	0
Technical support/service	2	9	3
Transportation network	4	9	1
U.S. transportation costs	4	4	6

Source: Compiled from data submitted in response to Commission questionnaires.

Comparisons of Domestic Products and Chinese Imports

Purchasers compared domestically-produced ARG windshields to imported Chinese ARG windshields (table II-5). The domestic product appears to have a large advantage in delivery time and minimum quantity requirements, and the Chinese product has an advantage in lowest price and discounts offered. With respect to the other factors, the domestic product appears to have a small advantage or to be comparable to the imported Chinese product.

Table II-5
ARG windshields: Comparisons of U.S.-produced ARG windshields to Chinese-produced ARG windshields

Factor	Number of firms responding		
	Superior	Comparable	Inferior
Availability	6	5	1
Delivery terms	5	7	0
Delivery time	9	2	0
Discounts offered	0	7	5
Lowest price	0	2	10
Minimum quantity requirements	10	2	0
Packaging	3	8	1
Product consistency	4	8	0
Product quality	4	8	0
Product range	6	5	1
Reliability of supply	5	7	0
Technical support/service	6	6	0
Transportation network	7	4	1
U.S. transportation costs	3	7	0

Source: Compiled from data submitted in response to Commission questionnaires.

All 13 purchasers that responded to the Commission's question regarding whether domestically produced and imported Chinese windshields are used in the same applications replied in the affirmative. *** remarked that all domestic and imported windshields can be used in the same applications, but that customers sometimes prefer certain brands. *** stated that windshields produced by *** and *** could be used in the same applications.

Eight out of 17 responding purchasers reported that they or their customers sometimes order ARG windshields from a specific country over other potential sources of supply. *** stated that its customers often prefer domestic producers, but Chinese windshields are more readily available, cheaper, and better accepted for foreign cars than for domestic vehicles. *** reported that it does not order Chinese windshields because of suspect quality, long lead times, and the requirement or container loads. *** alleged that Chinese quality was superior to *** quality. ***.

Purchasers reported that windshields must meet standards put forth by the U.S. Department of Transportation and that virtually all windshields sold in the U.S. market, regardless of source, comply with these standards. Some purchasers have additional qualification procedures to identify suppliers. Most suppliers appear to be able to meet these standards most of the time as 13 out of 17 responding purchasers reported that no domestic or foreign producer had failed to qualify its ARG windshields with their firms. *** reported problems in qualifying certain windshields produced by *** and *** because of poor quality. *** stated that it is satisfied with its current providers but that *** failed the quality test to

become its main supplier. *** reported that *** failed to qualify because of quality perception of customers, that *** failed because of unacceptable quality, and that *** failed because of product quality and unacceptable delivery.

Eight out of 16 purchasers reported that certain grades, types, or sizes of ARG windshields were only available from a single source. *** reported that *** (supplier of windshields for certain foreign cars) had proprietary technology, parts, or windshields. *** reported that *** parts, windshields with low volumes, and very unique windshields are often only available from a sole source. It added that suppliers sometimes choose not to make windshields when other suppliers have an OEM contract. *** reported that in some cases the OEM supplier is the only choice because of high barriers to entry. *** stated that when a new model appears there is usually only one supplier, the OEM supplier. *** stated that certain vehicles require proprietary attachments that are limited in number and only available from a single source.

Comparisons of Domestic Products and Nonsubject Imports

Some purchasers compared U.S.-produced windshields to nonsubject windshields produced in Canada and Mexico. Relative to Canada, purchasers considered the U.S. product to be superior or comparable on most factors; Canada was rated better with respect to lowest pricing (table II-6).

Table II-6
ARG windshields: Comparisons of U.S.-produced ARG windshields to Canadian-produced ARG windshields

Factor	Number of firms responding		
	Superior	Comparable	Inferior
Availability	2	3	0
Delivery terms	1	4	0
Delivery time	2	3	0
Discounts offered	1	3	1
Lowest price	0	2	3
Minimum quantity requirements	2	3	0
Packaging	2	3	0
Product consistency	1	4	0
Product quality	1	4	0
Product range	2	3	0
Reliability of supply	1	4	0
Technical support/service	2	3	0
Transportation network	2	3	0
U.S. transportation costs	2	3	0

Source: Compiled from data submitted in response to Commission questionnaires.

Relative to Mexico, purchasers considered the U.S. product to be superior on availability, delivery time, minimum quantity requirements, product range, and reliability of supply; to be comparable or inferior on discounts offered and lowest price; and to be superior or comparable on the other factors (table II-7).

Table II-7
ARG windshields: Comparisons of U.S.-produced ARG windshields to Mexican-produced ARG windshields

Factor	Number of firms responding		
	Superior	Comparable	Inferior
Availability	4	3	0
Delivery terms	2	5	0
Delivery time	5	2	0
Discounts offered	0	5	2
Lowest price	0	3	4
Minimum quantity requirements	4	3	0
Packaging	1	6	0
Product consistency	2	5	0
Product quality	2	5	0
Product range	4	3	0
Reliability of supply	4	3	0
Technical support/service	2	5	0
Transportation network	3	4	0
U.S. transportation costs	3	3	0

Source: Compiled from data submitted in response to Commission questionnaires.

Comparisons of Subject Imports and Nonsubject Imports

Compared to Mexico, three purchasers rated the Chinese product inferior on delivery time, and one purchaser rated the Chinese product inferior on delivery terms and discounts offered (table II-8). Two purchasers rated China superior on delivery time. China received superior or comparable ratings on the other factors.

Table II-8
ARG windshields: Comparisons of Chinese-produced ARG windshields to Mexican-produced ARG windshields

Factor	Number of firms responding		
	Superior	Comparable	Inferior
Availability	2	3	0
Delivery terms	1	3	1
Delivery time	2	0	3
Discounts offered	0	4	1
Lowest price	1	4	0
Minimum quantity requirements	0	5	0
Packaging	2	3	0
Product consistency	3	2	0
Product quality	1	4	0
Product range	3	2	0
Reliability of supply	3	2	0
Technical support/service	2	3	0
Transportation network	1	4	0
U.S. transportation costs	0	4	0

Source: Compiled from data submitted in response to Commission questionnaires.

ELASTICITIES

The domestic supply elasticity for ARG windshields measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of ARG windshields. The elasticity of domestic supply depends, among other factors, upon marginal costs and market price in relation to total fixed costs. It also depends upon capacity utilization and the ability to switch production to other products and to switch sales to other markets. Based on an analysis of these factors, the U.S. supply elasticity is likely to be in the range of 2 to 4.

The U.S. demand elasticity for ARG windshields measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of ARG windshields. This estimate depends upon factors discussed earlier such as the commercial viability of substitute products and the cost share of ARG windshields in the final product. Although the cost of an ARG windshield is a large share of the cost of installing a windshield in the aftermarket, the cost of windshield installation is small in comparison with the total cost of a vehicle. Based on available information, the demand for ARG windshields is likely to be inelastic and in the range of -0.6 to -0.2.

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products. Differences in quality, physical conditions, and conditions of sale, etc., affect product differentiation. As discussed, product quality and other factors are somewhat similar

between the domestic and imported Chinese ARG windshields. Nevertheless, discounts offered and lowest price are factors favoring the subject imported product, and delivery time and minimum quantity requirements favor the domestic product. After further consideration of these factors, staff believe the elasticity of substitution is likely to be in the range of 4 to 6, instead of 5 to 7 as stated in the prehearing report.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the final margins of dumping was presented in Part I of this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of eight firms that accounted for a very large share of the U.S. production of ARG windshields during 2000.[1] Responding firms, with their plant locations and shares of reported 2000 U.S. production, are shown in the tabulation below:[2]

Firm	Position on petition	Plant location(s)	Types of windshields produced	Share of total reported production *(in percent)*	
				ARG	ARG and OEM
Carlex	***	Vonore, TN	ARG and OEM	***	***
DaimlerChrysler	***	Auburn Hills, MI	ARG and OEM	***	***
Guardian	***	Auburn Hills, MI	ARG and OEM	***	***
Pilkington	***	Toledo, OH	ARG and OEM	***	***
PPG	Support	Evansville, IN Berea, KY Creighton, PA	ARG and OEM ARG ARG and OEM	***	***
Safelite	Support	Enfield, NC Wichita, KS	ARG ARG	***	***
Viracon/Curvlite	Support	Owatonna, MN	ARG and OEM	***	***
Visteon	***	Nashville, TN	ARG and OEM	***	***

[1] There are a number of small producers of specialty replacement windshields but they are believed to account for less than 1 percent of total U.S. production.

[2] Two U.S. producers (Amilite Corp./dba Premier Autoglass Corp. and Calwin/AKG Industries) ceased production of ARG windshields during the period covered by the investigation. Amilite produced an estimated *** ARG windshields in 1998, *** in 1999, and *** in 2000 (*** and petitioners' prehearing brief, p. 45). Amilite/Premier's workers were approved for trade adjustment assistance by the U.S. Department of Labor in June 1998 as a result of "increases of imports like or directly competitive with automotive glass products."

Chrysler/Mopar is a wholly-owned subsidiary of DaimlerChrysler AG (Germany). Carlex is ***. Pilkington is ***. Viracon is wholly owned by Apogee Enterprises, of Minneapolis, MN. The remaining firms are independent companies. Salient aggregate data for the reporting U.S. producers of ARG windshields are presented in table III-1.

Of the responding producers, only *** have not experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failure; curtailment of production because of shortages of materials; or any other change in the character of their operations or organization relating to the production of automotive replacement glass windshields since January 1, 1998. ***. The remainder reported reorganizations.

Table III-2 shows the quantity of production of ARG and OEM windshields by reporting U.S. producers. Table III-3 presents data concerning U.S. producers' shipments during the period examined. The types and numbers of windshields produced in 2000 on each line of each reporting firm are presented in appendix D, table D-1.

*** reported internal consumption. *** all reported transfers to related firms. Such transfers were primarily to their related retail auto glass installation shops.

Two U.S. producers of ARG windshields (***) reported importing ARG windshields from China during the period for which data were collected in the investigation. *** reported importing *** ARG windshields, valued at $***, from China in 1999 and *** ARG windshields, valued at $***, from China in 2000. Its imports from China were equivalent to *** percent of its U.S. production of ARG windshields in 1999 and *** percent in 2000. In January-September 2000, *** imported *** ARG windshields from China, valued at $***, and in January-September 2001 it imported *** ARG windshields from China, valued at $***.

*** reported importing *** ARG windshields, valued at $***, from China in 1998, *** ARG windshields, valued at $***, from China in 1999, and *** ARG windshields, valued at $***, from China in 2000. Its imports from China were equivalent to *** percent of its U.S. production of ARG windshields in 1998, *** percent in 1999, and *** percent in 2000. In January-September 2000, *** imported *** ARG windshields from China, valued at $***, and in January-September 2001 it imported *** ARG windshields from China, valued at $***. ***.

Pilkington has invested in four joint ventures in China that produce automotive windshields.

Table III-1
ARG windshields: Reported U.S. production capacity, production, capacity utilization, shipments, end-of-period inventories, and employment-related indicators, 1998-2000, January-September 2000, and January-September 2001

Item	Calendar year			January-September	
	1998	1999	2000	2000	2001
Capacity[1] (*units*)	8,565,500	8,037,000	8,278,800	6,264,550	6,999,450
Production (*units*)	6,374,238	6,285,138	6,079,991	4,683,883	4,525,948
Capacity utilization[1] (*percent*)	74.4	78.2	73.4	74.8	64.7
U.S. shipments:					
Quantity (*units*)	6,090,133	5,711,551	5,601,095	4,476,551	4,508,490
Value (*1,000 dollars*)	417,187	368,267	365,525	287,134	300,838
Unit value	$68.50	$64.48	$65.26	$64.14	$66.73
Export shipments:					
Quantity (*units*)	122,691	184,399	144,610	130,809	56,494
Value (*1,000 dollars*)	6,839	9,894	8,358	7,178	3,403
Unit value	$55.74	$53.66	$57.80	$54.87	$60.24
Total shipments:					
Quantity (*units*)	6,212,824	5,895,950	5,745,705	4,607,360	4,564,984
Value (*1,000 dollars*)	424,026	378,161	373,883	294,313	304,241
Inventories (*units*)	2,067,937	2,037,308	2,261,488	1,972,232	2,007,470
Ratio of inventories to total shipments (*percent*)	33.3	34.6	39.4	32.1	33.0
Production and related workers (PRWs)	1,967	1,886	1,837	1,807	1,885
Hours worked by PRWs (*1,000 hours*)	2,795	2,636	2,506	1,826	1,859
Wages paid to PRWs (*1,000 dollars*)	52,577	50,484	47,787	37,016	39,042
Hourly wages	$18.81	$19.15	$19.07	$20.27	$21.00
Productivity (*units produced per hour*)	1.96	2.03	2.13	2.25	2.15
Unit labor costs	$9.59	$9.43	$8.94	$9.02	$9.76

[1] Capacity and capacity utilization data presented herein should be considered with caution because producers differed in the manner that they developed the data and made allocations where both ARG and OEM windshields were produced on the same lines. For example, apparent increases in capacity in 2000 and January-September 2001 essentially result from allocations of *** that in reality made no increases in overall capacity.

Note.–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-2
ARG and OEM windshields: Production by reporting U.S. producers, 1998-2000, January-September 2000, and January-September 2001

* * * * * * *

Table III-3
ARG windshields: U.S. producers' shipments, by types, 1998-2000, January-September 2000, and January-September 2001

Item	Calendar year			January-September	
	1998	1999	2000	2000	2001
			Quantity (*units*)		
Commercial shipments	4,127,939	3,941,561	3,725,231	3,106,088	***
Internal consumption	0	0	***	0	***
Transfers to related firms	1,962,194	1,769,990	***	1,370,463	***
Total U.S. shipments	6,090,133	5,711,551	5,601,095	4,476,551	4,508,490
Export shipments	122,691	184,399	144,610	130,809	56,494
Total shipments	6,212,824	5,895,950	5,745,705	4,607,360	4,564,984
			Value (*1,000 dollars*)		
Commercial shipments	292,653	262,927	244,385	203,756	***
Internal consumption	0	0	***	0	***
Transfers to related firms	124,534	105,340	***	83,379	***
Total U.S. shipments	417,187	368,267	365,525	287,135	300,838
Export shipments	6,839	9,894	8,358	7,178	3,403
Total shipments	424,026	378,161	373,883	294,313	304,241
			Unit value		
Commercial shipments	$70.90	$66.71	$65.60	$65.60	***
Internal consumption	(1)	(1)	***	(1)	***
Transfers to related firms	63.47	59.51	***	60.84	***
Average, U.S. shipments	68.50	64.48	65.26	64.14	$66.73
Export shipments	55.74	53.66	57.80	54.87	60.24
Average, all shipments	68.25	64.14	65.07	63.88	66.65

[1] Not applicable.

Note.-Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

In the final phase of this investigation, the Commission sent importer questionnaires to 29 firms as identified by the petition and a review of U.S. Customs Service data. The Commission received usable data on imports of ARG windshields from 16 companies.

Information on the largest importers of ARG windshields in 2000 that responded to the Commission's questionnaire is provided below:

Importer	Imports from China (*Units*)	Imports from all other countries (*Units*)
* * * * * * *		

*** reported importing *** OEM windshields from Canada and *** OEM windshields from Mexico in 2000; *** reported importing *** OEM units from Mexico.

Data in this section regarding the quantity and value of U.S. imports of ARG windshields are based on official U.S. import statistics and responses to Commission questionnaires. These data are shown in table IV-1. Data on imports from China (including Hong Kong) are from official statistics. Data on imports from "other sources" consist of official statistics minus imports from Canada, Mexico, Germany, and Japan (official statistics) plus imports from Canada and Mexico of ARG windshields from questionnaire responses.[1] The data were developed in this manner in order to eliminate what are believed to be large amounts of OEM windshield imports from Canada, Mexico, Germany, and Japan.[2]

Imports of ARG windshields from Hong Kong, if truly produced in Hong Kong, are not subject to this investigation. However, imports from Hong Kong are believed to be product produced in China and shipped through Hong Kong.[3] Such imports are as follows: 15,684 units valued at $256,519 in 1998; 53,804 units valued at $575,141 in 1999; and 85,826 units valued at $1.1 million in 2000. Imports from Hong Kong are presented separately in table IV-1. Such imports ranged between 3 and 5 percent of imports from China and were less than 1 percent of total ARG windshield imports during the period examined.

U.S. shipments of domestic product, U.S. imports, and total U.S. consumption are shown in table IV-2. Consumption quantities increased in each year and period covered. Market shares by value are not presented because of concerns about the reporting basis (see footnote 3 in table IV-1).

Table IV-3 presents monthly U.S. import data on ARG windshields from China during 2000 and 2001. Imports are presented separately for firms subject to and not subject to Commerce's finding of critical circumstances.

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[1] U.S. importers responding to the Commission's questionnaire did not import from Japan, and only *** reported a minuscule amount of windshields from Germany.

[2] Based on official Commerce statistics, total imports from Mexico (ARG plus OEM windshields) amounted to $145.9 million in 2000, and those from Canada $114.1 million; imports from Germany and Japan totaled approximately $9 million each in 2000.

[3] Mr. Alex Chan of Shenzhen Xinyi Auto Glass (a Chinese producer) stated, "So, I guess that -- well, Xinyi sometimes use Hong Kong as the loading port, okay. So, I believe that all auto glass coming from Hong Kong are from China." Conference transcript, p. 158. The Chinese respondents' postconference brief, exh. 1, also indicated that there are no producers of ARG windshields in Hong Kong and that windshields are transhipped from China.

Table IV-1
ARG windshields: U.S. imports, by sources, 1998-2000, January-September 2000, and January-September 2001

Source	Calendar year			January-September	
	1998	1999	2000	2000	2001
			Quantity (*units*)[1]		
China	481,393	1,089,278	1,808,630	1,217,620	1,680,646
Hong Kong	15,684	53,804	85,826	52,698	3,703
Subtotal	497,076	1,143,082	1,894,456	1,270,318	1,684,349
Other sources[2]	5,352,446	5,460,238	5,116,587	3,972,014	3,944,827
Total	5,849,523	6,603,321	7,011,043	5,242,332	5,629,176
			Value (*1,000 dollars*)[3]		
China	20,003	30,057	52,407	37,337	54,131
Hong Kong	257	575	1,092	865	228
Subtotal	20,260	30,632	53,499	38,202	54,359
Other sources[2]	212,086	206,735	199,268	154,664	163,827
Total	232,346	237,367	252,767	192,866	218,186
			Unit value (*per unit*)[3]		
China	$41.55[4]	$27.59	$28.98	$30.66	$32.21
Hong Kong	16.39	10.69	12.72	16.41	61.57
Subtotal	40.76	26.80	28.24	30.07	32.27
Other sources[2]	39.62	37.86	38.95	38.94	41.53
Total	39.72[4]	35.95	36.05	36.79	38.76
			Share of quantity (*percent*)		
China	8.2	16.5	25.8	23.2	29.9
Hong Kong	0.3	0.8	1.2	1.0	0.1
Subtotal	8.5	17.3	27.0	24.0	29.9
Other sources[2]	91.5	82.7	73.0	75.8	70.1
Total	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
China	8.6	12.7	20.7	19.4	24.8
Hong Kong	0.1	0.2	0.4	0.4	0.1
Subtotal	8.7	12.9	21.2	19.8	24.9
Other sources[2]	91.3	87.1	78.8	80.2	75.1
Total	100.0	100.0	100.0	100.0	100.0

[1] Conversion factor of 1.35 square meters per windshield.
[2] Nearly all of the imports from "other sources" are from Canada and Mexico.
[3] Landed, duty-paid. Chinese respondents state that the majority of the imports from China consist of imports by related importers in the United States and that the unit values of such imports reflect transfer prices and should not be given much weight. Chinese respondents' posthearing brief, responses to Commissioners' questions, p. 21.
[4] Data for China should be viewed with caution due to unusually high unit values reported by U.S. Customs in the first five months of this year.

Source: Compiled from official Commerce statistics and Commission questionnaires.

Table IV-2
ARG windshields: U.S. producers' U.S. shipments, U.S. imports, by sources, and U.S. consumption, 1998-2000, January-September 2000, and January-September 2001

Item	Calendar year			January-September	
	1998	1999	2000	2000	2001
			Quantity (*units*)		
U.S. producers' U.S. shipments	6,090,133	5,711,551	5,601,095	4,476,551	4,508,490
U.S. imports from--					
China	481,393	1,089,278	1,808,630	1,217,620	1,680,646
Hong Kong	15,684	53,804	85,826	52,698	3,703
Subtotal	497,076	1,143,082	1,894,456	1,270,318	1,684,349
All other countries	5,352,446	5,460,238	5,116,587	3,972,014	3,944,827
Total	5,849,523	6,603,321	7,011,043	5,629,176	5,629,176
Total U.S. consumption	11,939,656	12,314,872	12,612,138	9,718,883	10,137,666
			Value (*1,000 dollars*)		
U.S. producers' U.S. shipments	417,187	368,267	365,525	287,135	300,838
U.S. imports[1] from–					
China	20,003	30,057	52,407	37,337	54,131
Hong Kong	257	575	1,092	865	228
Subtotal	20,260	30,632	53,499	38,202	54,359
All other countries	212,086	206,735	199,268	154,664	163,827
Total	232,346	237,367	252,767	192,866	218,186
Total U.S. consumption	649,533	605,634	618,292	480,001	519,024
			Share of quantity *(percent)*		
U.S. producers' U.S. shipments	51.0	46.4	44.4	46.1	44.5
U.S. imports[1] from–					
China	4.0	8.8	14.3	12.5	16.6
Hong Kong	0.1	0.4	0.7	0.1	0.0
Subtotal	4.2	9.3	15.0	13.1	16.6
All other countries	44.8	44.3	40.6	40.9	38.9
Total	49.0	53.6	55.6	53.9	55.5

[1] Landed, duty-paid, U.S. port of entry.

Source: Compiled from official Commerce statistics and Commission questionnaires.

Table IV-3
ARG windshields: U.S. imports from China, by sources and by months, 2000-01

* * * * * * *

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Tariffs and Final Commerce Margins

The 2002 normal trade relations *ad valorem* duty rate on ARG windshields, which is applicable to China, is 4.9 percent. Commerce's final *ad valorem* dumping margins, as amended, are 11.80 percent for FYG, 3.71 percent for Xinyi, and 9.84 percent for Benxun, Changchun, Guilin, TCGI, and Wuhan; the China-wide margin for other companies is 124.50 percent.

Raw Material Costs

Float glass is the major input into the manufacture of windshields, although many producers are integrated and make their own float glass. High fuel costs in the fall of 2000 led major float glass producers AFG, PPG, Pilkington, and Guardian to announce energy surcharges on purchases of float glass.[1] The surcharges were initially fixed per truckload of product shipped and were later tied to the futures price of natural gas.

Transportation Costs

Staff estimated the increment that ocean freight adds to the price of imported Chinese ARG windshields by taking the difference between c.i.f. value and customs value and dividing by customs value. Based on official import statistics, these figures were 11.1 percent for calendar year 2000 and 9.5 percent for January-November 2001.

U.S. producers reported that the percentage of total delivered cost accounted for by transportation costs ranged between 1.5 and 6.0 percent, with a median value of 4.0 percent.[2] Importers reported that U.S. inland transportation costs ranged between 3.5 and 18.0 percent of total delivered cost, with a median value of 6.0 percent.

Exchange Rates

China intervenes in foreign exchange markets to control the value of its currency. Quarterly data from the International Monetary Fund (IMF) indicate that the value of the Chinese yuan has been constant at U.S. $0.12 per yuan from the first quarter of 1998 to the third quarter of 2001.[3] The IMF does not report a producer price index for China; therefore, staff did not calculate a real exchange rate.

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[1] "Primary Glass Price on Rise Again," *Glasslinks.com/newsinfo/flat_surcharges.htm*, October 6, 2000, retrieved December 28, 2001.

[2] Norm Harris of Diamond Triumph remarked that retailers know that the transportation costs between distribution facilities and retail outlets are much more than this. Hearing transcript, p. 147. U.S. producers' shipping costs could be lower because they reflect a greater proportion of shipments to distributors instead of from distributors to retailers.

[3] *International Financial Statistics*, IMF, December 2001.

PRICING PRACTICES

Price Determination

U.S. producers reported that they establish prices for ARG windshields through price lists and negotiated discounts. *** reported that its ARG windshield price lists are based on costs and target profitability after estimating consumer discounts. *** reported that it uses a price list but *** discounts off of that list on a transaction-by-transaction basis and that some customers receive "***," ***. *** reported that its contract with *** is on a cost plus formula and that commercial sales had moved to net pricing as production of some units had become unprofitable.

*** reported that OEM manufacturers establish prices for OEM windshields by requesting bids and awarding a contract to a supplier based on technical factors and price. Bidding usually occurs in advance of the contract, which typically is for multiple years. ***, an OEM purchaser, reported that it solicits quotes through competitive bidding. It examines historical information, such as failure incidence and current business and engineering capabilities. It makes its selection based on all of these factors plus cost. U.S. importers reported that they determine ARG windshield prices for each transaction based on competitive market conditions. Several importers reported using the National Auto Glass Specifications (NAGS) price list and discounting off of that list. ***. Importers do not usually sell OEM windshields and did not report how OEM prices were established.

Payment terms were variable for both U.S. producers and importers. All U.S. producers usually quote sales terms on a delivered basis except for ***, which quotes on the basis of f.o.b. its warehouse. Most reporting importers also reported quoting sales terms on a delivered basis.

Most U.S. producers reported that they sell ARG windshields almost entirely in the spot market. What few contracts there are tend to last for a year or more and to fix price only. Most importers similarly reported that they sell primarily in the spot market. *** was an exception to this tendency and reported that all its sales were on a contract basis, although these contracts typically only lasted 10 weeks. OEM windshields are sold under contract to OEMs. OEM windshields that are sold in the aftermarket are usually sold in a similar manner to ARG windshields. *** reported that if it needs replacement windshields, it typically negotiates a new contract with the same company that originally produced the windshield under the OEM contract.[4]

National Auto Glass Specifications (NAGS) Pricing

NAGS, a private firm, has assigned unique part numbers to different ARG windshields since 1927 and has included prices with each part number since the 1950s.[5] Today, NAGS sells software that ARG windshield sellers use to identify parts, determine prices, bill customers, manage inventory, and to perform other functions. NAGS revises its price lists approximately every 4 months. NAGS uses a proprietary methodology, based on published truckload pricing and other research, to establish its pricing. An adjusted list typically shows prices increasing for some parts and decreasing for others.

NAGS' pricing revision for January 1999 was significant in that it attempted to reduce the artificially-inflated price levels that had led to retailers' invoices typically showing discounts of 60 to 70

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[4] Telephone conversation with ***.

[5] Debra Levy, "What You Need to Know about the Upcoming NAGS' Revaluation," *U.S. Glass*, vol. 33, no. 7 (July 1998). NAGS is owned by Mitchell International.

percent.[6] Manufacturers had announced average price increases ranging from 13 to 24 percent in 1998, but retailers never implemented the increases. "Historically, announced manufacturers' increases have not been realistic in the long run (and many times in the short run as well)."[7] Although NAGS prices better approach retail prices, they remain higher than actual prices, and retailers continue the long-established practice of discounting off the NAGS prices, although the discounts are less than they previously were.

Price Leadership

Purchasers were asked to identify firms considered to be price leaders in the ARG windshield market during January 1998-September 2001. Purchasers cited PPG most often, but also named Pilkington, Guardian, Greenville Glass, Discount Auto Glass, FYG, Benxun, Glass Depot, Viracon, Xinyi, Visteon, and Mopar. *** stated that *** introduces annual revisions, which are usually increases, and that other firms follow those increases. *** reported that *** was influential in establishing a wholesale price because of its size and that the Chinese were price leaders because of low prices. *** reported that *** issue price lists independently of other companies. It added that Chinese suppliers forgo lists and approach customers directly with low final prices, which forces companies to offer discounts to maintain business. *** reported that the published price lists influence NAGS pricing and that advertised specials affect the discounts off of the NAGS price. *** reported that *** has tiered pricing with lower prices for its own products and that *** prices windshields lower than its peers. It added that *** prices are up annually, that *** lowered prices in 1998 and 1999, that *** had consistently lowered prices, and that *** prices were down in 1999 and 2000.

PRICE DATA

The Commission requested that U.S. producers, importers, and purchasers of ARG and OEM windshields provide quarterly data for the total delivered quantity and value of ARG and OEM windshield transactions to unrelated parties in the U.S. market.[8] Data were requested from January 1998 to September 2001 for producers and importers and from January 1999 to September 2001 for purchasers. The products for which pricing data were requested are as follows:[9]

Product 1 – ARG windshields, DW00911 GBN (Ford F-Series trucks and Ford Bronco)
Product 2 – ARG windshields, DW01140 GBN (Jeep Cherokee)
Product 3 – OEM windshields for the Jeep Cherokee 1997-2001 (4796690)
Product 4 – ARG windshields, DW01168 GBN (Chevrolet S-10 Blazer and pickup, GMC Sonoma S15 and GMC Jimmy)

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[6] Catherine Howard, NAGS, "NAGS Responds to Manufacturers' Price Increase," March 1999, *Glasslinks.com*, retrieved December 28, 2001.

[7] Ibid.

[8] Petitioners affirmed that their pricing data only consisted of sales to unrelated parties. Hearing transcript, p. 262 and petitioners' posthearing brief, responses to Commissioners' questions, p. Hillman-4.

[9] Pricing products recommended by both the petitioners and respondents are included in the list. Respondents have stated that the pricing question is essentially a retail issue. For example, see Norm Harris' testimony, hearing transcript, pp. 147-150. However, the appropriate level to gather pricing data in an antidumping inquiry is the first sale to an unrelated party after the good is imported. Although some importers may be integrated through to the retail level and some U.S.-produced ARG windshields are sold through related parties at the retail level, many transactions still occur at the unrelated wholesale or distribution level.

Product 5 – OEM windshields for Chevrolet S-10 Blazer and pickup, GMC Sonoma S15 and GMC Jimmy, 1998-2002 (15685229)
Product 6 – ARG windshields, DW01158 GBN (Chevrolet Astro and GMC Safari vans)
Product 7 – ARG windshields, DW01105 GBN (Buick LeSabre and Park Avenue; Oldsmobile 88, 98, LSS, and Regency; Pontiac Bonneville)
Product 8 – ARG windshields, DW01176 GBN (Dodge pickup)
Product 9 – ARG windshields, DW01297 GBN (Buick Century and Regal and Oldsmobile Intrigue)
Product 10 – OEM windshields for the Buick Century and Regal and Oldsmobile Intrigue, 1997-2001 (10304483)
Product 11 – ARG windshields, FW02018 GBN (Toyota Camry)
Product 12 – OEM windshields for the Toyota Camry, 1997-2002 (56101-AA020-83)

U.S. Producer and Importer Pricing

*** provided usable U.S. producer pricing data for sales of the requested products.[10] *** provided usable importer pricing data for sales of the requested products.[11] From January 1998 to September 2001, these firms reported pricing data for shipments of domestic product totaling 3.9 million OEM windshields and 1.2 million ARG windshields. Pricing data for shipments of the imported Chinese product totaled 193,577 ARG windshields, and there were no reported shipments of imported Chinese OEM windshields. Pricing data received on ARG windshields from U.S. producers and importers are presented in tables V-1 to V-8, and U.S. producers' prices are presented in figures V-1 to V-3. Pricing data received on OEM windshields from U.S. producers are presented in table V-9 and in figure V-4.

OEM Pricing

Purchasers reported that prices of OEM windshields in the OEM market were generally less than prices of ARG windshields in the ARG market; however, OEM windshields generally sell for more than ARG windshields in the ARG market. Reasons for lower OEM prices in the OEM market include economies of scale resulting from larger production runs and lower shipping and packing costs because larger quantities are shipped to the same address. In the ARG windshield market, customers are sometimes willing to pay more for OEM windshields due to perceived higher quality and to preserve vehicle warranties.

The Commission requested both ARG and OEM pricing data for the Jeep Cherokee (products 2 and 3), certain GM SUVs and small pickups (products 4 and 5), certain Buicks and Oldsmobiles (products 9 and 10), and the Toyota Camry (products 11 and 12). Only U.S. producers reported OEM prices, as subject Chinese windshields are not certified for sales to automotive OEMs in the United States. U.S. producer prices for OEM products 5, 10, and 12 are shown in table V-9. In all cases the quantities associated with the OEM products are much larger than the quantities associated with the ARG products, which reflects large production runs and large sales to an automotive OEM. U.S. producer prices for OEM products were all much less variable than their ARG counterparts. No data were reported for product 3. OEM producer prices for certain GM SUVs and small pickups were *** than their ARG counterpart (reported in table V-3). ***, producer prices for OEM windshields for certain Buicks and Oldsmobiles were *** than the comparable ARG windshields (table V-7). The OEM product

[10] ***.

[11] Data from Xinyi, which were not included in the prehearing report, are included in this final report.

was priced ***. Producer data for the Toyota Camry showed OEM sales uniformly priced *** than comparable ARG sales (table V-8).

Table V-1
ARG windshields: Weighted-average U.S. producers' and importers' delivered selling prices and quantities of product 1 and margins of underselling/(overselling), by quarters, January 1998-September 2001

* * * * * * *

Table V-2
ARG windshields: Weighted-average U.S. producers' and importers' delivered selling prices and quantities of product 2 and margins of underselling/(overselling), by quarters, January 1998-September 2001

* * * * * * *

Table V-3
ARG windshields: Weighted-average U.S. producers' and importers' delivered selling prices and quantities of product 4 and margins of underselling/(overselling), by quarters, January 1998-September 2001

* * * * * * *

Table V-4
ARG windshields: Weighted-average U.S. producers' and importers' delivered selling prices and quantities of product 6 and margins of underselling/(overselling), by quarters, January 1998-September 2001

* * * * * * *

Table V-5
ARG windshields: Weighted-average U.S. producers' and importers' delivered selling prices and quantities of product 7 and margins of underselling/(overselling), by quarters, January 1998-September 2001

* * * * * * *

Table V-6
ARG windshields: Weighted-average U.S. producers' and importers' delivered selling prices and quantities of product 8 and margins of underselling/(overselling), by quarters, January 1998-September 2001

* * * * * * *

Table V-7
ARG windshields: Weighted-average U.S. producers' and importers' delivered selling prices and quantities of product 9 and margins of underselling/(overselling), by quarters, January 1998-September 2001

* * * * * * *

Table V-8
ARG windshields: Weighted-average U.S. producers' and importers' delivered selling prices and quantities of product 11 and margins of underselling/(overselling), by quarters, January 1998-September 2001

* * * * * * *

Table V-9
OEM windshields: Weighted-average delivered selling prices and quantities of U.S. producers, by quarters and by products, January 1998-September 2001

* * * * * * *

Figure V-1
ARG windshields: U.S. producers' delivered prices (dollars per windshield) of products 1, 2, and 8, by quarters, January 1998-September 2001

* * * * * * *

Figure V-2

ARG windshields: U.S. producers' delivered prices (dollars per windshield) of products 4 and 6, by quarters, January 1998-September 2001

* * * * * * *

Figure V-3
ARG windshields: U.S. producers' delivered prices (dollars per windshield) of products 7, 9, and 11, by quarters, January 1998-September 2001

* * * * * * *

Figure V-4
OEM windshields: U.S. producers' delivered prices (dollars per windshield) of products 5, 10, and 12, by quarters, January 1998-September 2001

* * * * * * *

Price Trends

U.S. producer prices for ARG windshields for Ford F-series trucks and the Ford Bronco (product 1) and the Dodge pickup (product 8) increased during 1998, then decreased, and then prices for windshields for the Ford vehicles recovered somewhat, although prices for Dodge pickup windshields, which were ***, continued to decline. Third-quarter 2001 prices of ARG windshields compared to first-quarter 1998 prices were up 2.9 percent, down 16.0 percent, and down 16.1 percent, respectively, for the F-series truck, Jeep Cherokee, and the Dodge pickup (figure V-1). U.S. producer prices of ARG windshields for certain GM pickups and SUVs (product 4) and GM vans (product 6) declined from 1998 through 1999 and have since decreased slightly (figure V-2). It is interesting that a price increase in the second quarter of 2000 for both products broke the otherwise downward trend. Third-quarter 2001 prices

were 41.1 percent lower and 26.5 percent lower, respectively, for products 4 and 6 than first quarter 1998 prices.

U.S. producer prices for ARG windshields of certain Buicks and Oldsmobiles (products 7 and 9) and the Toyota Camry (product 11) generally declined from the first quarter of 1998 through the third quarter of 2001, although most of the decline occurred between the beginning of 1998 and mid-1999 (figure V-3). Third-quarter 2001 prices were 36.8 percent lower, 30.7 percent lower, and 42.1 percent lower, respectively, for products 7, 9, and 11 than first quarter 1998 prices.

In contrast to the declines in ARG prices, prices for OEM products 5 (certain GM SUVs and pickups), 10 (certain Buicks and Oldsmobiles), and 12 (Toyota Camry) were stationary throughout the period examined (figure V-4). Long-term contracting is the likely reason for this price stability.

Life cycle issues likely have contributed to the decline in the prices of the ARG products.[12] Respondents pointed out that the data for ARG windshields are for car models that were introduced from 1993 to 1997 and that they have been on the market long enough to have significant competition in the ARG market, even though some of these models are still being produced by OEMs.[13] The petitioners looked at NAGS price lists for some of the pricing products and other randomly selected products.[14] NAGS benchmark prices for both the pricing products and the randomly selected products trended upward between January 1999 and September 2001. Although petitioners acknowledge that the NAGS prices are not actual prices because it is customary to take *** discounts off of them, they maintain that life cycles do not explain the decline in wholesale ARG prices.[15]

Price Comparisons

Underselling of the imported Chinese product was widespread in the U.S. producer and importer pricing data. Out of 111 quarters of price comparisons, underselling occurred in all but five quarters. Underselling margins ranged from 17.7 to 44.1 percent for product 1 (table V-1). Underselling margins ranged from 26.9 to 67.5 percent for product 2 (table V-2). No imports were reported for product 3. Underselling margins ranged from 9.9 to 52.1 percent for product 4 (table V-3). Only U.S. producers reported pricing data for product 5. In 11 quarters, underselling margins ranged from 1.0 to 36.0 percent for product 6 (table V-4), and in 3 quarters overselling margins ranged from 0.1 to 4.1 percent. Underselling margins ranged from 12.3 to 54.1 percent for product 7 (table V-5). Underselling margins ranged from 10.8 to 53.9 percent for product 8 (table V-6). Imported Chinese product 9 oversold the domestic product by 0.9 and 3.3 percent in two quarters (table V-7). In the other quarters, subject Chinese imports undersold the domestic product 9 by from 0.7 percent to 32.2 percent. Only U.S. producers reported sales of product 10. Underselling margins ranged from 23.2 to 39.1 percent for product 11 (table V-8). Only U.S. producers reported sales of product 12.

Respondents alleged that a two-tier market exists in which the ARG producers that also fabricate OEM windshields receive a premium for their ARG windshield sales and that Chinese imports compete against Safelite in a lower-tier market.[16] Respondents also alleged that Safelite competes almost entirely

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[12] Jim Carino of Greenville Glass stated that the first person to bring an ARG windshield to market usually initially receives a higher price, but with time more competitors move into the market, supply expands, and prices decline. Hearing transcript, pp. 235-236.

[13] FYG's posthearing brief, exhibit 3. FYG added that windshields for more recently introduced models often have additional features that make them more expensive.

[14] Petitioners' posthearing brief, responses to Commissioners' questions, pp. Okun-8-11 and exhibit 6.

[15] Ibid., responses to Commissioners' questions, p. Okun-11.

[16] Paul Anaya, Mygrant, hearing transcript, p. 206.

at the retail level.[17] Although not a test of Safelite's retail price levels, its truckload pricing data ***. When Safelite's prices alone are compared to prices of the imported Chinese product, the imported Chinese product *** Safelite's reported prices ***. (Safelite's pricing data are shown in appendix E.) In fact, Safelite's reported truckload pricing data are *** than the weighted-average U.S. price for all producers *** percent of the time. The decline in the quantity of Safelite's truckload sales does show up in the pricing data. The quantity sold of Safelite's pricing products initially increased to a peak of *** windshields in ***, declined irregularly to *** windshields in ***, increased again to *** windshields in ***, and then declined *** to *** windshields in ***.

Purchaser Pricing

Purchasers were asked to report either truckload or less-than-truckload pricing. Reported truckload pricing data for purchases of U.S. product totaled 3.3 million windshields, including 2.1 million OEM windshields and 1.2 million ARG windshields.[18] Reported truckload purchases of Chinese ARG product totaled 183,692 ARG windshields and no OEM windshields.[19]

OEM Pricing

Purchaser pricing data for truckload sales of OEM products are shown in table V-10. Only data from U.S. sources were reported, and no data were reported for product 12. Data for the Jeep Cherokee *** than their ARG counterpart (table V-12). Average prices for the entire period for which data were reported were *** for the ARG and OEM windshields, and quantities sold were not as different as the other cases, although the OEM quantity was higher. Only *** reported purchaser prices for product 3, and it distributes OEM *** parts in the aftermarket.[20] For certain GM SUVs and small pickups and certain Buicks and Oldsmobiles, OEM quantities were much larger than ARG quantities; OEM prices were ***, and the average OEM price was *** than the average ARG price. For certain GM SUVs and small pickups, OEM windshields were priced *** than ARG windshields (table V-13) *** and *** than ARG windshields ***. For certain Buicks and Oldsmobiles, OEM prices were *** than ARG prices (table V-17) ***, but were ***.

Table V-10
OEM windshields: Weighted-average delivered purchaser prices and quantities of domestic product, by quarters and by products, January 1999-September 2001

* * * * * * *

Price Comparisons

Purchasers usually paid less for the imported product than for the domestic product in the purchaser truckload pricing data. The data revealed 75 quarters in which the imported Chinese product was purchased for less than the comparable domestic product and 13 quarters in which the imported Chinese product was purchased for more than the domestic product.

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[17] Norm Harris, Diamond Triumph, hearing transcript, pp. 147-150 and Gary Dunnegan, Northstar, hearing transcript, p. 167.

[18] *** provided purchaser pricing data for U.S.-produced windshields.

[19] *** provided purchaser pricing data for the subject imported Chinese products.

[20] The part of *** that purchases for OEM assembly did not respond to the Commission's questionnaire.

Purchases of imported product 1 were lower-priced than the comparable domestic product in 11 quarters by margins ranging from 28.4 to 42.5 percent (table V-11). Purchases of imported product 2 were lower-priced than the comparable domestic product in 11 quarters by margins ranging from 53.8 to 68.2 percent (table V-12). Only purchases of the U.S.-produced product 3 were reported. Purchasers paid from 21.3 to 47.3 percent less for the imported product 4 than for the domestic product 4 (table V-13). Only purchases of U.S.-produced product 5 were reported. In 10 quarters, purchasers paid from 6.8 to 49.9 percent more for the imported Chinese product 6 than for the similar domestic product (table V-14). In 1 quarter, purchasers paid 1.5 percent less for the imported product 6 than for the corresponding domestic product. In 11 quarters purchasers paid from 6.3 to 37.1 percent less for the imported product 7 than for the domestic product 7 (table V-15). Purchases of imported product 8 were priced less than the comparable domestic product in 11 quarters by margins ranging from 34.8 to 59.5 percent (table V-16). Purchases of imported product 9 were priced less than the comparable domestic product in 10 quarters by margins ranging from 0.9 to 20.3 percent (table V-17). In 1 quarter the imported product 9 oversold the similar domestic product by 0.2 percent. Only purchases of U.S.-produced product 10 were reported. For product 11 (table V-18), the imported product was priced higher than the domestic product in 2 quarters by margins of 1.5 and 2.3 percent and priced lower than the domestic product in 9 quarters by margins ranging from less than 0.05 percent to 34.9 percent. No data were reported for product 12.

The data reported for less-than-truckload purchases were sparse.[21] Less-than-truckload purchases from U.S. sources totaled *** OEM windshields[22] and 22,668 ARG windshields. Reported Chinese less-than-truckload purchases were minimal and totaled 534 ARG windshields. The less-than-truckload purchases from U.S. sources covered a reasonably complete product range and time frame, although the quantities were small (see appendix E). As expected, the truckload purchases of the U.S. product were priced less than U.S. less-than-truckload purchases for every quarter for which comparisons were possible. Truckload quantities of products 1, 2, 4, 6, 7, 8, 9, and 11 were priced on average *** percent, respectively, below the less-than-truckload quantities of similar products.

Table V-11
ARG windshields: Weighted-average delivered purchaser prices and quantities of domestic and imported product 1 sold in truckload quantities, and margins of underselling/(overselling), by quarters, January 1999-September 2001

* * * * * * *

Table V-12
ARG windshields: Weighted-average delivered purchaser prices and quantities of domestic and imported product 2 sold in truckload quantities, and margins of underselling/(overselling), by quarters, January 1999-September 2001

* * * * * * *

Table V-13
ARG windshields: Weighted-average delivered purchaser prices and quantities of domestic and imported product 4 sold in truckload quantities, and margins of underselling/(overselling), by quarters, January 1999-September 2001

* * * * * * *

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[21] *** provided less-than-truckload pricing.

[22] ***.

Table V-14
ARG windshields: Weighted-average delivered purchaser prices and quantities of domestic and imported product 6 sold in truckload quantities, and margins of underselling/(overselling), by quarters, January 1999-September 2001

* * * * * * *

Table V-15
ARG windshields: Weighted-average delivered purchaser prices and quantities of domestic and imported product 7 sold in truckload quantities, and margins of underselling/(overselling), by quarters, January 1999-September 2001

* * * * * * *

Table V-16
ARG windshields: Weighted-average delivered purchaser prices and quantities of domestic and imported product 8 sold in truckload quantities, and margins of underselling/(overselling), by quarters, January 1999-September 2001

* * * * * * *

Table V-17
ARG windshields: Weighted-average delivered purchaser prices and quantities of domestic and imported product 9 sold in truckload quantities, and margins of underselling/(overselling), by quarters, January 1999-September 2001

* * * * * * *

Table V-18
ARG windshields: Weighted-average delivered purchaser prices and quantities of domestic and imported product 11 sold in truckload quantities, and margins of underselling/(overselling), by quarters, January 1999-September 2001

* * * * * * *

Because of the dearth of data for purchases of Chinese product in less-than-truckload quantities, there were only 10 quarters in which the domestic and imported product were both sold. These data also show that the imported product was purchased for less than the domestic product (table V-19).

Table V-19
ARG windshields: Weighted-average delivered purchaser prices and quantities of domestic and imported product sold in less-than-truckload quantities, and margins of underselling/ (overselling), by quarters and by products, April 2001-September 2001

* * * * * * *

LOST SALES AND LOST REVENUES

In the preliminary phase of the investigation, all responding U.S. producers asserted that they had reduced prices to avoid losing sales or had lost sales because of competition with unfairly priced ARG

windshields from China.[23] Petitioners also stated that providing details of lost sales was difficult because customers did not typically identify competing suppliers. Staff contacted three purchasers about these allegations. One purchaser agreed that low prices of truckload volumes of Chinese ARG windshields had led to lower prices and had likely diminished sales of U.S. producers. The other two purchasers did not confirm the allegations and believed that Chinese truckload shipments had to be priced lower to compete with the smaller, more responsive shipments of U.S. producers.

In the final phase of the investigation, the Commission requested U.S. producers of ARG windshields to report instances of lost sales and revenues but not to repeat allegations made in the preliminary phase. *** and *** reported that they had not lost any revenue or sales because of unfairly priced imports from China. *** reported that it had reduced prices to avoid losing sales and had lost sales because of unfairly priced imports from China, but provided no further details. *** reported that Chinese competition in certain accounts was eroding prices.

*** resubmitted its allegations from the preliminary phase. It also provided some documentation that importers of Chinese ARG windshields offered a broad range of similar products at prices below those of *** to ***. Staff contacted *** concerning the pricing allegations. He responded that sometimes the Chinese product is priced less than the comparable domestic product, but that certain *** and ***-produced windshields are sometimes priced less than the comparable Chinese windshields. He claimed that *** and *** were often as cheap or cheaper than the Chinese product. He said that he has to sell Chinese windshields in order to compete with ***. He tries to ***. He said that the *** is selling at the retail level. He said that *** do not fill orders well and that *** has previously refused to sell to him. He said that the Chinese were easy to deal with despite having to wait 4 to 6 months for an order and having to purchase a full container of windshields.[24] He said that after beginning to purchase Chinese windshields, *** had given him more respect.

*** asserted that its 20 largest truckload customers account for about *** percent of its truckload sales and that its sales to these customers had decreased by *** windshields or by *** in value terms (a loss of *** per windshield). ***. As examples, *** stated that its truckload business with *** and *** had eroded by, respectively, *** and *** percent between 1998 and 2000.[25]

*** asserted that truckload sales represented *** percent of its total sales in 1997, but that competition with low-priced Chinese imports had reduced its truckload business to less than *** percent of its total sales between April and November of 2001. It added that Chinese imports had effectively driven it out of the truckload business and that today most of its wholesale shipments are through ***, but it retains the ability to make truckload sales ***. *** stated that it had not curtailed wholesale shipments in order to ***.

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[23] *Automotive Replacement Glass Windshields from China, Inv. No. 731-TA-922 (Preliminary)*, USITC Pub. 3414, April 2001, pp. V-7-V-8.

[24] ***.

[25] ***.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Seven producers,[1] accounting for all of reported U.S. production of ARG windshields, provided usable financial data for their ARG windshield operations. The data provided by the producers appear to be a reasonable presentation of the results of operations on ARG windshields for the combined companies, except for ***.[2]

A separate memorandum addresses certain questions raised by the parties at the hearing and in party briefs regarding the financial data for ARG windshields.

OPERATIONS ON ARG WINDSHIELDS

The results of the combined U.S. producers' ARG windshield operations are presented in table VI-1.[3] Net sales value declined in 1999 compared to 1998 because of decreased volume and a lower per-unit net sales value. The per-unit net sales value increased in 2000 but the quantity sold decreased, causing a net sales value decrease. The operating income margin decreased in 1999 compared to 1998 and increased in 2000, but not to the level of 1998. The per-unit net sales value increased in interim 2001 compared to interim 2000, contributing to an increased net sales value in interim 2001 despite a reduction in the quantity sold. The shift in average unit values in interim 2001 between commercial sales and transfers to related firms is due mostly to ***. The operating income margin in interim 2000 exceeded the operating income margin in interim 2001 and in the fiscal year of 2000, due in part to lower SG&A expenses in interim 2000. Per-unit values may be affected by the mix of ARG windshields within a company and between companies.

Selected financial data, by firm, are presented in table VI-2. Four companies incurred decreasing net sales values in 1999 compared to 1998, and five companies experienced increased net sales values in 2000 compared to 1999. ***. Six companies had decreasing operating margins in 1999 compared to 1998 and four companies had decreasing operating income margins in 2000 compared to 1999. Five companies had increasing operating income margins in interim 2001 compared to interim 2000.

***.[4] ***.[5] [6] [7] ***. ***.[8] ***. ***. ***. ***.

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[1] ***.

[2] ***.

[3] *** did not provide the detail of cost of goods sold; therefore, raw material, direct labor, and other factory costs are not presented separately in the table.

[4] On June 9, 2000, Safelite Glass Corp., as part of a pre-arranged plan to restructure its debt, filed a voluntary petition under chapter 11 of the Federal Bankruptcy Code. *SEC Form 12b-25, Notification of Late Filing.* Safelite Glass Corp.

[5] Apogee has a 34-percent interest in PPG Auto Glass, LLC. *SEC Form 10-K Annual Report*, for the period ended March 3, 2001. Apogee Enterprises, Inc.

[6] PPG has a 66-percent interest in PPG Auto Glass, LLC. *SEC Form 10-K, Annual Report*, for the period ended December 31, 2000. PPG Industries, Inc.

[7] One-time charges incurred by PPG related to the merger to form PPG Auto Glass are ***.

[8] Telephone conversation with ***.

Table VI-1
Results of operations for the U.S. producers in the production of ARG windshields, fiscal years 1998-2000, January-September 2000, and January-September 2001

Item	Fiscal year			January-September	
	1998	1999	2000	2000	2001
	Quantity (*units*)				
Net sales:					
Commercial sales	4,415,795	4,208,762	3,865,500	3,169,535	***
Transfers to related firms	1,826,771	1,654,976	1,754,022	1,310,030	***
Total net sales	6,242,566	5,863,738	5,619,522	4,479,565	4,457,887
	Value (*1,000 dollars*)				
Net sales:					
Commercial sales	309,162	278,272	248,134	209,698	***
Transfers to related firms	113,022	95,996	115,604	80,591	***
Total net sales	422,184	374,268	363,738	290,289	301,392
Cost of goods sold	260,224	240,870	225,384	179,087	186,444
Gross profit	161,960	133,398	138,354	111,202	114,948
SG&A expenses	125,400	128,538	127,015	95,439	101,579
Operating income or (loss)	36,560	4,860	11,339	15,763	13,369
Interest expense	6,397	6,105	5,561	4,654	4,394
Other expense	2,522	2,684	4,493	5,717	3,555
Other income	2,008	1,736	1,149	907	783
Net income or (loss)	29,649	(2,193)	2,434	6,299	6,203
Depreciation/amortization	7,666	8,219	8,779	6,780	7,117
Cash flow	37,315	6,026	11,213	13,079	13,320
	Ratio to net sales (*percent*)				
Cost of goods sold	61.6	64.4	62.0	61.7	61.9
Gross profit	38.4	35.6	38.0	38.3	38.1
SG&A expenses	29.7	34.3	34.9	32.9	33.7
Operating income or (loss)[1]	8.7	1.3	3.1	5.4	4.4
Net income or (loss)	7.0	(0.6)	0.7	2.2	2.1
	Unit value				
Net sales:					
Commercial sales	$70.01	$66.12	$64.19	$66.16	***
Transfers to related firms	61.87	58.00	65.91	61.52	***
Total net sales	67.63	63.83	64.73	64.80	$67.61
Cost of goods sold	41.69	41.08	40.11	39.98	41.82
Gross profit	25.94	22.75	24.62	24.82	25.79
SG&A expenses	20.09	21.92	22.60	21.31	22.79
Operating income or (loss)	5.86	0.83	2.02	3.52	3.00
	Number of firms reporting				
Operating losses	1	3	1	1	0
Data	7	7	7	7	7

[1] ***.
Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
Selected financial data of U.S. producers on their ARG windshield operations, by firms, fiscal years 1998-2000, January-September 2000, and January-September 2001

* * * * * * *

CAPITAL EXPENDITURES, R&D EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

Capital expenditures, R&D expenses, and the original cost and book value of property, plant, and equipment used in the production of ARG windshields are shown in table VI-3. Capital expenditures decreased in 1999 compared to 1998 and increased in 2000 compared to 1999. Capital expenditures decreased in interim 2001 compared to interim 2000. R&D expenses were relatively stable in each comparative period. The original cost of fixed assets increased in 1999 compared to 1998 and in 2000 compared to 1999 due to continual capital investment. The book value of fixed assets decreased in 1999 compared to 1998 and in 2000 compared to 1999 due to annual depreciation.

Table VI-3
Capital expenditures, R&D expenses, and the value of assets of U.S. producers with respect to ARG windshields, fiscal years 1998-2000, January-September 2000, and January-September 2001

* * * * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of ARG windshields from China on their firms' growth, investments, ability to raise capital, and/or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix F.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN CHINA

Fourteen producers in China were sent questionnaires by the Commission. Twelve Chinese producers of ARG windshields responded to the Commission's questionnaire. They are as follows: ***. The data obtained are presented in table VII-1. The 12 producers account for a substantial portion of the total production in China, and accounted for essentially all U.S. imports of ARG windshields from China in 2000. Petitioners contend that the industry in China has the capacity to produce over 12 million windshields.[1]

[1] Petition, pp. 12-13, 53.

Table VII-1
ARG windshields: Reported production capacity, production, shipments, and inventories for 12 producers in China, 1998-2000, January-September 2000, January-September 2001, and projected 2001-02

Item	Actual experience					Projections	
				January-September			
	1998	1999	2000	2000	2001	2001	2002
	Quantity (*units*)						
Capacity	2,865,674	3,487,274	4,189,474	3,269,706	3,897,606	4,900,000	5,497,000
Production	1,827,902	2,693,205	3,563,392	2,795,635	3,352,955	4,045,100	4,791,600
End of period inventories	265,012	249,684	297,911	275,498	279,679	281,591	270,547
Shipments:							
Internal consumption	14,815	11,111	15,704	8,704	10,963	15,000	15,000
Home market	675,412	789,402	744,838	549,930	673,318	849,220	1,069,350
Exports to--							
The United States	770,621	1,248,266	1,859,416	1,468,082	1,776,433	2,154,250	2,449,000
All other markets	383,078	663,902	914,908	730,046	947,449	1,068,500	1,271,000
Total exports	1,153,699	1,912,168	2,774,324	2,198,128	2,723,882	3,222,750	3,720,000
Total shipments	1,843,927	2,712,681	3,534,865	2,756,762	3,408,163	4,086,970	4,804,350
	Ratios and shares to quantity (*percent*)						
Capacity utilization	63.8	77.2	85.1	85.5	86.0	82.6	87.2
Inventories to production	14.5	9.3	8.4	7.4	6.3	7.0	5.6
Inventories to total shipments	14.4	9.2	8.4	7.5	6.2	6.9	5.6
Share of total quantity of shipments:							
Internal consumption	0.8	0.4	0.4	0.3	0.3	0.4	0.3
Home market	36.6	29.1	21.1	19.9	19.8	20.8	22.3
Exports to--							
The United States	41.8	46.0	52.6	53.3	52.1	52.7	51.0
All other markets	20.8	24.5	25.9	26.5	27.8	26.1	26.5
Total exports	62.6	70.5	78.5	79.7	79.9	78.9	77.4

Note.–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTERS' INVENTORIES

U.S. importers' inventories of subject ARG windshields are reported in table VII-2.

Table VII-2
ARG windshields: U.S. importers' end-of-period inventories of imports from China and from all other sources, 1998-2000, January-September 2000, and January-September 2001

* * * * * * *

U.S. IMPORTERS' CURRENT ORDERS

Eight firms reported imports or arrangements for the importation of an estimated 458,300 ARG windshields from China after September 30, 2001.

DUMPING IN THIRD-COUNTRY MARKETS

There is no indication that ARG windshields from China have been subject to any other import relief investigations or antidumping orders in the United States. On December 19, 2001, the Canadian International Trade Tribunal published notice of commencement of a preliminary injury inquiry (Preliminary Injury Inquiry No. PI-2001-003) resulting from the alleged injurious dumping of automotive laminated windshields of all sizes and shapes for the automotive replacement market, exported from or originating from the People's Republic of China. The petition was filed by PPG Canada Inc., Toronto, Ontario, one of the two producers of ARG windshields in Canada. On February 15, 2002, the Canadian International Trade Tribunal made a preliminary determination of injury.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–922 (Final)]

Automotive Replacement Glass Windshields From China

AGENCY: United States International Trade Commission.

ACTION: Scheduling of the final phase of an antidumping investigation.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of antidumping investigation No. 731–TA–922 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of less-than-fair-value imports from China of automotive replacement glass windshields, provided for in subheading 7007.21.10 of the

Harmonized Tariff Schedule of the United States.[1]

For further information concerning the conduct of this phase of the investigation, hearing procedures, and rules of general application, consult the Commission's rules of practice and procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

EFFECTIVE DATE: September 19, 2001.

FOR FURTHER INFORMATION CONTACT: Gail Burns (202–205–2501), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS–ON–LINE) at *http://dockets.usitc.gov/eol/public.*

SUPPLEMENTARY INFORMATION:

Background

The final phase of this investigation is being scheduled as a result of an affirmative preliminary determination by the Department of Commerce that imports of automotive replacement glass windshields from China are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigation was requested in a petition filed on February 28, 2001, by PPG Industries, Pittsburgh, PA; Safelite Glass Corporation, Columbus, OH; and Apogee Enterprises, Inc., Minneapolis, MN.

[1] For purposes of this investigation, the Department of Commerce has defined the subject merchandise as "ARG (automotive replacement glass) windshields, and parts thereof, whether clear or tinted, whether coated or not, and whether or not they include antennas, ceramics, mirror buttons or VIN notches, and whether or not they are encapsulated. ARG windshields are laminated safety glass (i.e., two layers of (typically float) glass with a sheet of clear or tinted plastic in between (usually polyvinyl butyral)), which are produced and sold for use by automotive glass installation shops to replace windshields in automotive vehicles (e.g., passenger cars, light trucks, vans, sport utility vehicles, etc.) that are cracked, broken or otherwise damaged * * * Specifically excluded from the scope of this investigation are laminated automotive windshields sold for use in original assembly of vehicles."

Participation in the investigation and public service list

Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the final phase of this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigation need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in the final phase of this investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigation. A party granted access to BPI in the preliminary phase of the investigation need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff Report

The prehearing staff report in the final phase of this investigation will be placed in the nonpublic record on January 23, 2002, and a public version will be issued thereafter, pursuant to § 207.22 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with the final phase of this investigation beginning at 9:30 a.m. on February 5, 2002, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before January 29, 2002. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on January 31, 2002, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.24 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

Written Submissions

Each party who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.23 of the Commission's rules; the deadline for filing is January 30, 2002. Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.25 of the Commission's rules. The deadline for filing posthearing briefs is February 12, 2002; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before February 12, 2002. On March 1, 2002, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before March 5, 2002, but such final comments must not contain new factual information and must otherwise comply with § 207.30 of the Commission's rules. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with §§ 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to § 207.21 of the Commission's rules.

Issued: October 17, 2001.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 01–26588 Filed 10–22–01; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–867]

Final Determination of Sales at Less Than Fair Value: Certain Automotive Replacement Glass Windshields From The People's Republic of China

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of final determination of sales at less than fair value.

EFFECTIVE DATE: February 12, 2002.

FOR FURTHER INFORMATION CONTACT: Brandon Farlander or Stephen Bailey, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue N.W., Washington, DC 20230; telephone: (202) 482–0182, 482–1102, respectively.

SUPPLEMENTARY INFORMATION:

THE APPLICABLE STATUTE

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department of Commerce's ("the Department") regulations are to the regulations at 19 CFR part 351 (April 2000).

FINAL DETERMINATION

We determine that certain automotive replace glass windshields ("ARG windshields") from the People's Republic of China ("PRC") are being, or are likely to be, sold in the United States at less than fair value ("LTFV"), as provided in section 735 of the Act. The estimated margin of sales is shown in the "Final Margin" section of this notice.

Case History

We published in the Federal Register the preliminary determination in this investigation on September 19, 2001. See Notice of Preliminary Determination of Sales at Less Than Fair Value: Certain Automotive Replacement Glass Windshields from the People's Republic of China, 66 FR 48233 (September 19, 2001) ("Preliminary Determination"). On October 4, 2001, we published in the Federal Register a postponement of the final determination in this investigation. See Notice of Postponement of Final Determination of Antidumping Duty Investigation: Automotive Replacement Glass Windshields from the People's Republic of China, 66 FR 50607 (October 4, 2001).

On September 21, 2001, the Department received timely filed allegations that we made ministerial errors in the preliminary determination from Fuyao Glass Industry Group Company, Ltd, ("FYG") and PPG Industries, Inc., Safelite Glass Corporation, Apogee Enterprises, Inc., and its subsidiary Viracon/Curvelite, (collectively, "Petitioners"). We published in the Federal Register the amended preliminary determination in this investigation on October 24, 2001. See Notice of Amended Preliminary Antidumping Duty Determination of Sales at Less Than Fair Value: Automotive Replacement Glass Windshields from the People's Republic of China, 66 FR 53776 (October 24, 2002) ("Amended Preliminary Determination"). Since the publication of the Amended Preliminary Determination, the following events have occurred.

On October 18, 2001, Petitioners submitted a request for a public hearing in accordance with 19 CFR 351.310(c). On October 19, 2001, 2001, FYG submitted a request for a public hearing.

On November 4, 2001 through November 8, 2001, the Department conducted a sales and factors factor of production verification of FYG. On November 12, 2001 through November 16, 2001, the Department conducted sales and factors of production verification of Xinyi Automotive Glass (Shenzhen) Co., Ltd. ("Xinyi"). On December 5, 2001 through December 6, 2001, the Department conducted a sales verification of FYG's U.S. affiliate, Greenville Glass Industries, Inc. ("GGI").

On December 27, 2001, Petitioners, FYG, Xinyi, Benxun, and TCGI International, Inc. ("TCGI"), submitted their case briefs with respect to the sales and factors of production verification and the Department's Preliminary Determination. On December 27, 2001, Petitioners submitted their case brief with respect to the sales and factors of production verification and the Department's Preliminary Determination. On January 4, 2002, FYG submitted its rebuttal brief with respect to the Department's Preliminary Determination. On January 7, 2002, Petitioners, Xinyi, Benxun and TCGI submitted their rebuttal brief with respect to the sales and factors of production verification and the Department's Preliminary Determination. On January 7, 2002, Changchun Pilkington Safety Glass Company Limited, Guilin Pilkington Safety Glass Company Limited, Wuhan Yaohua Pilkington Safety Glass Company Limited and Shanghai Guangda Trading Company ("the Pilkington Companies") submitted their rebuttal brief with regard to critical circumstances.

On January 8, 2002, the Department held a public hearing in accordance with 19 CFR 351.310(d)(1). Representatives for Petitioners, FYG, Xinyi, TCGI, and the Pilkington Companies were present. All parties present were allowed an opportunity to make affirmative presentations only on arguments included in that party's case briefs and were also allowed to make rebuttal presentations only on arguments included in that party's rebuttal brief. Also, on January 8, 2002, at Petitioner's request, the Department held a closed hearing, in accordance with 19 CFR 351.310(f), to permit the discussion of issues involving business proprietary information.

Period of Investigation

The period of investigation is July 1, 2000, through December 31, 2000.

Non-Market Economy

The Department has treated the PRC as a non market economy (NME) country in all its past antidumping investigations. See Notice of Final Determination of Sales at Less Than Fair Value: Honey from the People's Republic of China, 66 FR 50608 (October 4, 2001) and Notice of Final Determination of Sales at Less Than Fair Value: Certain Folding Gift Boxes from the People's Republic of China, 66 FR 58115 (November 20, 2001). A designation as an NME country remains in effect until it is revoked by the Department. See section 771(18)(C) of the Act. The respondents in this investigation have not requested a revocation of the PRC's NME status. Therefore, we have continued to treat the PRC as an NME in this investigation. For further details, see the Department's Preliminary Determination.

Separate Rates

In our Preliminary Determination, we found that the respondents had met the criteria for the application of separate antidumping duty rates. We have not received any other information since the Preliminary Determination which would warrant reconsideration of our separates rates determination with respect to the respondents. Therefore, we continue to find that the respondents should be assigned individual dumping margins. For a complete discussion of the Department's determination that the respondents are entitled to separate rates, see the Preliminary Determination.

The PRC-Wide Rate

For the reasons set forth in the Preliminary Determination, we continue to believe that use of adverse facts available for the PRC-wide rate is appropriate. See Preliminary Determination, 66 FR at 48237.

Surrogate Country

For purposes of the final determination, we find that India remains the appropriate primary surrogate country for the PRC. For further discussion and analysis regarding the surrogate country selection for the PRC, see the Department's Preliminary Determination.

Critical Circumstances

In the Department's Preliminary Determination, we determined that critical circumstances exist for imports of ARG windshields from the PRC manufactured and/or exported by the PRC-wide entity. We, however, preliminarily found that critical circumstances do not exist for FYG, Xinyi, Benxun, TCGI, Changchun, Guilin, and Wuhan based on lack of importer knowledge. For this final determination, we continue to find critical circumstances for imports of ARG windshields from the PRC manufactured and/or exported by the PRC-wide entity. Additionally, because the final calculated margin for FYG is

below 15 percent, the Department's threshold for imputing knowledge of dumping for CEP sales is not met. For Xinyi because the final calculated margin for is below 25 percent, the Department's threshold for imputing knowledge of dumping for EP sales is not met. We therefore do not find critical circumstances with respect to these companies. Furthermore, the weighted-average margin we calculated for the non-mandatory respondents Benxun, TCGI, Changchun, Guilin and Wuhan, is less than either the 25 percent threshold for imputing knowledge for EP sales or the 15 percent threshold for CEP sales. Although the record as to these respondents does not indicate whether their sales were EP or CEP, neither threshold is met. See Notice of Final Determination of Sales at Less Than Fair: Certain Non-Frozen Apple Juice Concentrate from the People's Republic of China, 65 FR 19873 (April 13, 2000). Therefore, we do not consider critical circumstances to exist with regard to these non-mandatory respondents. For a discussion of interested party comments on this issue, see Issues and Decision Memorandum for the Less Than Fair Value Investigation of Certain Automotive Replacement Glass Windshields from the People's Republic of China: July 1, 2000 through December 31, 2001 from Joseph A. Spetrini, Deputy Assistant Secretary, Import Administration, to Faryar Shirzad, Assistant Secretary for Import Administration, dated February 1, 2002 (Issues and Decision Memorandum).

Analysis of Comments Received

All issues raised in the case briefs by parties to this investigation are addressed in the Issues and Decision Memorandum. A list of the issues which parties raised, and to which we have responded, all of which are in the Issues and Decision Memorandum, is attached to this notice as an Appendix. Parties can find a complete discussion of all issues raised in this investigation and the corresponding recommendations in this public memorandum, which is on file in the Central Records Unit, Room B–099 of the Main Department of Commerce Building. In addition, a complete version of the Issues and Decision Memorandum can be accessed directly on the World Wide Web at www.ia.ita.doc.gov/. The paper copy and electronic version of the Issues and Decision Memorandum are identical in content.

Changes Since the Preliminary Determination

Based on our findings at verification, and analysis of comments received, we have made adjustments to the calculation methodology in calculating the final dumping margin in this proceeding and have surrogate value changes. See Analysis Memorandum Xinyi, Analysis Memorandum for FYG, and Factors of Production Valuation Memorandum for the Final Determination, dated February 1, 2002.

Verification

As provided in section 782(i) of the Act, we verified the information submitted by each respondent for use in our final determination. We used standard verification procedures including examination of relevant accounting and production records, and original source documents provided by the respondents. For changes from the Preliminary Determination as a result of verification, see Analysis Memorandum for Xinyi and Analysis Memo for FYG.

Scope of Investigation

Interested parties requested that the Department clarify whether ARG windshields for buses, farm and heavy machinery are included in the scope of this investigation. Based on the information received, we clarified that ARG windshields for buses, farm and heavy machinery are included in the scope of this investigation. For further discussion, please see the Issues and Decision Memorandum for the Scope Clarification for the Antidumping Duty Investigation of Automotive Replacement Glass Windshields from the People's Republic of China: July 1, 2000 through December 31, 2001 from Edward C. Yang, Director, Office 9 to Joseph A. Spetrini, Deputy Assistant Secretary, AD/CVD Enforcement Group III, dated January 24, 2002.

The products covered by this investigation are ARG windshields, and parts thereof, whether clear or tinted, whether coated or not, and whether or not they include antennas, ceramics, mirror buttons or VIN notches, and whether or not they are encapsulated. ARG windshields are laminated safety glass (i.e., two layers of (typically float) glass with a sheet of clear or tinted plastic in between (usually polyvinyl butyral)), which are produced and sold for use by automotive glass installation shops to replace windshields in automotive vehicles (e.g., passenger cars, light trucks, vans, sport utility vehicles, etc.) that are cracked, broken or otherwise damaged.

ARG windshields subject to this investigation are currently classifiable under subheading 7007.21.10.10 of the Harmonized Tariff Schedules of the United States (HTSUS). Specifically excluded from the scope of this investigation are laminated automotive windshields sold for use in original assembly of vehicles. While HTSUS subheadings are provided for convenience and Customs purposes, our written description of the scope of this investigation is dispositive.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B)(ii) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of subject merchandise from the PRC, that are entered, or withdrawn from warehouses, for consumption on or after the date of publication of the Amended Preliminary Determination in the Federal Register. The Customs Service shall continue to require a cash deposit or posting of a bond equal to the estimated amount by which the normal value exceeds the U.S. price as shown below. These suspension of liquidation instructions will remain in effect until further notice.

The weighted-average dumping margin is as follows:

Manufacturer/exporter	Weighted–average margin (percent)
FYG	9.67
Xinyi	3.70
Benxun	8.22
Changchun	8.22
Guilin	8.22
Wuhan	8.22
TCGI	8.22
China–Wide	124.50

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission ("ITC") of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury, or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order.

This notice also serves as a reminder to parties subject to administrative protective order ("APO") of their responsibility concerning the

disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305. Timely notification of return or destruction of APO materials, or conversion to judicial protective order, is hereby requested. Failure to comply with the regulations and the terms of APO is a sanctionable violation.

This determination is issued and published in accordance with sections 735(d) and 777(i)(1) of the Act.

February 1, 2002.

Faryar Shirzad,

Assistant Secretary for Import Administration.

APPENDIX I

Discussion of the Issues

Petitioners' Issues

Comment 1: Whether Import Prices Paid by FYG and Xinyi for Float Glass from Korea may be Subsidized

Comment 2: Whether Import Prices Paid by FYG and Xinyi for Float Glass from Thailand may be Subsidized

Comment 3: Whether Import Prices Paid by FYG and Xinyi for Float Glass from Korea and Thailand may be Dumped

Comment 4: Whether Xinyi's Prices for Imports of Float Glass From India May be Subsidized

Comment 5: Whether Chinese Prices for Indonesian Float Glass May Be Subsidized and/or Dumped

Comment 6: Whether the Department Should Continue to Use Indian Import Statistics as the Surrogate Value for Float Glass

Comment 7: Whether the Department Should Use as its Surrogate Value the Electricity rate Paid by the Indian Auto Glass Producers

Comment 8: Whether the Department Should Use Actual Molding Prices and Mirror Brackets/Button Prices as the Surrogate Value for Xinyi's Moldings and Mirror Brackets/Buttons

Comment 9: Whether the Department Should Use the Updated Surrogate Value Information Provided by Petitioners for Certain Inputs and Also Use a More Appropriate HTS Number for Scrap Iron Input

Comment 10: Whether the Department Should Calculate Factory Overhead, Selling, General and Administrative Expenses, and Profit in Accordance with Petitioners Proposed Methodology

Comment 11: Whether the Department Should Value the Labor Factor of Production on the Basis of Fully-Loaded Labor Costs

Comment 12: Whether Xinyi's Market Economy Based Inland Freight Expenses Are Controlled by the Chinese Government

Comment 13: Whether the Department Should Make Certain Adjustments to Freight for FYG

Comment 14: Whether Respondents Reported Usage Rates for Float Glass and PVB Are Understated

Comment 15: Whether Respondents Reported U.S. Selling Prices are Reliable

Comment 16: Critical Circumstances

Comment 17: Whether the Scope Includes ARG Windshields for Buses, Recreational Vehicles and Farm Machinery

Comment 18: Whether the Department Used Incorrect Inflation Figures

Company Specific Issues

FYG's Comments

Comment 19: Whether the Department Should Use the Remaining Average Float Glass Costs Specific to the Thickness and Type Required for the CONNUM

Comment 20: Whether the Department Should Calculate the Profit Ratio Based on the 1999–2000 Financial Report of Asahi India Safety Glass Ltd.

Comment 21: Whether the Net Profit Ratio Should be Based on a Simple Average of the Financial Results of Saint-Gobain Sekurit and Asahi

Comment 22: Whether the Asahi India Profit Ratio Contains a Clerical Error

Comment 23: Whether the Department's Calculation of the Factory Overhead Ratio Should Exclude the Cost of Stores and Spare Parts

Comment 24: Whether the Department's Calculation of the SG&A Expense Ratio Contains Errors

Comment 25: Whether Water as Part of Energy in the Cost of Manufacturing Results in Double-Counting

Comment 26: Whether the Department Should Value Water Using the Asian Development Bank Data

Comment 27: Whether the Department Erred in Including U.S. Duty and International Freight Charges Among the CEP Selling Expenses

Comment 28: Whether the Department Double-Counted Molding

Comment 29: Updated Labor Rate for 1999

Comment 30: Surrogate Value for Styrofoam

Comment 31: Whether the Department Should Remove International Freight and Insurance Costs from Indian Surrogate Values

Xinyi's Comments

Comment 32: Whether Market Economy Expenditures Should be Used in Place of Surrogate Values

Comment 33: Verification Issues

Comment 34: Whether Negative Margins Should be Taken into Consideration in Calculating Certain Overall Weighted Average Margins

Comment 35: Whether the Department Should Calculate a Margin for Non-Mandatory Respondent Benxun Based on Its Data

Comment 36: Whether Recent Changes to the Antidumping Statute have Transformed the Law into a Penal Statute, thereby Violating Certain Respondent Parties' Procedural Due Process Rights

[FR Doc. 02–3383 Filed 2–11–02; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–867]

Notice of Amended Final Determination of Sales at Less Than Fair Value: Certain Automotive Replacement Glass Windshields from the People's Republic of China

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Amended Final Determination of Sales at Less Than Fair Value.

EFFECTIVE DATE: March 15, 2002.

FOR FURTHER INFORMATION CONTACT: Stephen Bailey, Brandon Farlander, and Robert Bolling, AD/CVD Enforcement Group III, Office 9, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230; telephone: (202) 482–1102, (202) 482–0182, and (202) 482–3434, respectively.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended ("the Act"), are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department's regulations are to the regulations codified at 19 C.F.R. Part 351 (2001).

Amendment of Final Determination

On February 4, 2002, the Department of Commerce ("the Department") issued its final determination and found that ARG windshields from the People's Republic of China ("PRC") are being, or are likely to be, sold in the United States at less than fair value ("LTFV"), as provided in section 735(a) of the Tariff Act. See Final Determination of Sales at Less Than Fair Value: Certain Automotive Replacement Glass Windshields from the People's Republic of China, 67 FR 6482 (February 12, 2002) (Final Determination).

On February 14, 2002, respondents Fuyao Glass Industry Group Company, Ltd. ("FYG") and Xinyi Automotive Glass (Shenzhen) Co., Ltd. ("Xinyi"), and Petitioners timely filed ministerial error allegations, pursuant to 19 CFR 351.224(c)(2). On February 19, 2002, respondent FYG and Petitioners timely filed rebuttal comments on the alleged ministerial errors.

The Department is amending the Final Determination in the antidumping investigation of ARG windshields from the PRC for FYG, Xinyi, Shenzhen Benxun Auto–Glass Co., Ltd. ("Benxun"), Changchun Pilkington Safety Glass Co., Ltd. ("Changchun"), Guilin Pilkington Safety Glass Co., Ltd. ("Guilin"), Wuhan Yaohua Pilkington Safety Glass Co., Ltd. ("Wuhan"), and TCG International ("TCGI").

Scope of the Investigation

As addressed in the final determination, interested parties requested that the Department clarify whether automotive replacement glass windshields ("ARG") windshields for buses, farm and heavy machinery are included in the scope of this investigation. Based on the information received, we clarified that ARG windshields for buses, farm and heavy machinery are included in the scope of this investigation. For further discussion, please see the Issues and Decision Memorandum for the Scope Clarification for the Antidumping Duty Investigation of Automotive Replacement Glass Windshields from the People's Republic of China: July 1, 2000 through December 31, 2001 from Edward C. Yang, Director, Office 9 to Joseph A. Spetrini, Deputy Assistant Secretary, AD/CVD Enforcement Group III, dated January 24, 2002.

The products covered by this investigation are ARG windshields, and parts thereof, whether clear or tinted, whether coated or not, and whether or not they include antennas, ceramics, mirror buttons or VIN notches, and whether or not they are encapsulated. ARG windshields are laminated safety glass (i.e., two layers of (typically float) glass with a sheet of clear or tinted plastic in between (usually polyvinyl butyral)), which are produced and sold for use by automotive glass installation shops to replace windshields in automotive vehicles (e.g., passenger cars, light trucks, vans, sport utility vehicles, etc.) that are cracked, broken or otherwise damaged.

ARG windshields subject to this investigation are currently classifiable under subheading 7007.21.10.10 of the Harmonized Tariff Schedules of the United States (HTSUS). Specifically excluded from the scope of this investigation are laminated automotive windshields sold for use in original assembly of vehicles. While HTSUS subheadings are provided for convenience and Customs purposes, our written description of the scope of this investigation is dispositive.

Ministerial Error

A ministerial error is defined in section 351.224(f) of our regulations as

"an error in addition, subtraction, or other arithmetic function, clerical error resulting from inaccurate copying, duplication, or the like, and any other similar type of unintentional error which the Secretary considers ministerial." Section 351.224(e) of our regulations provides that we "will analyze any comments received and, if appropriate . . . correct any ministerial error by amending the final determination. . . ." After reviewing interested parties' allegations we have determined, in accordance with 19 CFR 351.224, that the Final Determination includes ministerial errors discussed below.

FYG's Allegation of Ministerial Errors

Updated Market Economy Prices

Comment 1: FYG alleges that the Department made a ministerial error by using outdated market price values for ink, silver and mirror buttons and using a surrogate value for solder even though FYG reported market economy purchases of solder. FYG maintains that the Department failed to apply the updated market economy values for these inputs, as reported in FYG's November 16, 2001 submission.

Petitioners did not provide rebuttal comments.

Department's Position: We agree with FYG. Following the Preliminary Determination, FYG provided updated market economy values to the Department which the Department inadvertently failed to use for the Final Determination. It is the Department's practice to use the most updated factor value information available. For the amended final determination, we used updated market economy prices for the inputs ink, silver, mirror buttons and solder. See Analysis Memo for the Amended Final Determination of Automotive Replacement Glass ("ARG") Windshields from the People's Republic of China: Xinyi Automobile Glass (Shenzhen) Co., Ltd. ("Xinyi") and Fuyao Glass Industry Group Co., Ltd. ("FYG") (Amended Final Analysis Memo) from Brandon Farlander and Stephen Bailey to Robert Bolling dated March 6, 2002.

Xinyi's Allegations of Ministerial Errors

Incorrect Margin Calculation Results

Comment 2: Xinyi argues that it calculated a margin using all relevant documents provided by the Department issued for the Final Determination and that the margin Xinyi calculated is fifty–five one–hundredths of a percent lower than the margin calculation generated by the Department. Xinyi argues that the final margin should be 3.15 percent as compared to 3.70 percent as calculated by the Department in its Final Determination.

Petitioners argue that Xinyi's ministerial error submission does not fulfill the conditions necessary for correction of ministerial errors contained in section 351.224 of the regulations. Petitioners argue that Xinyi did not identify any error of omission or commission in its request, which is required according to section 351.224(4)(d). Petitioners argue that it is Xinyi's responsibility, and not the Department's, to identify any errors in the Final Determination.

Department's Position: We disagree with Xinyi. Xinyi has not alleged an error, specific or otherwise, by the Department in the Department's calculation of Xinyi's margin that would fall within the meaning of 19 CFR 351.224(f). Xinyi argues that, because it obtained different margin results then those calculated by the Department, the Department's margin calculations must contain clerical errors. Xinyi has provided no official record evidence that the Department has made a clerical error in Xinyi's margin calculation program or has Xinyi provided an appropriate correction pursuant to the requirements of 19 CFR 351.224(d).

Aberrational Indian Import Statistics Data

Comment 3: Xinyi argues that the Department incorrectly included aberrational Indian Import Statistics data for colored float glass imports from the United Arab Emirates in September 2000, aberrational values for colored float glass imports from Belgium in September and December 2000, and aberrational values for colored float glass imports from Taiwan in August and December 2000. Xinyi argues that the import data from these countries and the values for the specific months listed above are aberrationally high when compared to the average colored float glass surrogate value calculated by the Department.

Petitioners argue that Xinyi's claims that certain Indian Import Statistics data are aberrationally high is a new substantive methodological argument. Petitioners contend that this new argument is subject to comment and rebuttal by interested parties to the investigation and to a final determination by the Department. Additionally, Petitioners argue that Xinyi had ample opportunities to argue that there were aberrations in the Indian Import Statistics data, but did not do so.

Department Position: We disagree with Xinyi that this is a ministerial error. The Department included Indian imports from Belgium, Taiwan, and the United Arab Emirates as set forth in Attachment 4 of the Factor Valuation Memorandum for the Preliminary Determination. This remained unchanged for the Final Determination. Therefore, the allegation is not a ministerial error pursuant to 19 CFR 351.224(f).

Petitioner's Allegations of Ministerial Errors for FYG

Colored Float Glass Surrogate Value from the Indian Import Statistics

Comment 4: Petitioners allege that the Department made a ministerial error by failing to apply the Indian surrogate value used for colored float glass, exclusive of Thailand and Korea. Citing to the Department's Factors of Production Valuation Memorandum for the Final Determination (Factor Value Memo), Petitioners argue that the Department determined in the Final Determination to exclude Thai and Korean prices for all inputs in its surrogate value calculations and also in determining market economy purchases. Petitioners maintain that the Department's failure to apply the revised Indian surrogate value for the colored float glass resulted in an understatement of the value of a certain type of windshield. Because the type of windshield is business proprietary information, see the Amended Final Analysis Memo for a further discussion of this issue.

FYG points out that the windshield in question is comprised of two types of float glass. FYG argues, therefore, that Petitioners' methodology of using a weighted–average of only one value for the windshield is distortive.

Department's Position: We agree with Petitioners. In the Final Determination, the value of colored float glass, the second pane of glass used for the windshield in question, was derived by the Department using FYG's market economy purchases. However, the Department inadvertently failed to exclude market economy purchases from Thailand and Korea from FYG's market economy purchases of colored float glass. As the Department stated in Comment 1 of the final Issues and Decision Memorandum, it would disregard prices that the Department has reason to believe or suspect are distorted by subsidies, including FYG's market economy purchases from Thailand and Korea. See Final Determination, 67 FR 6482 (February 12, 2002) and accompanying Issues and Decision Memorandum at Comment 1. When market economy purchases of colored float glass from Thailand and

Korea are excluded, the Department must then use Indian Import Statistics to value colored float glass because FYG did not purchase colored float glass from other market economy countries. Therefore, for the amended final determination, we will use the Indian surrogate value for colored glass less purchases of Thai and Korean float glass. See Amended Final Analysis Memo.

International Freight Container Rate

Comment 5: Petitioners argue that the Department erred in the Final Determination in its calculation of ocean freight by using a freight rate for a 20–foot container instead of a freight rate for a 40–foot container, which is the container size used by FYG in transporting subject merchandise. Citing to the Factor Value Memo, Petitioners maintain that the Department rejected, in part, FYG's methodology for freight and used a freight rate provided by the Federal Maritime Commission. Petitioners contend that the Department used a basic freight rate for a 20–foot shipping container, to which was added a fuel surcharge and destination delivery charge. Petitioners assert that their October 29, 2001 Surrogate Values Submission provided evidence on the record to value a 40–foot shipping container. Petitioners further contend that the Department should either: (1) match the particular ocean rate to the closest port of entry for each shipment; or (2) apply an average of the ocean rates for all ports through which the non–market economy ("NME") shipments entered for which surrogate ocean freight is being assigned.

FYG agrees with Petitioners that the Department incorrectly used a 20–foot container rate when the Department should have used a 40–foot container rate to value ocean shipping. However, FYG argues that Petitioners' suggested ocean freight value was rejected by the Department for the final determination. FYG suggests that the Department use the actual freight rates paid for the ocean segment of the overall transportation charge, which are reported in Exhibit 19–A of FYG's verification report. See Memorandum from Stephen Bailey, Sarah Ellerman, case analysts and Emily Lawson, Office of Chief Counsel through James C. Doyle, Program Manager to the File: Verification of Sales and Factors of FYG in the Antidumping Duty Investigation of Automotive Replacement Glass Windshields from the People's Republic of China (FYG Verification Report) dated December 19, 2001, Exhibit19–A. FYG also suggests the Department convert the 20–foot container charge to a 40–foot container charge by using a conversion rate presented in their October 29, 2001 submission.

Department's Position: The Department agrees that this is a ministerial error. In our analysis memorandum for FYG, the Department stated that it would value shipping containers based on a length of 40 feet but instead valued it on a 20–foot container rate. See Analysis for the Final Determination of Automotive Replacement Glass Windshields ("ARG") from the People's Republic of China: Fuyao Glass Industry Group Co., Ltd., ("FYG") (February 1, 2002) (FYG's Final Analysis Memo). In order for the Department to correct this error (i.e., obtain a 40–foot shipping container base rate), we must adjust the 20–foot base container rate to reflect a 40–foot base container rate. In this instance, we are using information provided by FYG to convert a 20–foot base container rate to a 40–foot base container rate to determine a surrogate value for ocean freight. By reviewing a contract between FYG and a market economy shipper, reviewed at verification, and using information provided by FYG in its October 29, 2001 submission, the Department determined that the rate charged for a 40–foot container is 33 percent higher than the rate charged for a 20–foot container. See FYG Verification Report, Exhibit 19–A. The Department has multiplied this conversion rate, 1.33, by the charge for a 20 foot container to arrive at a charge for a 40 foot container. See Amended Final Analysis Memo. FYG's methodology allows the Department to continue to use information from the Federal Maritime Commission, as used in the Final Determination. The Department did not use Petitioners' proposed correction or FYG's other proposed correction because both change the ocean freight methodology used by the Department in the Final Determination.

Wholesale Price Index Base for Domestic Inland Insurance

Comment 6: Petitioners allege that the Department made a ministerial error by using a 1992 Wholesale Price Index ("WPI") base for data collected from the period November 1991 through April 1992 in calculating an average value in Indian rupees per metric ton value for domestic inland insurance, as opposed to using a WPI that corresponds to the period for the Indian surrogate value, which is November 1991 through April 1992. Citing the Department's Notice of Amended Preliminary Antidumping Duty Determination of Sales at Less Than Fair Value: Automotive Replacement Glass Windshields From the People's Republic of China, 66 FR 53776 (October 24, 2001) (Amended Preliminary Determination), Petitioners argue that the Department stated that it considered this a methodological error at the preliminary determination and would consider this error for the final determination. Additionally, Petitioners contend that the Department did not address this issue in the Final Determination. Furthermore, Petitioners assert that they provided International Financial Statistics ("IFS") for the period November 1991 through April 1992 in their September 24, 2001 submission which contain all relevant IFS data necessary for the Department to calculate an accurate WPI for the period in question. Petitioners also argue that the WPI for the period November 1991 through April 1992 should be adjusted to account for the re–basing of the Indian WPI, which occurred in June 1994 and June 1999.

FYG argues that Petitioners' allegation is not a ministerial error but a methodological argument. Also, FYG also asserts that Petitioners' methodology for determining the correct inflation rate is flawed because it incorrectly adjusts the WPI to account for re–basing. FYG also argues that the correct inflation rate adjustment that it calculated results in basically the same rate used by the Department in the Final Determination.

Department's Position: We agree with Petitioners. The Department intended to correct this error in the Final Determination. See Amended Preliminary Determination at 53778. However, we inadvertently failed to make this correction in the Final Determination. Therefore, the Department is using the Indian WPI for the period November 1991 through April 1992 from IFS data. Additionally, the Department has adjusted the WPI to account for the re–basing which occurred in June 1994, by multiplying the WPI for the period November 1991 through April 1992 by 0.70, which is the percentage change in the WPI between May 1994 and August 1994. The Department has also adjusted the WPI to account for the re–basing which occurred in June 1999, by multiplying the WPI by 0.61, which is the percentage change in the WPI between May 1999 and August 1999. See Amended Final Analysis Memo.

Weight Conversion for Other Scrap Glass

Comment 7: Petitioners argue that the Department made a ministerial error by inadvertently converting a value to a kilogram basis that was already being

consumed on a kilogram basis. Citing to FYG's Verification Report at 14, Petitioners allege that FYG reported that "Other Scrap Glass" was reported on a kilogram basis, not in square meters as the Department assumed.

FYG argues that the Department was correct in converting a kilogram value into a meters squared value because FYG's reported consumption rate for the "Other Scrap Glass" offset was in meters squared.

Department's Position: We disagree with Petitioners. The Department verified that FYG reported that "the big pieces of scrap generated from the cutting process . . . is sold on a square meter basis." See FYG Verification Report at 14. Therefore, for the final determination, the Department calculated a surrogate value for "Other Scrap Glass" by multiplying the Indian surrogate value, which is reported in kilograms, by a kilograms–to–square–meter conversion rate which is based on the amount of kilograms in a square meter of glass. See FYG's Final Analysis Memo, dated February 1, 2002.

Petitioner's Allegations of Ministerial Errors for Xinyi

Plastic Adhesives Surrogate Value from the Indian Import Statistics

Comment 8: Petitioners allege that the Department made a ministerial error by deducting the value and quantity of Switzerland's exports of plastic adhesives (rather than Thailand's value and quantity of exports) to India from the Indian Import Statistics.

Xinyi did not provide rebuttal comments.

Department's Position: We agree with Petitioners. The Department intended to deduct, from Indian Import Statistics, imports of plastic adhesives from Thailand, but instead deducted imports of plastic adhesives from Switzerland. As the Department stated in Comment 1 of the Issues and Decision Memo, we will disregard prices that we have reason to believe or suspect are distorted by subsidies, including the values from Thailand and Korea. Therefore, for the amended final determination, we will deduct Thailand's exports of plastic adhesives (rather than Switzerland's exports) to India from the Indian Import Statistics in our surrogate value calculation for plastic adhesives. See Amended Final Analysis Memo.

Petitioner's Allegations of Ministerial Errors for FYG and Xinyi

Adhesive Sheets (Tape) Calculation Error

Comment 9: Petitioners allege that the Department made a ministerial error by including two minus signs when deducting Korean imports of adhesive sheets (tape) from the quantity and value of Indian Import Statistics. Petitioners argue that this error resulted in an understatement of the value of adhesive sheets (tape).

FYG agrees with Petitioners that the Department incorrectly included a double minus sign in its calculation sheet which resulted in counting the Indian imports of Korean adhesive sheets (tape) twice in the surrogate value calculation. However, FYG argues that the per unit surrogate value provided by the Petitioners is not correct.

Department's Position: We agree with Petitioners and FYG that this is a ministerial error. The Department intended to deduct, from Indian Import Statistics, imports of adhesive sheets from Korea. However, the Department double counted imports of adhesive sheets from Korea by inadvertently including two minus signs in the calculation sheet, which resulted in Korean imports being added twice instead of being deducted. As stated in Comment 8, the Department intended to disregard prices from Korea. The Department agrees with FYG that Petitioners' per unit surrogate value, while properly deducting Korean imports of adhesive sheets from Indian Import Statistics, is incorrect due to addition errors. Therefore, for the amended final determination, we will remove one minus sign in the calculation sheet for Korean exports of adhesive sheets (tape) to correct for this error. See Amended Final Analysis Memo.

Amended Final Determination

In accordance with 19 CFR 351.224(e), we are amending the final determination of the antidumping duty investigation of ARG from the PRC to reflect the correction of the above–cited ministerial errors. The revised final weighted–average dumping margins are as follows:

Exporter/Manufacturer	Original Weighted Average Margin Percent for Final	Revised Weighted Average Margin Percent
FYG	9.67	11.80
Xinyi	3.70	3.71
Benxun	8.22	9.84
Changchun	8.22	9.84
Guilin	8.22	9.84
Wuhan	8.22	9.84
TCGI	8.22	9.84
China–Wide	124.50	124.50

Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing the United States Customs Service ("Customs") to continue suspending liquidation on all imports of the subject merchandise from the PRC. Customs shall require a cash deposit or the posting of a bond equal to the weighted–average amount by which normal value exceeds the export price as indicated in the chart above. These suspension–of–liquidation instructions will remain in effect until further notice.

International Trade Commission Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission of our amended final determination.

This determination is issued and published in accordance with sections 735(d) and 777(i)(1) of the Act.

March 6, 2002.

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 02–6290 Filed 3–14–02; 8:45 am]

BILLING CODE 3510–DS–S

APPENDIX B

LIST OF HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Automotive Replacement Glass Windshields from China

Inv. No: 731-TA-922 (Final)

Date and Time: February 5, 2002 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room (Room 101), 500 E Street, S.W.,Washington, DC.

In Support of the Imposition of Antidumping Duties:

Stewart and Stewart
Washington, DC
on behalf of

PPG Industries, Inc.
Safelite Glass Corp.
Apogee Enterprises, Inc.
Viracon/Curvlite

David E. Sharick, Vice President, Automotive Replacement Glass Products, PPG Industries, Inc.
Garry A. Goudy, Vice President, Automotive Refinish, and former Vice President, Automotive Replacement Glass Products, PPG Industries, Inc.
Glenn T. Miner, Manager, Marketing, Automotive Replacement Glass Products, PPG Industries, Inc.
Chris Umble, Director, National Sales and Marketing, LYNX Service, PPG Industries, Inc.
Alan Dumbris, Plant Manager, PPG Works # 41, PPG Industries, Inc.
Gerald A. Tann, Vice President, Wholesale Sales, Safelite Glass Corp.
Pete Pearson, Vice President, Client Sales and Support, Safelite Glass Corp.
Robert Jungbluth, President, Viracon/Curvlite
Vincent Henry, President, Henry Technology Solutions, LLC
Lynne D. Schmidt, Director, Government Affairs, PPG Industries, Inc.
Rebecca L. Woodings, Trade Consultant, Stewart and Stewart

Terence P. Stewart)
Alan M. Dunn) – OF COUNSEL
Eric P. Salonen)

--Continued--

In Opposition to the Imposition of Antidumping Duties:

Garvey, Schubert & Barer
Washington, DC
on behalf of

Xinyi Automotive Glass (Shenzhen) Co., Ltd.
Shenzhen Benxun Automotive Glass Co., Ltd.
TCG International, Inc.
Hangzhou Safety Glass Co., Ltd.
Hebei Tong Yong Glass Industry Co., Ltd.
Peaceful City, Ltd.
Certain U.S. importers

Wes Topping, President, Elite Auto Glass
Allan Skidmore, CEO, Trans America, U.S.A. d/b/a Speedy Auto Glass, Novus & Autostock Distribution
Garry Dunnegan, President, Northstar Automotive Glass
Norm Harris, CEO, Diamond Triumph Auto Glass, Inc.
Antonio Tam, President, Shenzhen Xinyi Auto Glass Co., Ltd.
Paul Anaya, National Bulk Sales Manager, Mygrant Glass Co.
Xiao Wenfan, Managing Director, Shenzhen Benxun Auto Glass Co., Ltd.

William E. Perry)
John Kalitka) – OF COUNSEL

Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP
Washington, DC
on behalf of

Fuyao Glass Industry Group Company, Ltd.
Greenville Glass Industries, Inc.

Curie Chen, Director and Vice President, Fuyao Glass Industry Group Co., Ltd.
Jim Carino, Vice President and General Manager, Greenville Glass Industries, Inc.
Ed Fennell, General Manager, Bartlestone Glass Distributors
Dan Klett, Klett, Economist, Capital Trade, Inc.

Bruce M. Mitchell)
Jeffrey S. Grimson) – OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
ARG windshields: Summary data concerning the U.S. market, 1998-2000, January-September 2000, and January-September 2001

(Quantity=units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

	Reported data					Period changes			
				January-September					Jan.-Sept.
Item	1998	1999	2000	2000	2001	1998-2000	1998-1999	1999-2000	2000-2001
U.S. consumption quantity:									
Amount	11,939,656	12,314,872	12,612,138	9,718,883	10,137,666	5.6	3.1	2.4	4.3
Producers' share (1)	51.0	46.4	44.4	46.1	44.5	-6.6	-4.6	-2.0	-1.6
Importers' share (1):									
China	4.0	8.8	14.3	12.5	16.6	10.3	4.8	5.5	4.0
Hong Kong	0.1	0.4	0.7	0.5	0.0	0.5	0.3	0.2	-0.5
Sudtotal	4.2	9.3	15.0	13.1	16.6	10.9	5.1	5.7	3.5
All other sources	44.8	44.3	40.6	40.9	38.9	-4.3	-0.5	-3.8	-2.0
Total imports	49.0	53.6	55.6	53.9	55.5	6.6	4.6	2.0	1.6
U.S. consumption value:									
Amount	649,533	605,634	618,292	480,001	519,024	-4.8	-6.8	2.1	8.1
Producers' share (1)	64.2	60.8	59.1	59.8	58.0	-5.1	-3.4	-1.7	-1.9
Importers' share (1):									
China	3.1	5.0	8.5	7.8	10.4	5.4	1.9	3.5	2.7
Hong Kong	0.0	0.1	0.2	0.2	0.0	0.1	0.1	0.1	-0.1
Sudtotal	3.1	5.1	8.7	8.0	10.5	5.5	1.9	3.6	2.5
All other sources	32.7	34.1	32.2	32.2	31.6	-0.4	1.5	-1.9	-0.7
Total imports	35.8	39.2	40.9	40.2	42.0	5.1	3.4	1.7	1.9
U.S. imports from:									
China:									
Quantity	481,393	1,089,278	1,808,630	1,217,620	1,680,646	275.7	126.3	66.0	38.0
Value	20,003	30,057	52,407	37,337	54,131	162.0	50.3	74.4	45.0
Unit value	$41.55	$27.59	$28.98	$30.66	$32.21	-30.3	-33.6	5.0	5.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Hong Kong:									
Quantity	15,684	53,804	85,826	52,698	3,703	447.2	243.1	59.5	-93.0
Value	257	575	1,092	865	228	324.9	123.7	89.9	-73.6
Unit value	$16.39	$10.69	$12.72	$16.41	$61.57	-22.4	-34.8	19.1	275.1
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	497,076	1,143,082	1,894,456	1,270,318	1,684,349	281.1	130.0	65.7	32.6
Value	20,260	30,632	53,499	38,202	54,359	164.1	51.2	74.7	42.3
Unit value	$40.76	$26.80	$28.24	$30.07	$32.27	-30.7	-34.3	5.4	7.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	5,352,446	5,460,238	5,116,587	3,972,014	3,944,827	-4.4	2.0	-6.3	-0.7
Value	212,086	206,735	199,268	154,664	163,827	-6.0	-2.5	-3.6	5.9
Unit value	$39.62	$37.86	$38.95	$38.94	$41.53	-1.7	-4.4	2.9	6.7
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	5,849,523	6,603,321	7,011,043	5,242,332	5,629,176	19.9	12.9	6.2	7.4
Value	232,346	237,367	252,767	192,866	218,186	8.8	2.2	6.5	13.1
Unit value	$39.72	$35.95	$36.05	$36.79	$38.76	-9.2	-9.5	0.3	5.4
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	8,565,500	8,037,000	8,278,800	6,264,550	6,999,450	-3.3	-6.2	3.0	11.7
Production quantity	6,374,238	6,285,138	6,079,991	4,683,883	4,525,948	-4.6	-1.4	-3.3	-3.4
Capacity utilization (1)	74.4	78.2	73.4	74.8	64.7	-1.0	3.8	-4.8	-10.1
U.S. shipments:									
Quantity	6,090,133	5,711,551	5,601,095	4,476,551	4,508,490	-8.0	-6.2	-1.9	0.7
Value	417,187	368,267	365,525	287,135	300,838	-12.4	-11.7	-0.7	4.8
Unit value	$68.50	$64.48	$65.26	$64.14	$66.73	-4.7	-5.9	1.2	4.0
Export shipments:									
Quantity	122,691	184,399	144,610	130,809	56,494	17.9	50.3	-21.6	-56.8
Value	6,839	9,894	8,358	7,178	3,403	22.2	44.7	-15.5	-52.6
Unit value	$55.74	$53.66	$57.80	$54.87	$60.24	3.7	-3.7	7.7	9.8
Ending inventory quantity	2,067,937	2,037,308	2,261,488	1,972,232	2,007,470	9.4	-1.5	11.0	1.8
Inventories/total shipments (1)	33.3	34.6	39.4	32.1	33.0	6.1	1.3	4.8	0.9
Production workers	1,967	1,886	1,837	1,807	1,885	-6.6	-4.1	-2.6	4.3
Hours worked (1,000s)	2,795	2,636	2,506	1,826	1,859	-10.3	-5.7	-4.9	1.8
Wages paid ($1,000s)	52,577	50,484	47,787	37,016	39,042	-9.1	-4.0	-5.3	5.5
Hourly wages	$18.81	$19.15	$19.07	$20.27	$21.00	1.4	1.8	-0.4	3.6
Productivity (units per hour)	1.96	2.03	2.13	2.25	2.15	8.8	3.5	5.1	-4.3
Unit labor costs	$9.59	$9.43	$8.94	$9.02	$9.76	-6.8	-1.6	-5.3	8.2
Net sales:									
Quantity	6,242,566	5,863,738	5,619,522	4,479,565	4,457,887	-10.0	-6.1	-4.2	-0.5
Value	422,184	374,268	363,738	290,289	301,392	-13.8	-11.3	-2.8	3.8
Unit value	$67.63	$63.83	$64.73	$64.80	$67.61	-4.3	-5.6	1.4	4.3
Cost of goods sold (COGS)	260,224	240,870	225,384	179,087	186,444	-13.4	-7.4	-6.4	4.1
Gross profit or (loss)	161,960	133,398	138,354	111,202	114,948	-14.6	-17.6	3.7	3.4
SG&A expenses	125,400	128,538	127,015	95,439	101,579	1.3	2.5	-1.2	6.4
Operating income or (loss)	36,560	4,860	11,339	15,763	13,369	-69.0	-86.7	133.3	-15.2
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	$41.69	$41.08	$40.11	$39.98	$41.82	-3.8	-1.5	-2.4	4.6
Unit SG&A expenses	$20.09	$21.92	$22.60	$21.31	$22.79	12.5	9.1	3.1	7.0
Unit operating income or (loss)	$5.86	$0.83	$2.02	$3.52	$3.00	-65.5	-85.8	143.5	-14.8
COGS/sales (1)	61.6	64.4	62.0	61.7	61.9	0.3	2.7	-2.4	0.2
Operating income or (loss)/ sales (1)	8.7	1.3	3.1	5.4	4.4	-5.5	-7.4	1.8	-1.0

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-2
ARG and OEM windshields: Summary data concerning the U.S. market, 1998-2000, January-September 2000, and January-September 2001

(Quantity=units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
				January-September					
	1998	1999	2000	2000	2001	1998-2000	1998-1999	1999-2000	Jan.-Sept. 2000-2001
U.S. consumption quantity:									
Amount	26,866,933	27,843,945	27,714,961	21,273,171	20,502,100	3.2	3.6	-0.5	-3.6
Producers' share (1)	62.2	58.4	55.7	56.7	51.9	-6.5	-3.8	-2.7	-4.8
Importers' share (1):									
China	1.8	3.9	6.5	5.7	8.2	4.7	2.1	2.6	2.5
Hong Kong	0.1	0.2	0.3	0.2	0.0	0.3	0.1	0.1	-0.2
Sudtotal	1.9	4.1	6.8	6.0	8.2	5.0	2.3	2.7	2.2
All other sources	36.0	37.5	37.5	37.3	39.9	1.5	1.5	-0.1	2.6
Total imports	37.8	41.6	44.3	43.3	48.1	6.5	3.8	2.7	4.8
U.S. consumption value:									
Amount	1,172,830	1,140,435	1,110,156	858,727	840,098	-5.3	-2.8	-2.7	-2.2
Producers' share (1)	74.1	70.7	67.2	68.5	64.2	-7.0	-3.5	-3.5	-4.3
Importers' share (1):									
China	1.7	2.6	4.7	4.3	6.4	3.0	0.9	2.1	2.1
Hong Kong	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.0	-0.1
Sudtotal	1.7	2.7	4.8	4.4	6.5	3.1	1.0	2.1	2.0
All other sources	24.1	26.6	28.0	27.1	29.3	3.9	2.5	1.4	2.3
Total imports	25.9	29.3	32.8	31.5	35.8	7.0	3.5	3.5	4.3
U.S. imports from:									
China:									
Quantity	481,393	1,089,278	1,808,630	1,217,620	1,680,646	275.7	126.3	66.0	38.0
Value	20,003	30,057	52,407	37,337	54,131	162.0	50.3	74.4	45.0
Unit value	$41.55	$27.59	$28.98	$30.66	$32.21	-30.3	-33.6	5.0	5.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Hong Kong:									
Quantity	15,684	53,804	85,826	52,698	3,703	447.2	243.1	59.5	-93.0
Value	257	575	1,092	865	228	324.9	123.7	89.9	-73.6
Unit value	$16.39	$10.69	$12.72	$16.41	$61.57	-22.4	-34.8	19.1	275.1
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	497,076	1,143,082	1,894,456	1,270,318	1,684,349	281.1	130.0	65.7	32.6
Value	20,260	30,632	53,499	38,202	54,359	164.1	51.2	74.7	42.3
Unit value	$40.76	$26.80	$28.24	$30.07	$32.27	-30.7	-34.3	5.4	7.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	9,666,203	10,444,967	10,381,901	7,935,616	8,173,161	7.4	8.1	-0.6	3.0
Value	283,122	303,855	310,944	232,490	246,368	9.8	7.3	2.3	6.0
Unit value	$29.29	$29.09	$29.95	$29.30	$30.14	2.3	-0.7	3.0	2.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	10,163,279	11,588,049	12,276,357	9,205,933	9,857,510	20.8	14.0	5.9	7.1
Value	303,382	334,487	364,443	270,692	300,727	20.1	10.3	9.0	11.1
Unit value	$29.85	$28.86	$29.69	$29.40	$30.51	-0.6	-3.3	2.8	3.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	17,616,000	17,369,000	17,162,000	12,931,750	13,089,250	-2.6	-1.4	-1.2	1.2
Production quantity	18,906,692	18,905,930	17,083,719	13,196,856	11,176,845	-9.6	-0.0	-9.6	-15.3
Capacity utilization (1)	86.0	85.5	82.1	83.7	73.1	-3.8	-0.4	-3.4	-10.6
U.S. shipments:									
Quantity	16,703,654	16,255,896	15,438,604	12,067,238	10,644,590	-7.6	-2.7	-5.0	-11.8
Value	869,448	805,948	745,713	588,035	539,371	-14.2	-7.3	-7.5	-8.3
Unit value	$52.05	$49.58	$48.30	$48.73	$50.67	-7.2	-4.8	-2.6	4.0
Export shipments:									
Quantity	1,929,898	2,794,148	1,283,596	1,077,727	574,891	-33.5	44.8	-54.1	-46.7
Value	89,854	91,954	58,320	50,241	24,205	-35.1	2.3	-36.6	-51.8
Unit value	$46.56	$32.91	$45.43	$46.62	$42.10	-2.4	-29.3	38.1	-9.7
Ending inventory quantity	2,406,370	2,442,739	2,570,152	2,318,028	2,322,060	6.8	1.5	5.2	0.2
Inventories/total shipments (1)	12.9	12.8	15.4	13.2	15.5	2.5	-0.1	2.5	2.3
Production workers	3,183	3,076	3,039	2,975	2,955	-4.5	-3.4	-1.2	-0.7
Hours worked (1,000s)	5,019	4,976	4,936	3,708	3,490	-1.7	-0.9	-0.8	-5.9
Wages paid ($1,000s)	97,571	98,318	95,871	73,794	70,559	-1.7	0.8	-2.5	-4.4
Hourly wages	$19.44	$19.76	$19.42	$19.90	$20.22	-0.1	1.6	-1.7	1.6
Productivity (units per hour)	3.77	3.80	3.46	3.56	3.20	-8.1	0.9	-8.9	-10.0
Unit labor costs	$5.16	$5.20	$5.61	$5.59	$6.31	8.7	0.8	7.9	12.9
Net sales:									
Quantity	18,285,718	18,312,052	16,585,100	13,036,959	11,144,446	-9.3	0.1	-9.4	-14.5
Value	940,072	879,962	791,255	633,648	560,870	-15.8	-6.4	-10.1	-11.5
Unit value	$51.41	$48.05	$47.71	$48.60	$50.33	-7.2	-6.5	-0.7	3.5
Cost of goods sold (COGS)	688,484	700,973	628,400	492,997	423,299	-8.7	1.8	-10.4	-14.1
Gross profit or (loss)	251,588	178,989	162,855	140,651	137,571	-35.3	-28.9	-9.0	-2.2
SG&A expenses	174,541	175,026	165,060	123,856	123,428	-5.4	0.3	-5.7	-0.3
Operating income or (loss)	77,047	3,963	(2,205)	16,795	14,143	(2)	(2)	155.6	-15.8
Capital expenditures	20,238	14,650	15,263	12,132	9,214	-24.6	-27.6	4.2	-24.1
Unit COGS	$37.65	$38.28	$37.89	$37.82	$37.98	0.6	1.7	-1.0	0.4
Unit SG&A expenses	$9.55	$9.56	$9.95	$9.50	$11.08	4.3	0.1	4.1	16.6
Unit operating income or (loss)	$4.21	$0.22	($0.13)	$1.29	$1.27	(2)	(2)	161.4	-1.5
COGS/sales (1)	73.2	79.7	79.4	77.8	75.5	6.2	6.4	-0.2	-2.3
Operating income or (loss)/ sales (1)	8.2	0.5	-0.3	2.7	2.5	-8.5	-7.7	-0.7	-0.1

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not meaningful.

Note.--Capacity utilization data is based only on companies that reported both capacity and production data. Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-3
OEM windshields: Summary data concerning the U.S. market, 1998-2000, January-September 2000, and January-September 2001

(Quantity=units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data			January-September		Period changes			
	1998	1999	2000	2000	2001	1998-2000	1998-1999	1999-2000	Jan.-Sept. 2000-2001
U.S. consumption quantity:									
Amount	14,927,278	15,529,073	15,102,823	11,554,289	10,364,434	1.2	4.0	-2.7	-10.3
Producers' share (1)	71.1	67.9	65.1	65.7	59.2	-6.0	-3.2	-2.8	-6.5
Importers' share (1):									
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hong Kong	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sudtotal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
All other sources	28.9	32.1	34.9	34.3	40.8	6.0	3.2	2.8	6.5
Total imports	28.9	32.1	34.9	34.3	40.8	6.0	3.2	2.8	6.5
U.S. consumption value:									
Amount	523,297	534,801	491,864	378,726	321,074	-6.0	2.2	-8.0	-15.2
Producers' share (1)	86.4	81.8	77.3	79.5	74.3	-9.1	-4.6	-4.5	-5.2
Importers' share (1):									
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hong Kong	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sudtotal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
All other sources	13.6	18.2	22.7	20.5	25.7	9.1	4.6	4.5	5.2
Total imports	13.6	18.2	22.7	20.5	25.7	9.1	4.6	4.5	5.2
U.S. imports from:									
China:									
Quantity	0	0	0	0	0	(2)	(2)	(2)	(2)
Value	0	0	0	0	0	(2)	(2)	(2)	(2)
Unit value	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Ending inventory quantity	0	0	0	0	0	(2)	(2)	(2)	(2)
Hong Kong:									
Quantity	0	0	0	0	0	(2)	(2)	(2)	(2)
Value	0	0	0	0	0	(2)	(2)	(2)	(2)
Unit value	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Ending inventory quantity	0	0	0	0	0	(2)	(2)	(2)	(2)
Subtotal:									
Quantity	0	0	0	0	0	(2)	(2)	(2)	(2)
Value	0	0	0	0	0	(2)	(2)	(2)	(2)
Unit value	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Ending inventory quantity	0	0	0	0	0	(2)	(2)	(2)	(2)
All other sources:									
Quantity	4,313,757	4,984,728	5,265,314	3,963,602	4,228,334	22.1	15.6	5.6	6.7
Value	71,036	97,120	111,676	77,826	82,541	57.2	36.7	15.0	6.1
Unit value	$16.47	$19.48	$21.21	$19.64	$19.52	28.8	18.3	8.9	-0.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	4,313,757	4,984,728	5,265,314	3,963,602	4,228,334	22.1	15.6	5.6	6.7
Value	71,036	97,120	111,676	77,826	82,541	57.2	36.7	15.0	6.1
Unit value	$16.47	$19.48	$21.21	$19.64	$19.52	28.8	18.3	8.9	-0.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	9,050,500	9,332,000	8,883,200	6,667,200	6,089,800	-1.8	3.1	-4.8	-8.7
Production quantity	12,532,454	12,620,792	11,003,728	8,512,973	6,650,897	-12.2	0.7	-12.8	-21.9
Capacity utilization (1)	96.9	91.9	90.2	92.0	82.8	-6.7	-5.0	-1.7	-9.2
U.S. shipments:									
Quantity	10,613,521	10,544,345	9,837,509	7,590,687	6,136,100	-7.3	-0.7	-6.7	-19.2
Value	452,261	437,681	380,188	300,900	238,533	-15.9	-3.2	-13.1	-20.7
Unit value	$42.61	$41.51	$38.65	$39.64	$38.87	-9.3	-2.6	-6.9	-1.9
Export shipments:									
Quantity	1,807,207	2,609,749	1,138,986	946,918	518,397	-37.0	44.4	-56.4	-45.3
Value	83,015	82,060	49,962	43,063	20,802	-39.8	-1.2	-39.1	-51.7
Unit value	$45.94	$31.44	$43.87	$45.48	$40.13	-4.5	-31.5	39.5	-11.8
Ending inventory quantity	338,433	405,431	308,664	345,796	314,590	-8.8	19.8	-23.9	-9.0
Inventories/total shipments (1)	2.7	3.1	2.8	3.0	3.5	0.1	0.4	-0.3	0.5
Production workers	1,216	1,190	1,202	1,168	1,070	-1.2	-2.1	1.0	-8.4
Hours worked (1,000s)	2,224	2,340	2,430	1,882	1,631	9.3	5.2	3.8	-13.3
Wages paid ($1,000s)	44,994	47,834	48,084	36,778	31,517	6.9	6.3	0.5	-14.3
Hourly wages	$20.23	$20.44	$19.79	$19.54	$19.32	-2.2	1.0	-3.2	-1.1
Productivity (units per hour)	2.97	2.84	2.45	2.46	2.28	-17.5	-4.3	-13.8	-7.3
Unit labor costs	$6.81	$7.20	$8.08	$7.94	$8.47	18.6	5.6	12.3	6.7
Net sales:									
Quantity	12,043,152	12,448,314	10,965,578	8,557,394	6,686,559	-8.9	3.4	-11.9	-21.9
Value	517,888	505,694	427,517	343,359	259,478	-17.4	-2.4	-15.5	-24.4
Unit value	$43.00	$40.62	$38.99	$40.12	$38.81	-9.3	-5.5	-4.0	-3.3
Cost of goods sold (COGS)	428,260	460,103	403,016	313,910	236,855	-5.9	7.4	-12.4	-24.5
Gross profit or (loss)	89,628	45,591	24,501	29,449	22,623	-72.7	-49.1	-46.3	-23.2
SG&A expenses	49,141	46,488	38,045	28,417	21,849	-22.6	-5.4	-18.2	-23.1
Operating income or (loss)	40,487	(897)	(13,544)	1,032	774	(2)	(2)	-1409.9	-25.0
Capital expenditures	8,074	5,114	3,373	2,438	2,177	-58.2	-36.7	-34.0	-10.7
Unit COGS	$35.56	$36.96	$36.75	$36.68	$35.42	3.4	3.9	-0.6	-3.4
Unit SG&A expenses	$4.08	$3.73	$3.47	$3.32	$3.27	-15.0	-8.5	-7.1	-1.6
Unit operating income or (loss)	$3.36	($0.07)	($1.24)	$0.12	$0.12	(2)	(2)	-1614.1	-4.0
COGS/sales (1)	82.7	91.0	94.3	91.4	91.3	11.6	8.3	3.3	-0.1
Operating income or (loss)/ sales (1)	7.8	-0.2	-3.2	0.3	0.3	-11.0	-8.0	-3.0	-0.0

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX D

TYPES AND NUMBERS OF WINDSHIELDS PRODUCED IN 2000 ON EACH LINE OF EACH REPORTING FIRM

Table D-1
ARG and OEM windshields: Production by reporting U.S. producers, by plant locations and production lines, 2000

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APPENDIX E

ADDITIONAL PRICING DATA

Table E-1
ARG windshields: Safelite's delivered selling prices and quantities, by quarters and by products, January 1998-September 2001

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Table E-2
ARG and OEM windshields: Weighted-average delivered purchaser prices and quantities of domestic products sold in less-than-truckload quantities, by quarters and by products, January 1999-September 2002

APPENDIX F

EFFECTS OF SUBJECT IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

Responses of U.S. producers to the following questions:

1. Since January 1, 1998, has your firm experienced any actual negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of ARG windshields from China?

Responses of the producers are:

* * * * * * *

2. Does your firm anticipate any negative impact of imports of automotive replacement glass windshields from China?

Responses of the producers are:

* * * * * * *