Small Vertical Shaft Engines from China

Investigation Nos. 701-TA-643 and 731-TA-1493 (Final)

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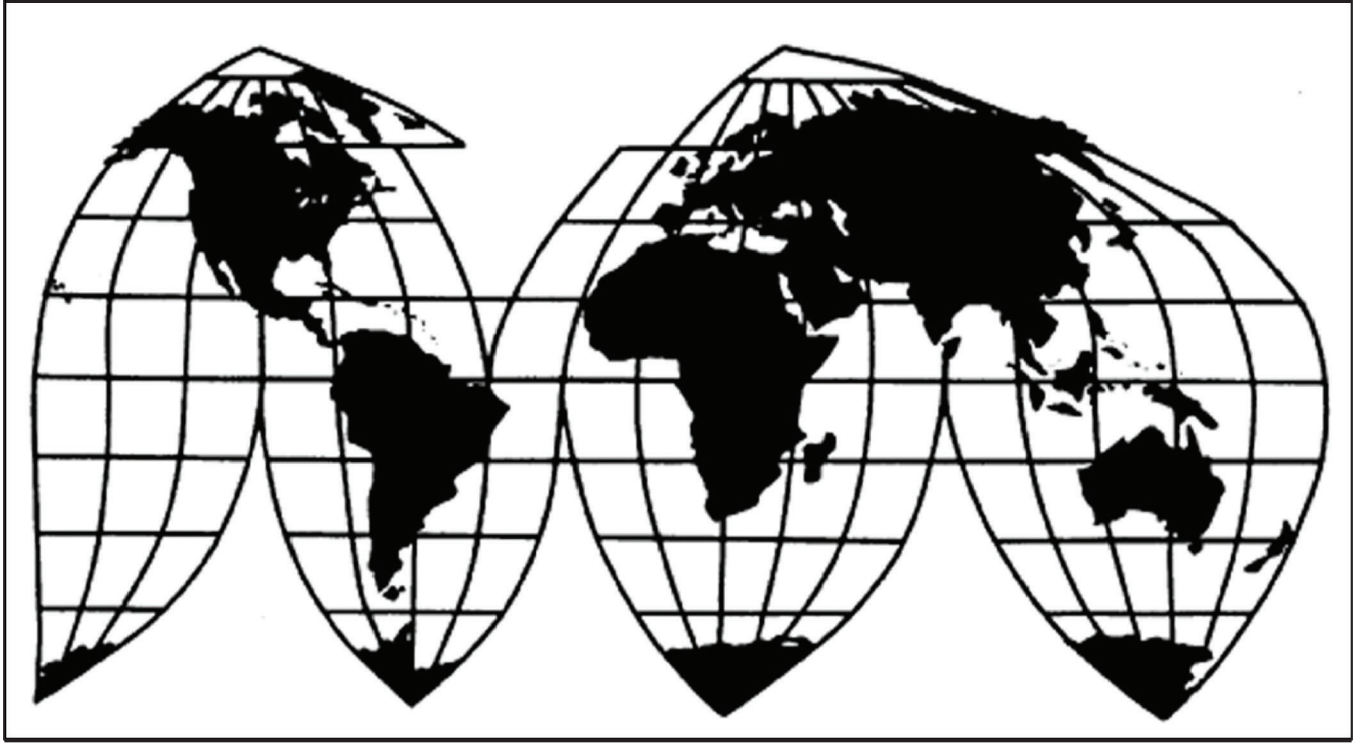

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April 2021

CONTENTS

Page

CONTENTS

Page

CONTENTS

Page

CONTENTS

Page

CONTENTS

Page

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-643 and 731-TA-1493 (Final)

Small Vertical Shaft Engines from China

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that an industry in the United States is materially injured by reason of imports of small vertical shaft engines from China, provided for in subheadings 8407.90.10, 8407.90.90, 8409.91.99, 8424.30.90, and 8433.11.00 of the Harmonized Tariff Schedule of the United States, that have been found by the U.S. Department of Commerce ("Commerce") to be sold in the United States at less than fair value ("LTFV"), and to be subsidized by the government of China.[2]

BACKGROUND

The Commission instituted these investigations effective March 18, 2020, following receipt of petitions filed with the Commission and Commerce by Briggs & Stratton Corporation, Wauwatosa, Wisconsin. The final phase of the investigations was scheduled by the Commission following notification of preliminary determinations by Commerce that imports of small vertical shaft engines from China were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. 1671b(b)) and sold at LTFV within the meaning of 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the

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

[2] The Commission also finds that imports subject to Commerce's affirmative critical circumstances determinations in the antidumping and countervailing duty investigations are likely to undermine seriously the remedial effect of the antidumping and countervailing duty orders on small vertical shaft engines from China. As a result, certain imports from China will be subject to retroactive countervailing and/or antidumping duties. Commissioner David S. Johanson makes negative critical circumstances determinations in the antidumping and countervailing duty investigations.

Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on November 27, 2020 (85 FR 76103). In light of the restrictions on access to the Commission building due to the COVID-19 pandemic, the Commission conducted its hearing through written testimony and video conference on March 9, 2021. All persons who requested the opportunity were permitted to participate.

Views of the Commission

Based on the record in the final phase of these investigations, we determine that an industry in the United States is materially injured by reason of imports of small vertical shaft engines ("SVSEs") from China found by the U.S. Department of Commerce ("Commerce") to be sold in the United States at less than fair value and to be subsidized by the government of China. We also find that critical circumstances exist with respect to imports of the subject merchandise from China subject to Commerce's affirmative critical circumstances determinations in the antidumping duty and countervailing duty investigations.[1]

I. Background

Briggs & Stratton, LLC ("Briggs & Stratton" or Petitioner), a U.S. producer of small vertical shaft engines ("SVSEs") filed the petitions in these investigations on March 18, 2020.[2] Witnesses for Briggs & Stratton appeared at the hearing with counsel and submitted prehearing and posthearing briefs, and final comments.[3] [4]

Respondent parties MTD Products, Inc. ("MTD") and The Toro Company and Toro Purchasing Company (collectively "Toro") participated in the final phase of these investigations. MTD and Toro are importers of the subject merchandise; each is an original equipment manufacturer ("OEM") of lawn mowers that incorporate SVSEs into its product. MTD and Toro appeared at the Commission hearing represented by counsel. MTD and Toro each separately filed a prehearing brief, a posthearing brief, and final comments.[5] Chinese SVSE producers and exporters Loncin Motor Company, Ltd. ("Loncin") and Chongqing Zongshen Power Machinery

[1] Commissioner Johanson has made negative critical circumstances findings. *See* his Separate Views.

[2] Confidential Report INV-TT-044 (March 25, 2021) ("CR") at I-1, Public Report ("PR") at I-1.

[3] In light of the restrictions on access to the Commission building due to the COVID-19 pandemic, the Commission conducted its hearing via videoconference held on March 9, 2021, as set forth in procedures provided to the parties on March 8, 2021. *Small Vertical Shaft Engines From China; Scheduling of the Final Phase of Countervailing and Antidumping Duty Investigations,* 85 Fed. Reg. 76103 (Nov. 27, 2020).

[4] Briggs & Stratton filed a prehearing brief dated March 2, 2021 ("Briggs & Stratton's Prehearing Brief") and a posthearing brief dated March 16, 2021 ("Briggs & Stratton's Posthearing Brief"). All final comments were filed on April 1, 2021.

[5] MTD filed a prehearing brief dated March 2, 2021 ("MTD's Prehearing Brief") and a posthearing brief dated March 16, 2021 ("MTD's Posthearing Brief"). Toro filed a prehearing brief dated March 2, 2021 ("Toro's Prehearing Brief") and a posthearing brief dated March 16, 2021 ("Toro's Posthearing Brief").

Co., Ltd. ("Zongshen") (collectively "Chinese Respondents") appeared at the hearing represented by counsel, and jointly submitted a prehearing brief, a posthearing submission, and final comments.[6]

U.S. industry data are based on the questionnaire responses from two domestic producers that accounted for 100 percent of U.S. production of SVSEs in 2019.[7] U.S. import data are based on questionnaire responses of 14 U.S. importers of SVSEs which accounted for an estimated *** percent of total U.S. imports from China and *** percent of imports from nonsubject sources imported in 2019 under HTS statistical reporting number 8407.90.1010,[8] the primary HTS number under which SVSEs are imported.[9] Data concerning the subject industry is based on foreign producer questionnaire responses from three Chinese producers of SVSEs whose reported exports to the United States accounted for an estimated *** percent of total U.S. imports from China in 2019 reported under HTS reporting number 8407.90.10.[10]

II. Domestic Like Product

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 subject merchandise, the Commission first defines the "domestic like product" and the "industry."[11] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole 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."[12] In turn, the Tariff 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."[13]

[6] Chinese Respondents filed a joint prehearing brief dated March 2, 2021 ("Chinese Respondents' Prehearing Brief") and a joint posthearing submission dated March 16, 2021.

[7] CR/PR at I-4. The subject merchandise is also imported under several other HTS classifications. CR/PR at I-9.

[8] The subject merchandise is also imported under several other HTS classifications. CR/PR at I-9.

[9] CR/PR at I-4.

[10] CR/PR at I-4.

[11] 19 U.S.C. § 1677(4)(A).

[12] 19 U.S.C. § 1677(4)(A).

[13] 19 U.S.C. § 1677(10).

By statute, the Commission's "domestic like product" analysis begins with the "article subject to an investigation," *i.e.*, the subject merchandise as determined by Commerce.[14] Therefore, Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value is "necessarily the starting point of the Commission's like product analysis."[15] The Commission then defines the domestic like product in light of the imported articles Commerce has identified.[16] The decision regarding the appropriate domestic like product 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.[17] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[18] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[19]

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[14] 19 U.S.C. § 1677(10). The Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value. *See*, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[15] *Cleo Inc. v. United States*, 501 F.3d 1291, 1298 (Fed. Cir. 2007); *see also Hitachi Metals, Ltd. v. United States*, Case No. 19-1289, slip op. at 8-9 (Fed. Circ. Feb. 7, 2020) (the statute requires the Commission to start with Commerce's subject merchandise in reaching its own like product determination).

[16] *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Hosiden Corp. v. Advanced Display Mfrs*., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Torrington Co. v. United States*, 747 F. Supp. 744, 748–52 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

[17] *See*, *e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *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 the following: (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).

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

[19] *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; *see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow (Continued...)

B. Product Description

Commerce defined the scope of the imported merchandise under investigation as follows:

> {S}park- ignited, non-road, vertical shaft engines, whether finished or unfinished, whether assembled or unassembled, whether mounted or unmounted, primarily for walk-behind lawn mowers. Engines meeting this physical description may also be for other non-hand-held outdoor power equipment, including but not limited to, pressure washers. The subject engines are spark ignition, single-cylinder, air cooled, internal combustion engines with vertical power take off shafts with a minimum displacement of 99 cubic centimeters (cc) and a maximum displacement of up to, but not including, 225cc. Typically, engines with displacements of this size generate gross power of between 1.95 kilowatts (kw) to 4.75 kw.
>
> Engines covered by this scope normally must comply with and be certified under Environmental Protection Agency (EPA) air pollution controls title 40, chapter I, subchapter U, part 1054 of the Code of Federal Regulations standards for small non-road spark-ignition engines and equipment. Engines that otherwise meet the physical description of the scope but are not certified under 40 CFR part 1054 and are not certified under other parts of subchapter U of the EPA air pollution controls are not excluded from the scope of this proceeding. Engines that may be certified under both 40 CFR part 1054 as well as other parts of subchapter U remain subject to the scope of this proceeding.
>
> Certain small vertical shaft engines, whether or not mounted on non-hand-held outdoor power equipment, including but not limited to walk- behind lawn mowers and pressure washers, are included in the scope. However, if a subject engine is imported mounted on such equipment, only the engine is covered by the scope. Subject merchandise includes certain small vertical shaft engines produced in the subject country whether mounted on outdoor power equipment in the subject country or in a third country. Subject engines are covered whether or not they are accompanied by other parts.
>
> For purposes of this investigation, an unfinished engine covers at a minimum a sub-assembly comprised of, but not limited to, the following

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(…Continued)
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.").

components: crankcase, crankshaft, camshaft, piston(s), and connecting rod(s). Importation of these components together, whether assembled or unassembled, and whether or not accompanied by additional components such as a sump, carburetor spacer, cylinder head(s), valve train, or valve cover(s), constitutes an unfinished engine for purposes of this investigation. The inclusion of other products such as spark plugs fitted into the cylinder head or electrical devices (*e.g.,* ignition coils) for synchronizing with the engine to supply tension current does not remove the product from the scope. The inclusion of any other components not identified as comprising the unfinished engine subassembly in a third country does not remove the engine from the scope.

Specifically excluded from the scope of this investigation are "Commercial" or "Heavy Commercial" engines under 40 CFR 1054.107 and 1054.135 that have (1) a displacement of 160cc or greater, (2) a cast iron cylinder liner, (3) an automatic compression release, and (4) a muffler with at least three chambers and volume greater than 400cc.

The engines subject to this investigation are predominantly classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheading 8407.90.1010. The engine subassemblies that are subject to this investigation enter under HTSUS 8409.91.9990. The mounted engines that are subject to this investigation enter under HTSUS 8433.11.0050, 8433.11.0060, and 8424.30.9000. Engines subject to this investigation may also enter under HTSUS 8407.90.1020, 8407.90.9040, and 8407.90.9060. The HTSUS subheadings are provided for convenience and customs purposes only, and the written description of the merchandise under investigation is dispositive.[20]

SVSEs are spark-ignited, single cylinder, air cooled, internal combustion, non-road engines with vertical power take off shafts and a displacement of less than 225cc. Most engines with this size displacement typically generate a gross power between 1.95kW and 4.75kW.[21] Certain varieties of commercial engines are excluded from the scope.[22] SVSEs covered by this scope include subassemblies (unassembled or unfinished vertical shaft engines)

[20] *Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 86 Fed. Reg. 14071, 14073-74 (Dep't Commerce, March 12, 2021) ("Commerce Final CVD Determination"). *Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof, From the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, In Part, 86 Fed. Reg. 14077, 14079-80 (Dep't Commerce, March 12, 2021) ("Commerce Final AD Determination").

[21] CR/PR at I-12.

[22] CR/PR at I-9.

but do not include engines with a displacement of 225cc or more, or engines with a horizontal shaft.[23]

SVSEs are primarily used in walk-behind lawn mowers but may also be used in other outdoor power equipment such as pressure washers and wheeled trimmers.[24] SVSEs within the scope may be unmounted or mounted on outdoor power equipment; however, if SVSEs are mounted on such outdoor power equipment, only the engines are covered by the scope.[25] Small vertical shaft engines produced in China are within the scope and considered subject merchandise whether mounted on outdoor power equipment in China or in a third country.

SVSEs must comply with and be certified to meet U.S. Environmental Protection Agency ("EPA") air pollution control standards with the most recent standards coming into effect in 2012; these standards have specific requirements for residential, extended life residential, and commercial SVSEs which must be met over the useful life of the engine. SVSEs covered by the scope of these investigations are almost all EPA class I engines, which are defined as "nonhandheld equipment engines greater than or equal to 100cc and less than 225cc in displacement."[26]

C. Arguments of the Parties

Petitioner's Arguments. Briggs & Stratton applies the Commission's traditional six-factor like product analysis and contends that the Commission should find a single domestic like product, consisting of SVSEs, that is coextensive with the scope.[27] It argues that the Commission correctly rejected Toro's argument that mounted vertical shaft engines constitute a separate domestic like product in its preliminary determinations.[28]

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[23] CR/PR at I-12. Vertical shaft engines with a displacement of more than 225cc were the subject of recent investigations. *See Large Vertical Shaft Engines from China*, Inv. Nos. 701-TA-637 and 731-TA-1471 (Final), USITC Pub. 5162 (Feb. 2021). Lawn mowers are currently the subject of final phase investigations. *See Walk-Behind Lawn Mowers from China and Vietnam*, Inv. Nos. 701-TA-643 and 731-TA-1521-1522 (Preliminary), USITC Pub. 5091 (July 2020).

[24] CR/PR at I-12.

[25] CR/PR at I-8.

[26] CR/PR at I-14.

[27] Briggs & Stratton maintains that the physical characteristics of SVSEs differ from those of large vertical shaft engines and horizontal shaft engines, that SVSEs are broadly interchangeable with each other, that all SVSEs are sold in the same channels of distribution, primarily to OEMs, that customers perceive SVSEs as a distinct product category, that SVSEs within the scope can all be made in the same facilities with the same employees using similar production processes, and that prices for all SVSEs vary but fall within the same general range. Briggs & Stratton's Prehearing Brief at 5-7.

[28] Briggs & Stratton's Prehearing Brief at 7.

Respondents' Arguments. Toro argues that the Commission should find that mounted SVSEs, which it defines to encompass lawn mowers and pressure washers, are a separate domestic like product from other SVSEs and that the Commission should conduct a similar domestic like product analysis to that in *Aluminum Extrusions from China*.[29] Toro maintains that application of the Commission's traditional six-factor like product analysis demonstrates that mounted SVSEs are a separate domestic like product from unmounted SVSEs.[30] Toro alternatively argues that the Commission's semifinished like product analysis supports a finding that mounted SVSEs are a separate domestic like product from unmounted SVSEs.[31] Toro contends that U.S. Customs and Border Production ("CBP") has confirmed that a mounted engine should be considered a lawn mower because installing an engine in outdoor machinery constitutes a substantial transformation that results in a new product.[32]

Chinese Respondents accept a definition of the domestic like product coterminous with the scope of the investigations.[33] MTD does not make an argument with respect to the definition of the domestic like product.

D. Domestic Like Product Analysis

We define a single domestic like product corresponding to the scope of the investigations, as the Commission did in its preliminary determinations.[34] In those

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[29] Toro's Prehearing Brief at 11-13, citing to *Certain Aluminum Extrusions from China*, Inv. Nos. 701-TA-475 and 731-TA-1177 (Final), USITC Pub. 4229 (May 2011) ("*Aluminum Extrusions*") at 9 and the subsequent litigation, *Aluminum Extrusions Fair Trade Comm. v. United States*, 36 CIT 1370, 1386 (2012). As discussed below, the facts in these investigations are distinguishable from those in *Aluminum Extrusions.*

[30] Toro's Prehearing Brief at 14-16. Toro argues that there is a clear dividing line between mounted SVSEs and unmounted SVSEs. It argues that mounted SVSEs differ in their physical characteristics and uses from unmounted SVSEs because they have been physically attached to power equipment which sets their end-use and constitutes a substantial transformation from an engine to a lawn mower or pressure washer. Due to their downstream processing, Toro argues that mounted SVSEs have limited interchangeability with unmounted SVSEs, they are sold through different channels of distribution, they undergo separate manufacturing processes, they are perceived differently by customers, and they are priced differently. *Id.*

[31] Toro argues that mounted SVSEs are substantially transformed power equipment which have a separate market from unmounted SVSEs as they are sent to end users rather than OEMs. Toro further argues that mounted SVSEs are significantly more valuable "than SVSEs on their own." Toro's Prehearing Brief at 14, n.51. Toro's Posthearing Brief, Attachment 1 at 27-28.

[32] Toro's Posthearing Brief, Attachment 1 at 28-29.

[33] Chinese Respondents' Prehearing Brief at 4.

[34] *Small Vertical Shaft Engines from China,* Inv. Nos. 701-TA-643 and 731-TA-1493 (Preliminary), USITC Pub. 5054 (May 2020) ("Preliminary Determinations, USITC Pub. 5054") at 7-11.

determinations the Commission rejected Toro's arguments that the Commission should define SVSEs that had been mounted on power equipment as a separate domestic like product from unmounted SVSEs.[35] The Commission stated that the engines, whether unmounted or mounted onto power equipment through further downstream processing, were covered by the scope of the investigations, but that the power equipment upon which some of the SVSEs were mounted, which the Commission sometimes referenced as the mounted component and power equipment, was not covered by the scope.[36] Therefore, the Commission analyzed Toro's arguments in the context of determining whether mounted SVSEs should be included in the same domestic like product as unmounted SVSEs.[37]

In that analysis, the Commission compared mounted and unmounted SVSEs using its traditional six-factor like product analysis. It concluded that SVSEs that are mounted on power equipment share the same physical characteristics and uses, manufacturing processes, customer perceptions, and prices as SVSEs that are unmounted.[38] The Commission acknowledged that with respect to channels of distribution, mounted SVSEs were typically sold to distributors and retailers rather than OEMs.[39] It noted that Briggs & Stratton argued that unmounted SVSES and mounted SVSEs were broadly interchangeable and that although Toro argued that mounted SVSEs had limited interchangeability with unmounted SVSEs given that they had been installed on power equipment for a set purpose, it did not contend specifically that the SVSEs within the mounted units and the unmounted SVSEs were not interchangeable.[40] The Commission stated that Toro's arguments with respect to most of the domestic like product factors compared the downstream product with unmounted SVSEs instead of

[35] Preliminary Determinations, USITC Pub. 5054 at 7-11.

[36] Preliminary Determinations, USITC Pub. 5054 at 8. The Commission noted that it was not clear whether Toro limited its separate domestic like product argument to include only the in-scope engine in mounted units, or instead intended to have a separate domestic like product that corresponded to the entire mounted unit. The Commission stated that the downstream mounted component and power equipment were not in the scope. It declined to define the domestic like product more broadly to include the downstream mounted products that incorporate SVSEs, noting that it typically does not define the domestic like product to include domestically produced downstream articles when there is no corresponding downstream imported article within the scope. *Id*. at 8 n.25, *citing Certain Frozen or Canned Warmwater Shrimp and Prawns from Brazil, China, Ecuador, India, Thailand, and Vietnam*, Inv. Nos. 731-TA-1063-1068 (Preliminary), USITC Pub. 3672 at 14-15 (Feb. 2004) and *Low Enriched Uranium from France, Germany, the Netherlands, and the United Kingdom*, Inv. Nos. 701-TA-409-412, 731-TA-909-912 (Preliminary), USITC Pub. 3388 at 6 (Jan. 2001).

[37] Preliminary Determinations, USITC Pub. 5054 at 8.

[38] Preliminary Determinations, USITC Pub. 5054 at 8-10.

[39] Preliminary Determinations, USITC Pub. 5054 at 10.

[40] Preliminary Determinations, USITC Pub. 5054 at 9.

comparing the SVSE component of the downstream product with unmounted SVSEs, and were consequently irrelevant to whether the SVSE component of the downstream power equipment differed from unmounted SVSEs.[41] The Commission defined a single domestic like product coextensive with the scope of the investigations, namely all SVSEs, whether mounted or unmounted.[42]

In evaluating Toro's current arguments, we start with the scope definition, which includes certain SVSEs, "whether or not mounted on non-hand-held outdoor power equipment, including but not limited to walk-behind lawn mowers and pressure washers."[43] The definition clearly states, however, that "if a subject engine is imported mounted on such equipment, only the engine is covered by the scope."[44] Therefore, SVSEs are within the scope, but the mounted component or power equipment upon which some subject SVSEs are mounted is not within the scope. Although Toro acknowledges this exclusionary language in its prehearing brief, its like product arguments do not take it into account. Instead, Toro repeatedly conflates a mounted SVSE, an article within the scope, with lawn mowers and pressure washers, items excluded from the scope.[45] While there is considerable ambiguity in Toro's arguments, it is clear that Toro is not merely seeking to define two separate in-scope domestic like products,

[41] The Commission alternatively considered this question using the Commission's semi-finished like product analysis given that installing the mounted SVSE onto power equipment arguably placed it at a different stage of processing than unmounted SVSEs. The Commission found that all SVSEs had the same dedicated end use, whether mounted prior to sale or sold unmounted and then mounted prior to use. It found that domestically produced SVSEs were sold in mounted and unmounted form but essentially all of them would ultimately be mounted onto power equipment and that there was no alternative economic use for an unmounted SVSE. The Commission further found that OEMs were the principal purchasers of unmounted SVSEs from U.S. producers and that mounted SVSEs were typically sold to distributors and retailers rather the OEMs. The Commission found that regardless of whether an SVSE was in mounted or unmounted form, the scope only included the SVSE itself and that the SVSE was essentially the same regardless of whether in mounted or unmounted form and had the same underlying function. Based on this semifinished like product analysis, the Commission found that SVSEs in unmounted form and the SVSE portion of a mounted SVSE were not separate domestic like products. Preliminary Determinations, USITC Pub. 5054 at 10, n.42.

[42] Preliminary Determinations, USITC Pub. 5054 at 11. The Commission also rejected Toro's arguments that commercial SVSEs should be a separate domestic like product from other SVSEs within Commerce's scope of investigation on the basis that there was no U.S. production of commercial SVSEs. *Id*.

[43] Commerce Final CVD Determination, 86 Fed. Reg. at 14073.

[44] Commerce Final CVD Determination, 86 Fed. Reg. at 14073.

[45] Toro's Prehearing Brief at 10-14.

corresponding to unmounted and mounted SVSEs, the principal issue addressed in the preliminary determinations.[46]

Toro's arguments may be interpreted in two different ways. One is that it is seeking to define two like products, one consisting of unmounted SVSEs within the scope and the second consisting of both the mounted SVSE within the scope and the finished mechanism outside the scope in which the SVSE is mounted. For the reasons stated in the preliminary determinations, using a semifinished like product analysis to define a separate like product encompassing both in-scope and out-of-scope downstream articles is inappropriate.[47] Use of a conventional analysis comparing SVSEs and the downstream product is also not appropriate because the downstream product represents an article at a different stage of processing.

Another possible way to construe Toro's argument is that it seeks to define a separate domestic like product consisting entirely of products that do not correspond to Commerce's scope of investigations: lawn mowers and pressure washers.[48] This argument is also defective.

The Tariff Act of 1930 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."[49] While the Commission must defer to the scope as defined by Commerce, the

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[46] Toro's ambiguity belies the fact that the Commission specifically expressed uncertainty as to the scope of Toro's proposed like products in the preliminary determinations, Preliminary Determinations, USITC Pub. 5054 at 8 n.25, yet the firm did not clarify its position in the final phase. To the contrary, in its comments on the draft questionnaires, Toro requested that the Commission collect information comparing mounted and unmounted SVSEs but did not define the mounted SVSEs for which it sought a distinct domestic like product or request that the Commission collect domestic industry production and financial data corresponding to this proposed domestic like product. It argued instead that Petitioner should have the burden of providing information demonstrating injury by reason of imports of mounted SVSEs, as Petitioner drafted the scope. Toro Comments on Draft Questionnaires dated August 19, 2020 at 5. Toro's Posthearing Brief, Attachment 1 at 30. Under Commission rule 207.20(b), requests for collecting new information are required to be presented at the time parties comment on the draft questionnaires. Thus, contrary to Toro's arguments, the Commission rules do not put the burden on Petitioner to request that the Commission collect data corresponding to a domestic like product definition advanced by another party.

[47] Preliminary Determinations, USITC Pub. 5054 at 8 n.25. The semi-finished analysis conducted by the Commission in its preliminary determinations referenced *supra* in n.41 compared two in-scope products: unmounted SVSEs and the SVSE portion of a mounted SVSE.

[48] This is suggested by some language in Toro's posthearing brief. *See* Toro's Posthearing Brief, att. 1 at 28 ("installing an engine into a mower body results in a new and distinct product: a walk-behind mower or pressure washer."). Toro's argument that CBP has found that attaching an engine to a mower constitutes a substantial transformation does not change the fact that the downstream mounted products that incorporate SVSEs are not in the scope of the investigations. Toro's Prehearing Brief at 12-13.

[49] 19 U.S.C. § 1677(10).

Commission determines what domestic product is like the imported articles Commerce has identified.[50] Thus, the statute contemplates that a domestic like product must be analogous to an imported article in the scope or "like" such an imported or domestically produced article. There is no real dispute that there is a domestically produced product directly corresponding to the imported articles within the scope: domestically produced SVSEs. No party contends, however, that domestically produced finished mowers or pressure washers are "like" domestically produced SVSEs. Indeed, Toro argues to the contrary. Nor is there any basis to find them analogous to the merchandise in the scope definition, from which they have been expressly excluded. Consequently, there is no basis in these investigations for defining a like product consisting exclusively of finished lawn mowers or power washers. Toro's argument, insofar as it seeks to have the Commission define a domestic like product that is like neither the imported articles within the scope nor their domestic analogs, turns both the statute and logic on its head.[51]

Therefore, we reject Toro's arguments that mounted SVSEs, which it defines to include lawn mowers and pressure washers, are a separate domestic like product. We define a single domestic like product corresponding to the scope in these investigations.

III. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole 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."[52] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

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[50] *Cleo Inc. v. United States*, 501 F.3d 1291, 1298 (Fed. Cir. 2007); *see also Hitachi Metals, Ltd. v. United States*, Case No. 19-1289, slip op. at 8-9 (Fed. Circ. Feb. 7, 2020) (the statute requires the Commission to start with Commerce's subject merchandise in reaching its own like product determination).

[51] Toro argues that the Commission should conduct a similar domestic like product analysis in these investigations as it did in *Aluminum Extrusions*. Toro's Prehearing Brief at 11. This prior case and the subsequent litigation are inapposite to the facts here. The Commission found in that case that there were two separate domestic like products that corresponded to the scope of the investigations: finished heat sinks and all other aluminum extrusions. Unlike lawn mowers and power washers in these investigations, finished heat sinks were covered by the scope of the investigations in *Aluminum Extrusions. Aluminum Extrusions* at 7. *See also Aluminum Extrusions Fair Trade Comm.*, 36 CIT at 1371-1375.

[52] 19 U.S.C. § 1677(4)(A).

Briggs & Stratton argues that the Commission should define the domestic industry as consisting of all U.S. producers of SVSEs, namely Briggs & Stratton and Honda Power.[53] In light of Toro's domestic like product arguments, it presents injury arguments with respect to mounted SVSEs as a separate domestic industry but does not otherwise raise domestic industry arguments.[54] MTD and Chinese Respondents did not raise any domestic industry arguments.

In its preliminary determinations, the Commission found that the domestic industry consisted of two U.S. producers of SVSEs: Briggs & Stratton and Honda Power.[55] [56] The Commission found Honda Power to be subject to the related parties provision but that appropriate circumstances did not exist to exclude it from the domestic industry.[57]

There are no related party issues in the final phase of these investigations. Although domestic producer Honda Power was subject to the related party provision at the time of the Commission's preliminary determinations, it no longer is because Commerce modified the scope to exclude certain commercial SVSEs – the product imported by Honda Power and its related importer American Honda – prior to its final determinations.[58] Therefore, we define the domestic industry to include all domestic producers of SVSEs: Briggs & Stratton and Honda Power.

[53] Briggs & Stratton's Prehearing Brief at 7.

[54] Toro's Posthearing Brief, Attachment 1 at 30.

[55] Preliminary Determinations, USITC Pub. 5054 at 12, 18.

[56] Consistent with its domestic like product analysis, the Commission found in its preliminary determinations that firms that mount or physically attach SVSEs onto power equipment were not part of the domestic industry as such firms would be engaging in downstream production of power equipment and not domestic production of SVSEs. Preliminary Determinations, USITC Pub. 5054 at 12, 18. There is no new information in the final phase of these investigations, nor any further argument besides those of Toro referenced above, with respect to the inclusion of firms that engage in downstream processing of SVSEs in the domestic industry. Based on our definition of the domestic like product, the Commission's analysis in the preliminary determinations that such firms do not engage in production of the domestic like product remains applicable. We accordingly do not include firms that engage in any downstream processing of SVSEs, including mounting and attaching SVSEs to power equipment, in the domestic industry.

[57] Preliminary Determinations, USITC Pub. 5034 at 10, 12.

[58] CR/PR at III-2, n.1, Table III-2 and Table III-9.

IV. Material Injury by Reason of Subject Imports[59]

Based on the record in the final phase of these investigations, we find that an industry in the United States is materially injured by reason of dumped and subsidized subject imports from China.

A. Legal Standards

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[60] In making this determination, the Commission must consider the volume of subject 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.[61] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[62] 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.[63] 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."[64]

Although the statute requires the Commission to determine whether the domestic industry is "materially injured or threatened with material injury by reason of" unfairly traded

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[59] Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that accounts for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall generally be deemed negligible. 19 U.S.C. § 1677(24)(A)(i). The exceptions to this general rule are not pertinent here.

Subject imports from China in both the antidumping and countervailing duty investigations accounted for *** percent of total imports of SVSEs by quantity in the 12-month period (March 2019 to February 2020) preceding the filing of the petitions. CR/PR at Table IV-5. Accordingly, we find that subject imports are not negligible.

[60] 19 U.S.C. §§ 1671d(b), 1673d(b).

[61] 19 U.S the determination" but shall "identify each {such} factor ... and explain in full its relevance to the determination. 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to." 19 U.S.C. § 1677(7)(B).

[62] 19 U.S.C. § 1677(7)(A).

[63] 19 U.S.C. § 1677(7)(C)(iii).

[64] 19 U.S.C. § 1677(7)(C)(iii).

imports,[65] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[66] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[67]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[68] In performing its examination, however, the Commission need not isolate

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[65] 19 U.S.C. §§ 1671d(b), 1673d(b).

[66] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g,* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[67] The Federal Circuit, in addressing the causation standard of the statute, observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[68] Uruguay Round Agreements Act Statement of Administrative Action (SAA), H.R. Rep. 103-316, vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

the injury caused by other factors from injury caused by unfairly traded imports.[69] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[70] It is clear that the existence of injury caused by other factors does not compel a negative determination.[71]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports."[72] The Commission ensures that it has "evidence in the record" to "show that the harm occurred 'by reason of' the LTFV imports," and that it is "not attributing injury from other sources to the subject imports." [73] The Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[74]

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[69] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n,* 266 F.3d at 1345 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e*., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[70] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[71] *See Nippon Steel Corp*., 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[72] *Mittal Steel*, 542 F.3d at 876 &78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

[73] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 877-79. We note that one relevant "other factor" may involve the presence of significant volumes of price-competitive

(Continued...)

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[75] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[76]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is material injury by reason of subject imports.

1. Demand Considerations

Demand for SVSEs is driven by demand for the downstream products in which they are contained — primarily gasoline-powered walk-behind lawn mowers, as well as pressure washers and other power equipment.[77] Demand for SVSEs is seasonal based on increased demand for lawn mowers in the spring and summer as well as demand for pressure washers and other outdoor power equipment.[78] Weather can also affect demand conditions; unfavorable weather conditions in 2019 reportedly lowered demand for SVSEs.[79]

Most unmounted SVSEs are sold to the OEMs that manufacture mowers and other outdoor power equipment. The OEM market is concentrated in a small number of manufacturers including MTD,[80] Toro, and Husqvarna Outdoor Products ("Husqvarna").[81]

(…Continued)
nonsubject imports in the U.S. market, particularly when a commodity product is at issue. In appropriate cases, the Commission collects information regarding nonsubject imports and producers in nonsubject countries in order to conduct its analysis.

[74] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[75] We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[76] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp*., 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[77] CR/PR at I-3, II-11.

[78] CR/PR at II-11.

[79] Transcript of Commission Hearing held March 9, 2021 ("Tr.") at 34 (Coad); CR/PR at II-15.

[80] MTD's brands include Cub Cadet, Troy Bilt, Remington, and Yard Machines, and it also has private labels under the Craftsman and DeWalt names. CR/PR at II-2, n.9.

[81] CR/PR at II-2, II-6. Lawn mowers, pressure washers, and other outdoor equipment with the engine already mounted are typically sold to retailers and dealers of outdoor equipment. CR/PR at II-6.

Husqvarna stopped producing consumer lawn mowers in 2019.[82] Husqvarna's exit from the market led to fewer OEMs consuming SVSEs and reportedly had a negative impact on demand for SVSEs.[83] OEMs, in turn, sell their mowers to retailers such as Home Depot, Lowe's, and Walmart, as well as to dealers, although the bankruptcy of Sears reduced the number of retailers offering such product. Retailers decide which mowers and engines are promoted and can influence the engine selection for particular mowers.[84] OEMs generally begin negotiating purchases of engines in the spring for sales of lawn mowers containing SVSEs in the coming year. Price negotiations are typically finalized by the end of summer with delivery of engines in the fall or early winter for production of lawn mowers in the fall and winter.[85] Consumers purchase their lawn mowers in spring and early summer.[86]

Demand for walk-behind mowers is driven by the need for residential lawn landscaping services, which is in turn associated with new and existing home sales.[87] New privately-owned housing units in the United States increased by 31.1 percent between January 2017 and September 2020 and existing home sales increased by 15.5 percent over the same period, according to Census Bureau and National Association of Realtors data.[88] Outdoor Power Equipment Institute ("OPEI") data, however, show overall declines in U.S. shipments of consumer gasoline-powered walk-behind mowers from 2017 to 2019, although U.S. shipments of both gas-powered and electric mowers were projected to increase in 2020.[89] OPEI data also show that electric walk-behind mower shipments increased by *** percent in 2018 and *** percent in 2019 and were projected to grow by *** percent in 2020.[90]

Market participants provided mixed responses concerning U.S. demand for SVSEs since January 1, 2017.[91] In their responses several firms pointed to a long-term downward trend in

[82] Husqvarna announced in 2018 that it would leave the consumer lawn mower market and in June 2019, it closed its production facilities for those lawn mowers. CR/PR at II-2. Husqvarna purchased and imported SVSEs from 2017 to 2019 but it reported no purchases or imports of SVSEs in interim 2020. CR/PR at II-5.

[83] CR/PR at II-15.

[84] CR/PR at II-2.

[85] Briggs & Stratton's Posthearing Brief, Exhibit 1 at 22 and Exhibit 4 at 13-14.

[86] CR at II-11-12, V-4-8. As discussed further below, contracts specify price but do not always specify volume.

[87] CR/PR at II-13.

[88] CR/PR at II-14.

[89] CR/PR at II-13.

[90] CR/PR at II-13, n.32.

[91] CR/PR at Table II-5. One U.S. producer reported that U.S. demand had increased since January 1, 2017, and one reported that it had decreased. Four U.S. importers reported that U.S. demand had increased since 2017, three reported that it had decreased, three reported that it had (Continued...)

demand for SVSEs as electric engines gain popularity and consumers increasingly use lawn services rather than purchase lawn mowers to mow their yards.[92] However, several firms described a temporary increase in demand in 2020 because consumers did more of their own yard work while under COVID-19 stay-at-home orders.[93]

Apparent U.S. consumption of SVSEs by quantity, based on domestic shipments and U.S. imports, decreased by *** percent from 2017 to 2019 and was *** percent lower in January-June ("interim") 2020 than in interim 2019; it was *** units in 2017, *** units in 2018, *** units in 2019, *** units in interim 2019, and *** units in interim 2020.[94] Apparent U.S. consumption of SVSEs by quantity, based on domestic shipments and importers' U.S. shipments of imports, decreased by *** percent from 2017 to 2019 and was *** percent lower in interim 2020 than in interim 2019; it was *** units in 2017, *** units in 2018, *** units in 2019, *** units in interim 2019, and *** units in interim 2020.[95]

2. Supply Considerations

The domestic industry consists of Briggs & Stratton and Honda Power, with Briggs & Stratton accounting for *** percent of U.S. production in 2019.[96]

These producers accounted for the largest share of the U.S. market throughout the POI. The domestic industry's share of apparent U.S. consumption, based on total U.S. imports, ranged from *** percent to *** percent during the three full years and two nine-month interim periods encompassed by the POI, and based on U.S. shipments of imports, ranged from ***

(…Continued)
fluctuated, and two reported that it had not changed. One U.S. purchaser reported that U.S. demand had increased since 2017, two reported that it had decreased, and three reported that It had fluctuated. *Id.*

[92] Increasing use of commercial lawn service companies can have a downward effect on demand for SVSEs as such companies typically mow more lawns per mower than residential consumers and may use more durable out-of-scope engines. CR/PR at I-12-14; USITC Pub. 5054 at I-10-11 (May 2020); *See* Toro Testimony, April 6, 2020 (Rogers) (Preliminary) at 4.

[93] CR/PR at II-14 & n.34.

[94] CR/PR at Table F-1.

[95] CR/PR at Table C-1. In these investigations, we have examined trends in apparent U.S. consumption calculated using both U.S. imports and U.S. shipments of imports. We discuss our reasons for using both of these data sets in section IV.C. below.

[96] CR/PR at Table III-1.

percent to *** percent.[97] The domestic industry's production capacity remained stable from 2017 to 2019 but it was lower in interim 2020 than in interim 2019 by *** percent.[98]

There were several domestic industry developments during the POI. In August 2019, Briggs & Stratton announced the shutdown of its SVSE production facility in Murray, Kentucky; the plant shut down in July 2020. In July 2020, Briggs & Stratton also entered into a sale agreement with KPS Capital Partners, LP and initiated voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code. Honda Power purchased two assembly lines and began production of a new SVSE model in February 2020 after previously importing this model from its affiliate in Japan.[99]

Briggs & Stratton reported that ***.[100] Honda Power reported that its ***.[101] Toro reported that Honda and Briggs & Stratton have not been able to commit to meeting its production requests for the 2020-21 build season, and MTD reported that it experienced acute shortages late in the POI which had had an impact on its ***.[102]

Subject imports accounted for the second largest share of the U.S. SVSE market during the POI. Their share of apparent U.S. consumption for the full years and interim periods encompassed by the POI ranged from *** percent to *** percent of the U.S. market based on total U.S. imports and from *** percent to *** percent based on shipments of U.S. imports.[103] The largest importers of subject merchandise were Kohler and MTD which collectively accounted for *** percent of reported subject imports in 2019.[104]

Nonsubject imports accounted for the smallest share of the SVSE market. Their share of apparent U.S. consumption for the full years and interim periods encompassed by the POI ranged from *** percent to *** percent based on total U.S. imports and from *** percent to *** percent based on shipments of U.S. imports.[105] Nearly all nonsubject imports over the POI were imported by either U.S. producer Honda Power or its affiliate, American Honda.[106] In 2018, Honda Power and American Honda began to import a new unmounted SVSE model from Honda Motor in Japan that Honda Power was not yet producing in the United States. Honda

[97] CR/PR at Table F-1 and Table C-1.
[98] CR/PR at Table III-4 and Table C-1.
[99] CR/PR at Table III-3.
[100] CR/PR at III-4.
[101] CR/PR at II-10 and III-4; ***.
[102] CR/PR at II-10.
[103] CR/PR at Table F-1 and Table C-1.
[104] Derived from CR/PR at Table IV-1.
[105] CR/PR at Table F-1 and Table C-1.
[106] CR/PR at II-9 and Table IV-1. *** U.S. Importer Questionnaire at II-8a. EDIS Doc. No. 733936.

Power and American Honda stopped importing SVSEs from Japan when Honda Power began producing this new engine model in the United States in 2020.[107]

3. Substitutability and Other Conditions

All responding U.S producers and a majority of U.S. importers and U.S. purchasers reported that domestically produced SVSEs are always or frequently interchangeable with subject imports.[108] In comparisons between the domestic product and subject imports concerning 21 purchasing factors, a majority of the responding purchasers found the domestic product and the subject imports comparable with respect to every factor except for availability and delivery time.[109]

All responding purchasers reported that domestically produced product always or usually meets quality specifications and six out of seven of these purchasers reported that subject imports always or usually meet quality specifications.[110] Six of seven responding purchasers require their suppliers to become certified or qualified to sell SVSEs to their firm; none of these purchasers reported that a domestic or foreign supplier had failed in its attempt to become certified or lost its approved status during the POI.[111] All SVSEs must comply with and be certified to meet EPA air pollution standards, and both domestically produced SVSEs and subject imports are available as residential or residential extended grade engines.[112]

The record reflects that U.S. and subject engine suppliers compete for their engines to be selected with respect to the same sales to domestic OEMs.[113] The record also indicates that domestic OEMs directly compare prices of the domestic like product to those of subject imports.[114] Once an engine is selected for a particular mower platform for the season,

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[107] CR/PR at III-13, IV-3.

[108] CR/PR at Table II-11.

[109] CR/PR at Table II-10. With respect to availability, three purchasers rated the domestic product and subject imports as comparable, two rated the domestic product as superior, and two rated the domestic product as inferior to the subject imports. With respect to delivery time, three purchasers rated the domestic product as superior, three rated the domestic product as comparable to the subject imports, and one rated the domestic product as inferior to the subject imports. *Id.*

[110] CR/PR at Table II-12.

[111] CR/PR at II-22-23.

[112] CR/PR at I-14 and Table III-7 and Table IV-5.

[113] MTD purchased SVSEs from both U.S. producers and Zongshen; Toro purchased SVSEs from both U.S. producers and Chinese producers. Husqvarna purchased SVSEs from ***. CR/PR at II-2 & n.7.

[114] In an email, ***. Briggs & Stratton's Posthearing Brief, Exhibit 4 at 10 and Attachment G. Given that there are very few nonsubject imports in the U.S. market other than those imported by (Continued...)

however, the engine selection typically will not change.[115] In light of the foregoing, we find that there is at least a moderate degree of substitutability between domestically produced SVSEs and subject imports, with a higher degree of substitutability among engines at the time of engine selection, which typically occurs during contract negotiations.

Given the information in the record, including that price comparisons are used in purchasing negotiations, we find that price is an important factor in purchasing decisions for SVSEs, although availability/reliability of supply/lead time, quality, and brand are also important.[116] Purchasers listed price fourth-most frequently as one of the three most important factors in their purchasing decisions.[117] Purchasers ranked availability/reliability/lead time as the most important purchasing factor.[118] All responding purchasers reported price was at least somewhat important as a purchasing factor.[119] Market participants reported mixed views as to the significance of differences other than price in comparing domestic product and subject imports.[120]

Sales of SVSEs to OEMs are typically on a contract basis, although ***.[121] Price negotiations between SVSE manufacturers and OEMs typically begin in the spring and conclude in the summer for engines that will not be delivered until the fall or winter, and those prices remain in effect until the next season (typically February or March of the following year).[122] SVSEs are selected for a particular mower platform.[123] Contracts typically establish a price but may or may not establish a volume of sales.[124]

(…Continued)
Honda Power or its affiliate, the record supports Briggs & Stratton's assertion that *** is a reference to China. *See id.,* Exhibit 4 at 10.

***, which Briggs & Stratton later learned were ***. Briggs & Stratton's Prehearing Brief at 32 & Exhibit 4; Briggs & Stratton's Posthearing Brief, Exhibit 4 at 6.

[115] CR/PR at II-21.

[116] CR/PR at II-18 and Table II-7.

[117] CR/PR at Table II-7.

[118] CR/PR at Table II-7.

[119] CR/PR at Table II-8.

[120] One U.S. producer reported nonprice differences as never important and one as always important in comparing domestic product and subject imports; most U.S. importers reported such differences as always or frequently important, and a majority of U.S. purchasers reported that such differences were sometimes or never important. CR/PR at Table II-13.

[121] CR/PR at V-6. ***. CR/PR at V-6-7.

[122] CR/PR at V-4-6.

[123] CR/PR at II-21.

[124] CR/PR at V-4-8.

U.S. producers and U.S. importers offer volume discounts to OEMs; U.S. producer Briggs & Stratton and importer Kohler reported providing direct or indirect rebates to their customers and to retailers.[125] U.S. producers' engines are typically sold with warranty protection, which can account for *** percent of the engine price. For subject imports, the warranty may be provided by the foreign producer for branded engines (Kohler, Yamaha) or may be provided by the OEM purchaser for private label engines provided by some Chinese producers (Loncin and Zongshen).[126]

The principal raw materials used in the production of SVSEs are machined cast iron and aluminum parts.[127] The domestic industry's raw materials costs generally rose on a per unit basis during the POI, although they were slightly lower in January-September (interim) 2020 than in interim 2019.[128]

Most subject imports became subject to additional 25 percent *ad valorem* duties under Section 301 of the Trade Act of 1974 ("section 301 tariffs")[129] on August 23, 2018.[130] Exclusions covering most of the subject imports subject to the tariffs were granted in September 2019, with these exclusions expiring December 31, 2020.[131] In addition, MTD and Toro reported using exemptions for goods certified to be used in agricultural applications to import SVSEs used to produce lawn mowers throughout the entire POI; however, we note that CBP did not confirm that the application of the agricultural exception could be used with respect to SVSEs for lawn mowers until August 2019 and MTD tendered section 301 duties until the agricultural exclusion was confirmed on August 1, 2019.[132] Over most of the POI, some imported SVSE raw materials and other inputs have been subject to additional duties pursuant to Section 232 of the Trade Expansion Act of 1962 ("section 232 tariffs")[133] on steel and aluminum.[134]

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[125] CR/PR at V-8-9.

[126] CR/PR at V-9.

[127] CR/PR at V-1.

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

[129] 19 U.S.C. § 2411.

[130] These duties applied to Chinese SVSEs imported under HTS subheading 8407.90.10, which includes the primary ten-digit statistical reporting number under which subject merchandise enters. CR/PR at I-9-10. The section 301 tariffs also covered some engine components imported from China. CR/PR at V-1.

[131] CR/PR at I-10-11.

[132] CR/PR at I-11, II-5; MTD's Posthearing Brief, Exhibit 1 at 9-10, Exhibit 2 at 4; Briggs & Stratton's Posthearing Brief at 14 & Exhibit 9. SVSEs not used in lawn mowers, such as those used in pressure washers, were likely not eligible for importation under this provision. CR/PR at I-11.

[133] 19 U.S.C. § 1862.

[134] CR/PR at V-1.

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff 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."[135]

The volume of subject imports was *** units in 2017, *** units in 2018, *** units in 2019, *** units in interim 2019 and *** units in interim 2020.[136] The quantity of subject imports increased by *** percent from 2017 to 2018, then declined by *** percent from 2018 to 2019, resulting in an overall net decrease from 2017 to 2019 of *** percent; subject import volume was higher in interim 2020 than in interim 2019 by *** percent, yet apparent U.S. consumption based on U.S. imports was *** percent lower in interim 2020 than in interim 2019.[137]

The decline in subject import volume from 2018 to 2019 coincided with the imposition of the section 301 tariffs on imports entering the United States under various HTS subheadings, including the predominant HTS subheading used to import subject imports. These section 301 duties were imposed in August 2018 and remained in effect until exclusions covering most subject imports were granted in September 2019.[138] Consequently, during the predominant portion of interim 2019 most subject imports were subject to section 301 tariffs and the record reflects that MTD, one of the two largest U.S. importers of subject imports, tendered section 301 duties prior to August 2019.[139] By contrast, most subject imports subject to the tariffs were exempt from those tariffs during interim 2020, when subject import quantities were higher than in interim 2019.[140]

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[135] 19 U.S.C. § 1677(7)(C)(i).

[136] CR/PR at Table IV-2. U.S. shipments of subject imports were *** units in 2017, *** units in 2018, *** units in 2019, *** units in interim 2019, and *** units in interim 2020. CR/PR at Table IV-11.

[137] CR/PR at IV-3, Table IV-2 and Table C-1. Apparent U.S. consumption based on U.S. imports figure derived from Table F-1.

[138] As noted above, in August 2019, CBP confirmed that the agricultural exception to the section 301 duties could be used with respect to SVSEs for lawn mowers; as such, some imports of SVSEs appear to have been exempt from section 301 duties as of August 2019.

[139] MTD's Posthearing Brief, Exhibit 2 at 4; CR/PR at Table IV-1.

[140] Briggs & Stratton argues that subject imports fell from 2018 to 2019 when section 301 tariffs were imposed but rose quickly after exclusions were granted. Briggs & Stratton's Prehearing Brief at 12-14. MTD and Toro maintain that their importing and purchasing behaviors were unaffected by the section 301 tariffs. Toro's Posthearing Brief at 3, 6-7. Responses from firms on whether section 301 tariffs had impacted the supply of subject imports were similarly varied, with U.S. importers evenly split in reporting there had been no change or a decrease in supply of imports from China, and two purchasers reporting that there had been no change and one a decrease in supply in imports from (Continued...)

In these investigations we have examined apparent U.S. consumption based on two data sets, one based on U.S. shipments of imports and one based on total U.S. imports.[141] However, we have relied principally on the latter data set in light of the particular circumstances here, in which a large proportion of subject imports were purchased by OEMs that imported for their own consumption.[142] For purposes of measuring consumption, such imports are not distinguishable analytically from merchandise purchased by a U.S. purchaser from a U.S. importer for consumption; had the OEMs purchased the same volume of engines from a U.S. importer (or U.S. producer), that volume would be reported in our data as shipments by the importer (or U.S. producer).

The ratio of subject imports to apparent U.S. consumption based on total imports rose from *** percent in 2017 to *** percent in 2018 and declined to *** percent in 2019. It was *** percent in interim 2019, and higher, at *** percent, in interim 2020. The ratio of U.S. shipments of subject imports to apparent U.S. consumption on the other hand rose from *** percent in 2017 to *** percent in 2018, fell to *** percent in 2019, and was *** percent in interim 2019 and lower, at *** percent, in interim 2020.[143] [144] Under either set of data, subject imports accounted for more than *** of apparent U.S. consumption throughout the POI.

(…Continued)
China. CR/PR at Table II-1. We acknowledge the parties' arguments but conclude that resolving the effect of section 301 duties on import volumes from 2018 to 2019 is not necessary to our assessment of the significance of subject import volume in these investigations.

[141] Briggs & Stratton argues that we should measure apparent U.S. consumption based on U.S. imports. Briggs & Stratton's Prehearing Brief at 20. MTD argues that we should measure apparent U.S. consumption based on U.S. shipments of imports. MTD's Posthearing Brief, Exhibit 1 at 22. Notwithstanding MTD's contention that use of its preferred data set would be more consistent with agency practice, the appropriate measurements depend on the factual circumstances of an investigation.

[142] *See* CR/PR at II-5, V-11, Table IV-1. A substantial portion of these subject imports in interim 2020 were reported as inventory and therefore are not included in the data for shipments of subject imports. *See* CR/PR at Tables IV-2, IV-11, and VII-6; Briggs & Stratton's Prehearing Brief at 11-12.

[143] CR/PR at Table F-1 and Table C-1.

[144] MTD argues that the Commission should treat Briggs & Stratton's U.S. exports of SVSEs that are sold to OEMs in China, incorporated into lawn mowers, and subsequently imported into the United States, as U.S. shipments of domestic mounted SVSEs. MTD Prehearing Brief at 24-25; MTD's Posthearing Brief at 4. We reject these arguments as these shipments are U.S. export shipments of SVSEs and are appropriately reported in Briggs & Stratton's trade and financial data as U.S. export shipments. Indeed, such export shipments of SVSEs to China-based OEM manufacturers are analogous to U.S. shipments of SVSEs to domestically based OEM manufacturers.

We find that the volume of subject imports is significant in absolute terms and relative to consumption in the United States. We further find that the increase in subject imports in interim 2020 is significant both in absolute terms and relative to consumption.[145]

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff 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.[146]

We found above in Section IV.B.3 that there is at least a moderate degree of substitutability between domestically produced SVSEs and subject imports, with higher substitutability among engines at the time of engine selection, which typically occurs during contract negotiations. We further found that price is an important consideration in purchasing decisions, along with other factors.[147]

The Commission collected quarterly price data for the total quantity and f.o.b. value of four SVSE products shipped by U.S. producers and importers to unrelated U.S. OEM customers between January 2017 and September 2020.[148] Both U.S. producers and three importers (***)

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[145] The quantity of subject imports was *** units higher in interim 2020 than in interim 2019. Derived from CR/PR at Table IV-2. By contrast, apparent U.S. consumption was lower in interim 2020 than in interim 2019 by *** units on the basis of U.S. imports, derived from CR/PR at Table F-1, and by *** units based on U.S. shipments of imports, derived from CR/PR at Table IV-11 and Table C-1.

[146] 19 U.S.C. § 1677(7)(C)(ii).

[147] CR/PR at II-18 and Table II-7. As explained above, availability/reliability of supply/lead time, quality, and brand are also important in purchasing decisions.

[148] CR/PR at V-10. The pricing products were:
Product 1. – Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 125-140cc Displacement, Unmounted;
Product 2. – Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 141-155cc Displacement, Unmounted;
Product 3. – Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 156-175cc Displacement, Unmounted;
(Continued...)

provided usable price data for sales of the requested products, although no firms reported price data for all products for all quarters. Price data reported by these firms accounted for approximately *** percent of U.S. producers' U.S. shipments of SVSEs and *** percent of unmounted subject imports in 2019.[149]

Subject imports undersold the domestic like product in 23 out of 29 quarterly price comparisons at an average underselling margin of 22.4 percent; the quantity of subject imports in these underselling comparisons was *** units.[150] Subject imports oversold the domestic like product in the remaining six quarterly price comparisons at an average overselling margin of 6.1 percent; the quantity of subject imports in these overselling comparisons was *** units.[151]

As some OEMs themselves import subject merchandise for internal consumption, the Commission also obtained landed duty-paid purchase costs and quantities for the same four pricing products that are directly imported for use in the production of downstream products.[152] Six importers that directly imported SVSEs (***) provided purchase cost data, which accounted for *** percent of unmounted subject imports in 2019, although no firm reported purchase cost data for all products for all quarters.[153] Landed duty-paid costs for SVSEs were below the price of domestically produced SVSEs in all 56 quarterly comparisons at an average price-cost differential of 29.3 percent; the quantity of subject imports in these comparisons was *** units.[154]

The Commission also requested that importers reporting import purchase cost data provide estimates of additional costs associated with their importing activities (that is, costs incurred by importing rather than purchasing from a U.S. producer or importer) that were not included in the landed duty-paid values.[155] Three of the six importers that furnished import

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Product 4. – Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 186-205cc Displacement, Unmounted;

[149] CR/PR at V-10-11.

[150] CR/PR at Table V-7. MTD questions the reliability of the underselling data because it argues that Briggs & Stratton ***. MTD's Prehearing Brief at 26. Briggs & Stratton, however, reported that ***. CR/PR at V-11.

[151] CR/PR at Table V-7.

[152] CR/PR at V-10.

[153] CR/PR at V-11.

[154] CR/PR at Table V-8.

[155] CR/PR at V-20. MTD questions the comparability of reported purchase cost data to U.S. prices because it incurs additional costs when it imports subject SVSEs, such as substantial development and testing costs, that it does not incur when it purchases domestic engines, and that it incurs other costs when it purchases domestic product, such as product support, warranty, and dealer development costs, that are not included in the cost of purchasing subject imports. MTD's Prehearing Brief at 27. As (Continued...)

purchase cost data reported such additional costs.[156] ***.[157] These additional costs were substantially less than the average price-cost differential of 29.3 percent between landed duty-paid costs for the subject imports and prices for the domestic like product.

U.S. OEMs that directly imported were also asked whether the cost of SVSEs they imported was lower than the price of purchasing SVSEs from a U.S. producer or importer (both excluding and including the additional costs of importation). Four importers reported that the costs were lower not including additional costs and three importers reported that the costs were lower including the additional costs to import.[158] *** estimated that it saved *** percent of LDP value by importing SVSEs rather than purchasing from a U.S. importer and *** percent compared to purchasing from a U.S. producer. Importer *** estimated saving *** percent compared to purchasing the product from a U.S. producer. *** reported that it saved *** percent compared to purchasing the SVSEs from U.S. producers and importers.[159]

We have also considered lost sales data in our underselling analysis. Of the seven purchasers that responded to the Commission's questionnaires, three reported that they had purchased subject imports rather than the domestic like product since 2017. These three purchasers reported that subject import prices were lower than those for the domestic like product, and one of these purchasers, *** reported that price was a primary reason for its decision to purchase subject imports rather than the domestic like product.[160] *** confirmed lost sales of *** units during the POI.[161]

In light of the record evidence demonstrating that prices and purchase costs for subject imports were consistently and substantially lower than prices for the domestic like product,

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discussed in the text, MTD's additional costs pertaining to its direct importations were below the average price-cost differential and other importers reported that they saved money by importing directly rather than purchasing SVSEs from a U.S. producer. CR/PR at V-20-22 & n.25.

[156] CR/PR at V-20.

[157] CR/PR at V-20 (specifying additional costs *** incur by importing directly).

[158] CR/PR at V-21.

[159] CR/PR at V-21-22.

[160] CR/PR at V-27 and Table V-9.

[161] Toro questions whether *** purchased subject imports on the basis of price, arguing that the totality of *** questionnaire response shows that brand and customer preferences drove its purchasing decisions. Toro, however, acknowledges in its arguments that ***. Toro's Posthearing Brief, Attachment 1 at 24 (emphasis added). ***. *** Purchaser Questionnaire at III-10, III-25, III-26, IV-3, EDIS Doc. No. 733955. Based on our assessment of *** questionnaire response overall, particularly its responses concerning the importance of price, we reject Toro's argument that the firm's response that it purchased subject imports rather than the domestic like product principally on the basis of price should be disregarded.

together with our findings about the importance of price in purchasing decisions and the degree of substitutability of the domestic and subject products, we find that the underselling by subject imports is significant. The underselling caused the domestic industry to lose sales and market share. Subject imports gained market share at the expense of the domestic industry from 2017 to 2018 and again from interim 2019 compared to interim 2020.[162]

We have also considered price trends for the domestic like product and subject imports during the POI. The record shows that for most of the domestic and subject pricing products, prices were lower at the end of the POI than at its beginning. Products 1 and 3 accounted for most U.S. producers' sales of the four pricing products during the POI. Most subject import pricing data concerned product 2 and most purchase cost data concerned products 2 and 3.[163] Between the first quarter of 2017 and the third quarter of 2020, prices decreased by ***, ***, and *** percent for domestically produced Products 1, 2, and 3, respectively, and prices increased by *** percent for domestically produced Product 4.[164] During this period, subject import prices for Product 2 increased by *** percent and subject import prices for Product 4 decreased by *** percent. Subject import purchase costs for Products 2, 3, and 4 declined by *** percent, *** percent, and *** percent, respectively.[165]

We have also considered whether subject imports prevented price increases for the domestic like product that otherwise would have occurred.[166] As an initial matter, we note that the domestic industry was unable to price its product at a level to achieve profitable operations at the outset of the POI. In 2017, its ratio of COGS to net sales was *** percent, and its ratios of

[162] When measured by imports, subject imports gained *** percent points of market share between 2017 and 2018 as domestic producers lost *** percentage points; subject imports further gained *** percentage points between interim 2019 and interim 2020 as domestic producers lost *** percentage points. Derived from CR/PR at Table F-1. When measured by U.S. shipments, subject imports gained *** percentage points of market share between 2017 and 2018 while domestic producers lost *** percentage points. CR/PR at Table C-1.

[163] CR/PR at V-22.

[164] CR/PR at Table V-6.

[165] CR/PR at Table V-6. No purchaser reported that U.S. producers had reduced prices in order to compete with lower-priced imports from China; five purchasers reported that U.S. producers had not reduced prices in order to compete with lower-priced imports from China, and two purchasers reported that they did not know. CR/PR at V-29.

[166] Commissioner David S. Johanson does not join this paragraph or the remainder of the price effects section. He finds, given that the domestic like product and subject imports are at least moderately substitutable and that price is an important factor in purchasing decisions, the record indicates that this underselling resulted in a market share shift from the domestic industry to subject imports. Therefore, Commission Johanson finds that subject imports had significant price effects.

operating income and net income to net sales were ***.[167] In such circumstances, the industry had a strong incentive to raise prices. A further incentive was provided by the fact that, on a unit basis, both raw materials costs and average total COGS rose during most of the POI.[168] Yet the industry could not raise prices. As stated above, prices of most of the domestically produced pricing products were lower at the conclusion of the POI than at its outset. Moreover, the industry's unit sales values declined throughout the POI.[169] As a result, the industry experienced a cost-price squeeze. Its COGS-to-net-sales ratio increased from *** percent in 2017 to *** percent in 2018 and *** percent in 2019; it was *** percent in interim 2019 and higher, at *** percent, in interim 2020.[170]

Information in the record indicates several instances of OEMs putting downward pricing pressure on domestic producers using the availability of lower-priced subject imports. Briggs & Stratton provided information ***.[171] This material indicates that subject imports played an important role in the domestic industry's inability to raise prices.

Toro argues that declining apparent U.S. consumption prevented the domestic industry from raising its prices.[172] We disagree that this explains the domestic industry's inability to price its SVSEs at a profitable level throughout the POI. We observe that price movements in this market may not always track trends in apparent U.S. consumption given prices may be set in one year for product shipped to the customer in the next year, which likely creates some attenuation between consumption trends and prices. For example, prices for the majority of 2019 were set in 2018, when consumption was relatively steady as compared to 2017, indicating that subject imports had more of an effect on 2019 prices than the decline in consumption in 2019. In addition, as noted above, market participants perceived demand to be higher in interim 2020 but given that 2020 prices were largely set in 2019, the perceived increase in demand in 2020 would not be expected to have much impact on interim 2020 prices.

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

[168] CR/PR at Table VI-1. Both unit raw materials costs and unit COGS were lower in interim 2020 than in interim 2019. *Id*.

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

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

[171] Briggs & Stratton's Posthearing Brief, Exhibit 4, Attachment E, F, G, J, K. Briggs & Stratton explains that it considers MTD's reference to "MTD engines" to be a reference to subject engines produced by ***. *Id.,* Exhibit 4 at 10. Given that there are very few nonsubject imports in the U.S. market other than those imported by Honda Power or its affiliate, the record supports Briggs & Stratton's inference that "lower-cost country" is a reference to China. *Id.*

[172] Toro's Posthearing Brief at 11.

Furthermore, increased demand for electric mowers, which compete to some extent with gasoline-powered mowers, may have had an effect on demand for mowers containing SVSEs and some effect on prices for SVSEs but there is strong evidence of a direct price effect from subject imports. Large volumes of subject imports pervasively undersold the domestic like product and the documentary evidence of pricing pressure on the domestic industry identified by Briggs & Stratton focuses on domestic producer prices relative to low prices of subject imports and does not show consumption trends for electric mowers as impacting SVSE prices. We therefore find that pervasive underselling by subject imports prevented the domestic industry from raising prices which otherwise would have occurred to a significant degree.[173] [174]

We find that subject imports undersold subject imports to a significant degree, which resulted in lost sales and market share, and that subject imports prevented U.S. price increases which otherwise would have occurred, to a significant degree. Consequently, we find that the subject imports had significant effects on prices for the domestic like product.

E. Impact of the Subject Imports[175]

Section 771(7)(C)(iii) of the Tariff Act provides that examining the impact of subject imports, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[176] These factors include output, sales, inventories, capacity

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[173] Commissioner Karpel also finds price depression given declining prices of the domestic like product and the downward pricing pressure of subject imports as discussed above.

[174] MTD argues that increased raw material costs were substantially driven by section 301 tariffs and section 232 tariffs on the materials and components that U.S. SVSE producers import and use in engine production. MTD's Prehearing Brief at 35. *** U.S. producers reported that section 232 tariffs caused ***, ***. CR/PR at V-2. *** reported that section 301 tariffs ***. ***. CR/PR at V-2-3 and II-4. To the extent that MTD's argument that these tariffs caused the domestic industry's raw material costs to increase is correct, it ignores subject imports' role in preventing the domestic industry from recovering the increased costs.

[175] 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 final determination, Commerce found weighted-average dumping margins ranging from 316.88 to 541.75 percent for Chinese producers/exporters. Commerce Final AD Determination, 86 Fed. Reg. at 14078-79. We take into account in our analysis the fact that Commerce has made final findings that all subject producers are selling subject imports in the United States at less than fair value. In addition to this consideration, our impact analysis has considered other factors affecting domestic prices. Our analysis of the significant price effects of subject imports, described in both the price effects discussion and below, is particularly probative to an assessment of the impact of the subject imports.

[176] 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 (Continued...)

utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debts, research and development, and factors affecting domestic prices. 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."[177]

The domestic industry's trade and financial indicators generally deteriorated over the POI. The domestic industry's capacity was stable from 2017 to 2019 but was *** percent lower in interim 2020 than in interim 2019; it was *** units in 2017, 2018, and 2019, *** units in interim 2019 and *** units in interim 2020.[178] Briggs & Stratton announced in August 2019 that it planned to close its SVSE production facility in Murray, Kentucky and the facility closed in July 2020.[179] Production steadily declined by *** percent from 2017 to 2019 and was *** percent lower in interim 2020 than in interim 2019; it was *** units in 2017, *** units in 2018, *** units in 2019, *** units in interim 2019, and *** units in interim 2020.[180]

The domestic industry's capacity utilization declined by *** percentage points from 2017 to 2019 and was *** percentage points lower in interim 2020 than in interim 2019; it was *** percent in 2017, *** percent in 2018, *** percent in 2019, *** percent in interim 2019, and *** percent in interim 2020.[181]

The domestic industry's U.S. shipments declined from 2017 to 2019 and were lower in interim 2020 than in interim 2019. The domestic industry's U.S. shipments declined by *** percent from 2017 to 2019, and were *** percent lower in interim 2020 than in interim 2019; they were *** units in 2017, *** units in 2018, *** units in 2019, *** units in interim 2019, and *** units in interim 2020.[182] The domestic industry's market share by quantity based on U.S. imports declined by *** percentage points between 2017 and 2019 and it was *** percentage points lower in interim 2020 than in interim 2019; its market share was *** percent in 2017, *** percent in 2018, *** percent in 2019, *** percent in interim 2019, and *** percent in

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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.").

[177] 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

[178] CR/PR at III-4 and Table III-4 and Table C-1.

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

[180] CR/PR at III-4 and Table III-4 and Table C-1.

[181] CR/PR at Table III-4 and Table C-1.

[182] CR/PR at Table III-6 and Table C-1.

interim 2020.[183] End-of-period inventories fell from *** units in 2017 to *** units in 2018 and *** units in 2019. They were *** units in interim 2019 and lower, *** units, in interim 2020.[184]

Employment-related indicators were generally negative between 2017 and 2019 and were mainly lower in interim 2020 than in interim 2019. Production and related workers ("PRWs") decreased by *** percent from 2017 to 2019 and were *** percent lower in interim 2020 than in interim 2019.[185] Total hours worked decreased by *** percent from 2017 to 2019 and were *** percent lower in interim 2020 than in interim 2019.[186] Wages paid decreased by *** percent from 2017 to 2019 and were *** percent lower in interim 2020 than in interim 2019.[187] Productivity fluctuated; it increased *** percent from 2017 to 2019 but it was *** percent lower in interim 2020 compared to interim 2019.[188] Unit labor costs, which also fluctuated, were *** percent higher from 2017 to 2019 and were *** percent higher in interim 2020 than in interim 2019.[189]

Most of the domestic industry's financial performance indicators deteriorated during the POI.[190] Net sales revenues decreased by *** percent from 2017 to 2019 and were ***

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[183] CR/PR at Table F-1. The domestic industry's market share based on U.S. shipments of imports declined by *** percentage points between 2017 and 2019 but was *** percentage points higher in interim 2020 than in interim 2019; its market share was *** percent in 2017, *** percent in 2018, *** percent in 2019, *** percent in interim 2019, and *** percent in interim 2020. CR/PR at Table IV-9 and Table C-1.

[184] CR/PR at Table III-8 and Table C-1.

[185] PRWs were *** in 2017, *** in 2018, *** in 2019, *** in interim 2019 and *** in interim 2020. CR/PR at Table III-10 and Table C-1. Reductions in employment reflect to some extent Briggs & Stratton's closure of its Murray, Kentucky production facility. *See* CR/PR at III-15, Table III-10, and Table C-1.

[186] Total hours worked were *** hours in 2017, *** hours in 2018, *** hours in 2019, *** hours in interim 2019, and *** hours in interim 2020. CR/PR at Table III-10 and Table C-1.

[187] Wages paid were $*** in 2017, $*** in 2018, $*** in 2019, $*** in interim 2019 and $*** in interim 2020. CR/PR at Table III-11 and Table C-1.

[188] Productivity (in units per 1,000 hours) was *** in 2017, *** in 2018, *** in 2019, *** in interim 2019, and *** in interim 2020. CR/PR at Table III-10 and Table C-1.

[189] Unit labor costs (in dollars per unit) were $*** in 2017, $*** in 2018, $*** in 2019, $*** in interim 2019 and $*** in interim 2020. CR/PR at Table III-10 and Table C-1.

[190] Toro argues that *** financial data present a distorted view of that firm's performance because its net sales values are ***. Toro's Prehearing Brief at 28-29. We disagree with Toro's assessment of these data.

*** The Commission instructs firms to report the value of any transfers to related firms and internal consumption on the basis of fair market value in its U.S. producer questionnaires to ensure consistency across commercial and non-commercial sales so that an analysis of the combined data is meaningful. Commission staff requested *** to provide its questionnaire data on the basis of fair market value, consistent with the instructions in U.S. producer questionnaire, which ***. CR/PR at VI-9, n.3. We consider this information most accurately reflects the firm's financial performance in the (Continued...)

percent lower in interim 2020 than in interim 2019; they were $*** in 2017, $*** in 2018, $*** in 2019, $*** in interim 2019 and $*** in interim 2020.[191] Sales revenues decreased more rapidly than COGS during the POI.[192] As discussed in section IV.D., this led to a cost-price squeeze for the domestic industry. As a result, gross profit declined by *** percent from 2017 to 2019 and was *** percent lower in interim 2020 than in interim 2019: it was $*** in 2017, $*** in 2018, $*** in 2019, $*** in interim 2019, and $*** in interim 2020.[193]

The domestic industry's operating *** grew over the POI. The industry had operating *** in interim 2020.[194] The domestic industry's operating margin declined by *** percentage points from 2017 to 2019 and was *** percentage points lower in interim 2020 than in interim 2019: it was *** percent in 2017, *** percent in 2018, *** percent in 2019, *** percent in interim 2019, and *** percent in interim 2020.[195] The domestic industry experienced increasing net *** throughout the POI: net ***, in interim 2020.[196]

Capital expenditures increased by *** percent from 2017 to 2019 but were *** percent lower in interim 2020 than in interim 2019: they were $*** in 2017, $*** in 2018, $*** in 2019, $*** in interim 2019 and $*** in interim 2020.[197] Research and development expenses declined by *** percent from 2017 to 2019 and were *** percent lower in interim 2020 than in interim 2019; they were $*** in 2017, $*** in 2018, $*** in 2019, $*** in interim 2019 and $*** in interim 2020.[198] Net asset values decreased from $*** in 2017 to $*** in 2018 and $*** in 2019; operating return on assets worsened from *** percent in 2017 to *** percent in 2018 and *** percent in 2019.[199] As previously discussed, in July 2020, Briggs & Stratton initiated voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code.[200] ***

(…Continued)
manner it is customarily assessed by the Commission. Moreover, Toro did not comment on the questionnaire instructions in its comments on the draft questionnaires. Toro's Comments on Draft Questionnaires dated August 19, 2020, EDIS Doc. No. 717839.

[191] CR/PR at Table VI-1 and Table C-1.
[192] *See* CR/PR at Table VI-1 and Table C-1.
[193] CR/PR at Table VI-1 and Table C-1.
[194] CR/PR at Table VI-1 and Table C-1.
[195] CR/PR at Table VI-1 and Table C-1.
[196] CR/PR at Table VI-1 and Table C-1.
[197] CR/PR at Table VI-7 and Table C-1.
[198] CR/PR at Table VI-7 and Table C-1.
[199] CR/PR at Table VI-8.
[200] CR/PR at Table III-3.

reported that the subject imports had negative effects on its investment, growth, and development, since January 1, 2017.[201]

As discussed above, lower-priced subject imports caused the domestic industry to lose sales and market share, which reduced the industry's output and revenues from what they would have been otherwise. Furthermore, the significant price suppression caused by subject imports reduced the domestic industry's revenues from what they would have been otherwise and contributed to the domestic industry's deteriorating financial performance.[202] [203]

We have also considered whether there are other factors that may have had an impact on the domestic industry during the POI to ensure that we are not attributing injury from such other factors to subject imports. Nonsubject import volume fluctuated over the POI, increasing from *** in 2017 to *** units in 2019, when Honda began to import a new model of SVSEs from its affiliate in Japan that was not available in the United States.[204] Honda stopped importing nonsubject imports when it began to produce the new SVSE model at its U.S. production facility.[205] Thus, nonsubject import volume trends were dictated by Honda's production decisions. Furthermore, there is nothing in the record indicating that nonsubject imports, which had much higher AUVs than subject imports, were a factor in the pricing pressure experienced by the domestic industry.[206] By contrast, there is evidence, discussed in section IV.D. above, demonstrating pricing pressure by subject imports.

Respondents argue that the domestic industry's poor performance is a function of declining demand for SVSEs caused by a combination of poor weather, increasing use of electric mowers, Sears's bankruptcy, and Husqvarna's cessation of SVSE purchases in 2019.[207] While the decline in consumption was a factor in the industry's declining output and revenue during the POI, it cannot explain the significant underselling, lost sales, and price-suppressing effects

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[201] CR/PR at Table VI-9 and Table VI-10.

[202] As noted above, Commissioner Johanson did not find significant price suppression, but rather found that evidence on the record supports a finding of significant price effects arising from subject imports' increase in market share, obtained at the expense of the domestic industry from 2017 to 2018 and again from interim 2019 compared to interim 2020.

[203] As noted above, Commissioner Karpel also finds significant price depression and therefore finds that the significant price depression and suppression caused by subject imports reduced the domestic industry's revenues from what they would have been otherwise and contributed to the domestic industry's deteriorating financial performance.

[204] CR/PR at IV-3 n.4, Table IV-2, and Table F-1.

[205] CR/PR at III-13.

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

[207] MTD's Posthearing Brief at 7-8; Toro's Prehearing Brief at 4-6; Chinese Respondents' Prehearing Brief at 2.

we have attributed to the subject imports nor the lost sales due to price. Indeed, as discussed above, the domestic industry was unable to price its SVSEs at a profitable level in 2017, prior to these declines in consumption and when subject imports were the only other source of supply, and subject imports remained the primary source of competition for the domestic industry throughout the POI. As previously discussed, documentation provided by Briggs & Stratton show that OEMs referenced low-priced Chinese SVSEs, not declining demand, as leverage in negotiations. Further, between 2017 and 2018 when Husqvarna was still in operation, subject imports' market share increased as that of domestic producers decreased, indicating that this firm's closure does not alone explain declines in the domestic industry's output and market share over the POI.

MTD and Toro argue that they were forced to turn to subject import supply in 2020 as demand increased during the COVID-19 pandemic and the domestic industry was unable to provide them with sufficient SVSE supply.[208] They also express concerns about Briggs & Stratton's long-term viability as a domestic producer.[209] MTD also contends that Briggs & Stratton prioritized selling SVSEs to China rather than to domestic OEMs and that it would have purchased more Briggs & Stratton SVSEs if they had been available.[210] Briggs & Stratton asserts that it provided MTD with SVSEs in accordance with the projections on its supplier portal.[211] Briggs & Stratton further asserts that its shipments to MTD ***, that it would have been in a position to supply MTD with even more engines had MTD better communicated with Briggs & Stratton about its needs, that it provided MTD with a larger volume of SVSEs than was requested by MTD in its May 2020 and July 2020 forecasts, and that any supply difficulties it experienced were temporary.[212] The record reflects that both the domestic industry and respondents reported some supply constraints related to the COVID-19 pandemic period.[213] However, to the extent that there were any supply shortfalls on the part of the domestic industry in interim 2020, they cannot explain either the sales directly lost to lower subject import prices or the price suppressing effects of the subject imports in the earlier part of the POI.[214] Further, Briggs & Stratton's ability to supply OEMs with their needs was not disputed

[208] MTD's Prehearing Brief at 59. Toro Posthearing Brief, Attachment 1 at 18-20.
[209] MTD's Posthearing Brief at 10-12.
[210] MTD's Prehearing Brief at 31-32.
[211] Briggs & Stratton's Posthearing Brief at 14-15, and Exhibit 1 at 51-53.
[212] Briggs & Stratton Posthearing Brief at 14-15, and Exhibit 1 at 51-53, Exhibit 4 at 4.
[213] CR/PR at II-10.
[214] As noted above, Commissioner Karpel also finds significant price depression and therefore finds that, to the extent that there were any supply shortfalls on the part of the domestic industry in (Continued...)

between 2017 and 2019, and the record supports that at least into July 2020 Briggs & Stratton was meeting MTD's demand forecasts for engines,[215] and Honda ***.[216] In addition, subject import inventories increased by *** percent in interim 2020 compared to interim 2021, indicating that more imports entered during interim 2021 than were needed to meet demand (or any domestic supply short fall) during that period.[217] Further, notwithstanding MTD's expressed concerns over Briggs & Stratton's continued viability as a supplier, MTD and Toro continued to rely on Briggs & Stratton for large volumes of SVSEs during the POI.[218]

Respondents argue that nonprice factors drive purchasing decisions in this market and that Briggs & Stratton has lost sales because it has alienated its SVSE customers with respect to several of these factors including: not providing requested innovative engines, not providing

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(…Continued)
interim 2020, they cannot explain either the sales directly lost to lower subject import prices or the price depressing or suppressing effects of the subject imports in the earlier part of the POI.

[215] MTD does not dispute that Briggs & Stratton met MTD's total forecasted demand for July through September 2020 posted on its supplier portal in June 2020. MTD's Posthearing Brief, Exhibit 1 at 39. Yet, MTD continues to assert that Briggs & Stratton "shorted it ***" engines in 2020. MTD's Posthearing Brief at 14 and Exhibit 1 at 46. MTD does not, however, provide further details on this alleged shortfall, for example, when exactly in 2020 it occurred or what particular demand forecast Briggs & Stratton failed to meet. Briggs & Stratton on the other hand has explained that it met MTD's May forecast for engines (and MTD acknowledges it met its June forecast) as well as MTD's July forecast for engines needed from June to September 2020 (as MTD does not dispute). Briggs & Stratton Posthearing Brief at 14-15 and Exhibit 1 at 51-53, Exhibit 4 at 4. Briggs & Stratton further explained that in August 2020 MTD again increased the engines needed for June to September 2020 although Briggs & Stratton does not indicate whether it was able to meet the upward revision in the August forecast. Briggs & Stratton's Posthearing Brief at 14-15 and Exhibit 1 at 51-53. Even so, we find the record supports that at least into July 2020 Briggs & Stratton was meeting MTD's forecasted demand (as subject imports were nonetheless entering in large numbers) and any shortfall in meeting the revised August forecasts does not reflect an inability of Briggs & Stratton to supply the market but rather reflects a disconnect between projected and actual volumes required by MTD and the need for some advance planning to be able to secure the workers and materials to produce increasing quantities of engines.

[216] CR/PR at II-10 and III-4; ***.

[217] Subject import inventories increased from *** SVSEs in interim 2019 to *** SVSEs in interim 2020. CR/PR at Table C-1.

[218] MTD's Prehearing Brief, Exhibit 6 at 6; MTD Posthearing Brief, Exhibit 3 at 4; Toro Prehearing Brief at 45; CR/PR at II-2, n.7. While MTD has provided contemporaneous documentation that they were concerned they would have receivables exposure if Briggs & Stratton filed for bankruptcy, they did not provide any contemporaneous documentation indicating that Briggs & Stratton's financial condition would leave Briggs & Stratton unable to supply MTD) with small vertical shaft engines in 2020. In fact, contemporaneous news articles submitted by MTD indicate that Briggs & Stratton planned to continue to operate while it restructured its debt. MTD Posthearing Brief at Exhibits 15 and 19; MTD's Prehearing Brief at Exhibit 36.

private label engines, and not allowing domestic OEMs to handle warranty claims.[219] As a threshold matter, we note that the respondents' assertions that they are turning to subject imports for features unavailable from domestic producers is inconsistent with the pervasive underselling on the record. The record shows that Briggs & Stratton offered to provide OEMs with the requested innovative SVSEs; however, Briggs & Stratton asserts that ***.[220] As discussed above, warranties are a small share of the price of an engine, and all responding purchasers reported that the U.S. product was superior or comparable to subject imports on warranty.[221] Given the general comparability of subject imports and the domestic like product, we find that the non-price factors do not outweigh the significant price differences between subject imports and the domestic product and do not explain subject imports' underselling and price-suppressing effects.

Respondents also argue that the domestic industry's poor financial performance is largely due to Briggs & Stratton's mismanagement of its company, including its high debt and high selling, general and administrative costs.[222] We find that the sales that the domestic industry lost to subject imports, and the subject imports' significant underselling and price suppression during the POI were an important factor, although not necessarily the only factor, in its deteriorating financial performance.[223] Any additional factors related to Briggs & Stratton's management of its company that may be affecting the industry's performance do not negate the significant underselling, lost sales, and pricing pressure we have attributed to subject imports.

Respondents argue that Briggs & Stratton has alienated its customers by competing against them in the mower market. The record reflects that Briggs & Stratton's production of walk-behind mowers was *** and that it does not sell its mowers to ***.[224] Furthermore, MTD argues that it would have bought more SVSEs from Briggs & Stratton if they had been available, which is not consistent with this argument.[225]

Respondents further contend that Briggs & Stratton's failure to discuss the threat of import competition in the public disclosures required by the U.S. Securities and Exchange

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[219] MTD's Prehearing Brief at 45-47.

[220] Briggs & Stratton's Posthearing Brief, Exhibit 1 at 50-51 and Exhibit 5. The record shows that Briggs & Stratton ***. Briggs & Stratton's Posthearing Brief, Exhibit 5 at 2 and Attachment B.

[221] CR/PR at Table II-10.

[222] MTD's Prehearing Brief at 41-43.

[223] *See* Section IV.A. above.

[224] Briggs & Stratton's Posthearing Brief, Exhibit 1 at 44; see also CR/PR at II-13 n.31 (noting that shipments of gasoline walk-behind mowers are projected to be *** in 2020).

[225] MTD's Prehearing Brief at 31-32.

Commission (SEC) prior to filing the petitions in these investigations discredits its claim that it was materially injured by subject imports.[226] We note that such SEC filings would involve the entire Briggs & Stratton company, of which SVSEs are only a part.[227] Further, we note that Briggs & Stratton has put documentation and a sworn affidavit by Randy Ballard, Briggs & Stratton's Vice President-Sales on the record which ***.[228]

We consequently conclude that other causes cannot explain the injury we have attributed to the subject imports. In light of the foregoing, we find that subject imports had a significant impact on the domestic industry. We accordingly determine that the domestic industry is materially injured by reason of subject imports.

V. Critical Circumstances

A. Legal Standards

In its final antidumping and countervailing duty determinations, Commerce found that critical circumstances exist with respect to certain subject producers/exporters in China. Because we have determined that the domestic industry is materially injured by reason 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 duty {and countervailing duty} order{s} to be issued."[229]

The SAA indicates that the Commission is to determine "whether, by massively increasing imports prior to the effective date of relief, the importers have seriously undermined the remedial effect of the order" and specifically "whether the surge in imports prior to the suspension of liquidation, rather than the failure to provide retroactive relief, is likely to seriously undermine the remedial effect of the order."[230] The legislative history for the critical circumstances provision indicates that the provision was designed "to deter exporters whose merchandise is subject to an investigation from circumventing the intent of the law by increasing their exports to the United States during the period between initiation of an

[226] MTD's Prehearing Brief at 32-34.

[227] For example, in its questionnaire response, Briggs & Stratton reported SVSE net sales of *** in 2017. CR/PR at Table VI-3. By contrast, in its 10-K filing, Briggs & Stratton reported total 2017 sales of $1.8 billion. MTD Prehearing Brief, Exhibit 1, Attachment G.

[228] Briggs & Stratton's Posthearing Brief, Exhibit 4 at 5-12 and Attachments E, F, G, and I.

[229] 19 U.S.C. § 1673d(b)(4)(A)(ii).

[230] SAA at 877.

investigation and a preliminary determination by {Commerce}."[231] An affirmative critical circumstances determination by the Commission, in conjunction with an affirmative determination of material injury by reason of subject imports, would normally result in the retroactive imposition of duties for those imports subject to the affirmative Commerce critical circumstances determination for a period 90 days prior to the suspension of liquidation.

The statute provides that, in making this determination, the Commission shall consider, among other factors it considers relevant,

(I) the timing and the 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 {order} will be seriously undermined.[232]

In considering the timing and volume of subject imports, the Commission's practice is to consider import quantities prior to the filing of the petition with those subsequent to the filing of the petition using data on the record regarding those firms for which Commerce has made an affirmative critical circumstances determination.[233] [234]

B. Party Arguments

Petitioner's Arguments. Briggs & Stratton argues that post-petition subject imports subject to Commerce's critical circumstances determinations would seriously undermine the

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[231] *ICC Industries, Inc. v United States,* 812 F.2d 694, 700 (Fed. Cir. 1987), *quoting* H.R. Rep. No. 96-317 at 63 (1979), *aff'g* 632 F. Supp. 36 (Ct. Int'l Trade 1986). *See* 19 U.S.C. §§ 1671b(e)(2), 1673b(e)(2).

[232] 19 U.S.C. §§ 1671d(b)(4)(A)(ii), 1673d(b)(4)(A)(ii).

[233] *See Lined Paper School Supplies from China, India, and Indonesia,* Inv. Nos. 701-TA-442-43, 731-TA-1095-97**,** USITC Pub. 3884 at 46-48 (Sept. 2006); *Carbazole Violet Pigment from China and India,* Inv*.* Nos. 701-TA-437 and 731-TA-1060-61 (Final), USITC Pub. 3744 at 26 (Dec. 2004); *Certain Frozen Fish Fillets from Vietnam,* Inv. No. 731-TA-1012 (Final), USITC Pub. 3617 at 20-22 (Aug. 2003).

[234] Chair Kearns and Commissioner Karpel observe that the statute directs the Commission to consider the following factors in making this determination: "the timing and volume the imports, a rapid increase in the inventories of the imports, and 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). In their analysis, they would therefore take into account a number of factors as appropriate to a given investigation (as directed by the statute) and do not necessarily give precedence to the pre- and post-petition subject import volumes. Among the factors they may consider, depending on the facts of the investigation and the available data, are the parties' arguments, subject import volumes relative to apparent U.S. consumption or production, monthly changes in subject import volume, subject import inventories (both absolute and relative to imports or shipments of imports), purchaser inventories, pricing, and the domestic industry's performance.

remedial effect of any orders. It contends that the data demonstrate a massive surge in such subject imports in the months leading up to Commerce's preliminary countervailing duty determination in August 2020. It argues that the Commission should take into consideration the seasonality of this industry in its analysis, in that the pre-petition period covers the winter months when OEMs make most of their purchases and the surge of subject imports in summer 2020 was the opposite of the normal timeframe in which large volumes of imports and sales normally occur in this industry.[235] It also asserts that there was a rapid increase in subject import inventories at the end of the POI. It argues that the domestic industry is in an extremely vulnerable condition and that the subject producers deliberately took advantage of the post-petition period to flood the market with SVSEs.[236] It argues that the domestic industry lost out on sales opportunities as a result of the massive surge in dumped and subsidized imports and the rapid increase in subject import inventories.[237]

Respondents' Arguments. Respondents argue that subject import volume and inventories subject to Commerce's affirmative critical circumstances determinations have not increased by such a magnitude that they could seriously undermine the remedial effects of an order.[238] MTD argues that the pre-petition subject import volumes were artificially depressed because Chinese producer Zongshen could not manufacture SVSEs for a significant portion of the pre-petition period due to a massive COVID-19-related plant shutdown and therefore that in the post-petition period, the increase in subject imports in July and August 2020 reflect orders made after Zongshen restarted production in March and was in the process of catching up on back orders.[239] MTD also cites concerns about the domestic industry's ability to supply sufficient engines in light of pandemic related closures in the United States and concerns about Briggs & Stratton's continued viability as additional reasons for the post-petition period increase in imports.[240]

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[235] Briggs & Stratton's Prehearing Brief at 46; Tr. at 33 (Long).

[236] Briggs & Stratton's Prehearing Brief at 42-46; Tr. at 33 (Long).

[237] Tr. at 165 (Vaughn).

[238] MTD's Prehearing Brief at 51-52; Toro Prehearing Brief at 42-44.

[239] MTD's Prehearing Brief at 57-58. In addition, MTD and Toro contend that the provisional measures have already had remedial effects because ***. MTD's Prehearing Brief at 56; Toro's Prehearing Brief at 45. MTD further argues that its inventories do not impact the domestic industry because they are built specifically and exclusively for MTD's mowers and cannot be resold in the U.S. market. MTD's Prehearing Brief at 56. Finally, MTD argues that the Commission should consider Kohler's imports in its critical circumstances analysis. MTD's Prehearing Brief at 60.

[240] MTD Posthearing Brief at 12-14.

C. Analysis

We first consider the appropriate period for comparison of pre-petition and post-petition levels of the imports subject to Commerce's affirmative critical circumstances findings. Based on the date of the filing of the petitions, and in light of the specific circumstances of these investigations, we have included March 2020 in the pre-petition period.[241] In previous investigations, the Commission has relied on a shorter than six-month comparison period when Commerce's initial preliminary determination applicable to imports from the country at issue fell within the six-month post-petition period the Commission typically considers.[242] That situation arises here, with Commerce's preliminary determination in the countervailing duty investigation issuing on August 24, 2020.[243] We have therefore compared the volume of subject imports subject to Commerce's affirmative critical circumstances determinations in both the antidumping and countervailing duty investigations using five-month comparison periods. Consequently, the pre-petition period is November 2019 through March 2020 and the post-petition period is April through August 2020.

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[241] The petitions in these investigations were filed towards the middle of the month (on March 18, 2020). MTD reported lead times for produced-to-order products from China of *** days but that lead times in 2020 varied widely because of shipment disruptions related to COVID-19. CR/PR at II-17-18.

[242] *Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom*, Inv. Nos. 701-TA-545-547, 731-TA-1291-1297 (Final), USITC Pub. 4638 at 49-50 (Sept. 2016); *Certain Corrosion-Resistance Steel Products from China, India, Italy, Korea, and Taiwan*, Inv. No. 701-TA-534-537 and 731-TA-1274-1278 (Final), USITC Pub. 4630 at 35-40 (July 2016); *Carbon and Certain Steel Wire Rod from China*, Inv. Nos. 701-TA-512, 731-TA-1248 (Final), USITC Pub. 4509 at 25-26 (Jan. 2015) (using five-month periods because preliminary Commerce countervailing duty determination was during the sixth month after the petition).

[243] Commerce issued its initial preliminary determination in the countervailing duty investigation on August 24, 2020, within the fifth month of the post-petition period we are using here. *Certain Vertical Shaft Engines Between 99cc and up to 225cc, and Parts Thereof, From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Duty Determination,* 85 Fed. Reg. 52086 (Aug. 24, 2020). Commerce issued its initial preliminary determination in the antidumping duty investigation on October 21, 2020. *Certain Vertical Shaft Engines Between 99cc and up to 225cc, and Parts Thereof, From the People's Republic of China: Preliminary Affirmative Determination of Sales at Less Than Fair Value, and Preliminary Affirmative Determination of Critical Circumstances, in Part,* 85 Fed. Reg. 66932 (October 21, 2020). Consistent with Commission practice, the same pre- and post-petition periods for both antidumping and countervailing duty critical circumstances analyses have been used in these determinations.

1. Antidumping Duty Investigation[244]

On March 12, 2021 Commerce issued its final determination in the antidumping duty investigation and found that critical circumstances exist with respect to subject merchandise exported by the Zongshen Companies and the China-wide entity.[245]

Data for imports subject to Commerce's affirmative critical circumstances finding in the antidumping duty investigation are based on monthly exports to the United States reported by the Zongshen Companies.[246] Imports subject to Commerce's affirmative critical circumstances finding in the antidumping duty investigation increased from *** units in the pre-petition period to *** units in the post-petition period, an increase of *** percent.[247] The imports in the post-petition period subject to Commerce's affirmative critical circumstances finding in the antidumping duty investigation comprise *** percent of apparent U.S. consumption based on domestic producers' U.S. shipments and U.S. imports from January to September 2020.[248] U.S.

[244] Commissioner Johanson has made negative critical circumstances findings. *See* Separate Views of Commissioner David S. Johanson on Critical Circumstances. He does not join the remainder of these Views.

[245] Commerce Final AD Determination, 86 Fed. Reg. at 14078. The Commission gathered additional monthly data from Zongshen and certain of its affiliated companies for use in the critical circumstances analysis in the antidumping duty investigation. The Commission does not have data corresponding to the China-wide entity but the information available indicates that imports attributable to the China-wide entity would likely be small. CR/PR at Table IV-6b, Note.

[246] CR/PR at IV-16b and IV-18a (supplemental data collection for monthly exports to the United States by foreign producer Zongshen, received February 19, 2021, and Zongshen's affiliate companies (Chongqing Daijing and Ducar), received March 26, 2021) (Revision to Staff Report, OINV Memorandum INV-TT-046 (March 30, 2021).

[247] CR/PR at Table IV-6b. We do not include Kohler's data in our critical circumstances analyses, because the statute directs the Commission to assess the imports subject to the affirmative Commerce critical circumstances finding, 19 U.S.C. §§ 1671d(b)(4)(A), 1673d(b)(4)(A), and Commerce did not make affirmative critical circumstances findings with respect to Kohler in either the antidumping or countervailing duty investigations.

[248] Derived from CR/PR at Table IV-6b and Table F-1. The imports in the post-petition period subject to Commerce's affirmative critical circumstances finding in the antidumping duty investigation comprise *** percent of apparent U.S. consumption based on domestic producers' U.S. shipments and U.S. shipments of imports from January to September 2020. Derived from CR/PR at Table IV-6b and Table C-1. Because the record does not contain data on apparent U.S. consumption for the April to August 2020 period, we have calculated the share of apparent U.S. consumption that the imports subject to Commerce's affirmative critical circumstance determinations in the antidumping duty investigation represents, using the facts available – apparent U.S. consumption data from January to September 2020. However, the actual share of apparent U.S. consumption represented by these imports in the post-petition period is necessarily greater than reflected in these calculations due to the longer timeframe for the denominator than the numerator.

importers' end-of-period inventories of imports subject to Commerce's affirmative critical circumstances determination in the antidumping duty investigation were *** percent higher at *** units in September 2020 than in December 2019 at *** units.[249]

We find that the timing and volume of subject imports subject to Commerce's affirmative critical circumstances determination in the antidumping duty investigation and the increase in inventories of those imports as well as other relevant circumstances as discussed below indicate that these imports would undermine seriously the remedial effect of the antidumping duty order. These imports increased during an off-season portion of the year, when imports of SVSEs typically do not increase. From 2017 to 2019, exports to the United States from the Zongshen Companies peaked in January through March and from September through November, and were at relatively low levels in April, May, June, and July.[250] However, in the 2020 post-petition period, these imports show a very different pattern: imports subject to Commerce's affirmative critical circumstances determination in the antidumping duty investigation were at their highest levels from April to July 2020 and imports in the post-petition period (April to August 2020) increased sharply as compared to the pre-petition period (November 2019 to March 2020). Monthly exports subject to Commerce's affirmative critical circumstances determination in the antidumping duty investigation were at *** their highest levels of the POI from April to July 2020.[251] These imports also increased relative to apparent U.S. consumption at a time when consumption was declining, and the volumes associated with the increase were large, rising from *** units in the pre-petition period to *** units in the post-petition period.[252]

MTD provides what it purports are reasons for the post-petition increase in subject imports subject to the affirmative critical circumstances determinations unrelated to the investigation, in particular shutdowns related to the COVID-19 pandemic and MTD's concerns

[249] CR/PR at Table IV-8. Available inventory data do not correspond precisely to the comparison periods and therefore as facts available we have used end of 2019 inventories for end of pre-petition inventories and end of September 2020 inventories for end of post-petition period inventories. Taking seasonal trends into account, U.S. importers' inventories of imports subject to Commerce's affirmative critical circumstances determination in the antidumping duty investigation were *** units at the end of September 2019, and *** percent higher at *** units at the end of September 2020. CR/PR at Table IV-9.

[250] CR/PR at Table IV-7b.

[251] CR/PR at Table IV-7b and Figure IV-5b.

[252] CR/PR at Table C-1 and Table F-1. Available apparent U.S. consumption data do not correspond precisely to the comparison periods.

about the continued viability of Briggs & Stratton.[253] However, to the extent Zongshen was affected by shutdowns in January until March 2020, those shutdowns did not appear to affect its exports to the United States. The Zongshen Companies' exports to the United States were higher in January through March 2020 than during the same period in 2019.[254] Thus, to the extent MTD's argument is that the increase in the post-petition period is to make up for exports delayed due to the COVID-19 pandemic,[255] the record evidence on the Zongshen Companies' exports to the United States contradicts this argument. Further, MTD acknowledges placing orders with Zongshen after the petition was filed "through spring 2020," and that these imports began arriving in the United States in the May-June period and continued in July and August,[256] which as noted above are typically months of lower not higher export shipments.[257] In addition, not only were the monthly totals in June and July 2020 higher than any month in the pre-petition period, they were the largest monthly export volumes to the United States from

[253] MTD argues that there was a spike in demand and consumption for gasoline-powered walk-behind lawn mowers as a result of the pandemic in 2020 at the same time that U.S. producers had supply shortages and that these events forced MTD to supply SVSEs from China. MTD's Prehearing Brief at 59; MTD's Posthearing Brief at 12-14. MTD also argues that ***. MTD's Prehearing Brief at 9; MTD's Posthearing Brief at 12. MTD also alleges that it turned to Zongshen for SVSEs after it reopened out of concern for Briggs & Stratton's continued viability. MTD's Posthearing Brief at 11-13. As described above, however, we find that Briggs & Stratton's declining revenues and performance, which led MTD to questioning the firm's viability, resulted in part from subject import competition. As such, MTD's proffered reasoning for increasing orders from Zongshen only further supports that the effect of these imports is to undermine seriously the remedial effect of the orders.

[254] CR/PR at Table IV-7b.

[255] MTD Prehearing Brief at 43, 59.

[256] MTD Posthearing Brief at 13. To the extent MTD argues that subject imports arriving in the post-petition period were ordered prior to the filing of the petition and that a 90-120 day lead time supports the conclusion that imports arriving in April through June time period would therefore have to have been placed prior to the March filing of the petition, this argument is inapposite. Our critical circumstances data are based on monthly exports to the United States reported by the Zongshen Companies, not on monthly U.S. imports, and therefore do not reflect shipment times from the Zongshen Companies to *** on which the estimated 90 to 120 day produced-to-order lead times are based**.**

[257] MTD's argument that it placed orders with Zongshen in March because of COVID-related shutdowns in the United States is unavailing. MTD's Final Comments at 6-7; MTD's Posthearing Brief at 14; MTD's Prehearing Brief at 9. Briggs & Stratton reported that while it experienced some initial decline in production and supply chain delays due to COVID-19, it was deemed an essential business and continued to manufacture SVSEs throughout the pandemic and met MTD's May and July 2020 demand forecasts. Briggs & Stratton's Posthearing Brief, Exhibit 1 at 55 and Exhibit 4; *see also supra* Section IV.E. While Honda reported *** CR/PR at II-10 and III-4; ***.

the Zongshen Companies over the full POI[258] and the Zongshen Companies exported *** units to the United States during April-July 2020, an amount *** their annual totals during 2017-2019.[259] Moreover, the Zongshen Companies' exports to the United States were made at a time when as discussed above Briggs & Stratton was meeting MTD's demand forecasts and MTD was continuing to seek out supply agreements with Briggs & Stratton, belying MTD's assertions that its alleged concerns regarding Briggs & Stratton's continued viability accounted for these large increases in subject imports.[260]

The effect of the increase in imports was to create a large stockpile of imports prior to the imposition of provisional duties, at levels that were higher than all U.S. importers' annual end-of-year inventories from 2017 through 2019.[261] These inventories were *** held by ***, which was the *** of SVSEs during the POI,[262] and they totaled *** units at the end of September 2020, a large volume relative to the Zongshen Companies' annual exports to the United States during the POI.[263] The surge in imports prior to Commerce's preliminary countervailing duty determination in August and the subsequent substantial buildup in inventories means *** has less need to buy SVSEs from domestic producers for the 2021 season. Further, these imports entered during the period where domestic producers and purchasers typically negotiate and set prices for engines delivered for the 2021 lawn mower season,[264] and the record shows that subject import prices were among their lowest of the POI during the second and third quarters of 2020.[265] Given the predominant underselling of subject imports detailed in section IV.D. and the *** performance of the domestic industry in interim 2020 described in section IV.E., we find that this massive surge of imports and rapid inventory buildup is likely to protract the adverse impact of the imports subject to the affirmative critical

[258] CR/PR at Tables IV-6b, IV-7b. Exports to the United States from the Zongshen Companies were *** during April – July 2020 and increased from *** units in April 2020 to *** units in May 2020, *** units in June 2020, and *** units in July 2020, *** units in August 2020, the month of Commerce's preliminary countervailing duty determination. CR/PR at Table IV-7b. Prior to the filing of the petitions, the Zongshen Companies' largest monthly volumes of exports to the United States were *** units in *** and *** units in ***. See CR/PR at Table IV-7b.

[259] CR/PR at Table IV-7b.

[260] *See supra* Section IV.E.

[261] *Compare* CR/PR at Table IV-8 *with* Table C-1.

[262] *See* CR/PR at Table V-9.

[263] Tables IV-8 and IV-9 only contain end-of-period inventories of SVSEs imported from Zongshen by *** except for end-of-period inventories of *** units in September 2020 imported from Zongshen by U.S. importer ***. Importer Questionnaire Responses of MTD and FNA at II-5a, EDIS Doc. Nos. 728011 and 728008.

[264] *Supra* section IV.B.3.

[265] CR/PR at Tables V-2-V-5.

circumstances finding on the domestic industry and thereby undermine seriously the remedial effect of the antidumping duty order.[266]

We thus find that the imports from China subject to Commerce's affirmative critical circumstances determination in the antidumping duty investigation are likely to undermine seriously the remedial effect of the antidumping duty order, and we make an affirmative critical circumstances finding with regard to those imports.

2. Countervailing Duty Investigation

On March 12, 2021 Commerce issued its final determination in the countervailing duty investigation and found that critical circumstances exist with respect to subject merchandise exported by Zongshen.[267]

Data for imports subject to Commerce's affirmative critical circumstances finding in the countervailing duty investigation are based on monthly exports to the United States reported by Zongshen.[268] Imports subject to Commerce's affirmative critical circumstances finding in the countervailing duty investigation increased from *** units in the pre-petition period to *** units in the post-petition period, an increase of *** percent.[269] The imports in the post-petition period subject to Commerce's affirmative critical circumstances finding in the countervailing duty investigation comprise *** percent of apparent U.S. consumption based on domestic

[266] We acknowledge that MTD and Toro entered new supply agreements with domestic producers in late 2020. However, these contracts, which are not for a fixed number of units, do not diminish the impact of the particularly high volumes of subject imports subject to Commerce's affirmative critical circumstances determination that entered the U.S. market prior to the imposition of the provisional duties and inventories thereof which serve as a disincentive to obtain additional supplies of SVSEs from domestic producers. *See* Briggs & Stratton's Posthearing Brief at Exhibit 4, para. 49. By the same token, while MTD would not typically resell SVSEs it maintained in inventories, the additional inventories represent orders that the domestic industry did not have an opportunity to obtain.

[267] Commerce Final CVD Determination, 86 Fed. Reg. at 14071 and *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Vertical Shaft Engines Between 99cc and Up To 225cc, and Parts Thereof, from the People's Republic of China,* March 5, 2021 at 4. The Commission gathered additional monthly data from Zongshen in order to make its critical circumstances determination with respect to the countervailing duty investigation. CR/PR at Table IV-6a.

[268] CR/PR at IV-16a and IV-18a (supplemental data collection for monthly exports to the United States by foreign producer Zongshen, received February 19, 2021) (Revision to Staff Report, OINV Memorandum INV-TT-046 (March 30, 2021).

[269] CR/PR at Table IV-6a.

producers' U.S. shipments and U.S. imports from January to September 2020.[270] U.S. importers' inventories of imports subject to Commerce's affirmative critical circumstances determination in the countervailing duty investigation were *** percent higher at *** units at the end of September 2020 than at the end of December 2019 at *** units.[271]

We find that the timing and volume of subject imports subject to Commerce's affirmative critical circumstances determinations in the countervailing duty investigation and the increase in inventories of those imports as well as other relevant circumstances as discussed below indicate that these imports would undermine seriously the remedial effect of the countervailing duty order. These imports increased during an off-season portion of the year when imports of SVSEs typically do not increase. From 2017 to 2019, exports from Zongshen peaked in January through March and from September through November, and were at relatively low levels in April, May, June, and July.[272] However, in the 2020 post-petition period, these imports show a very different pattern: imports subject to Commerce's affirmative critical circumstances determination were at their highest levels from April to July 2020 and imports in the post-petition period (April to August 2020) increased sharply as compared to the pre-petition period (November 2019 to March 2020). Monthly imports subject to Commerce's affirmative critical circumstances determination in the countervailing duty investigation were at *** their highest levels of the POI from May to July 2020.[273] These imports also increased

[270] Derived from CR/PR at Table IV-6a and Table F-1. The imports in the post-petition period subject to Commerce's affirmative critical circumstances finding in the countervailing duty investigation comprise *** percent of apparent U.S. consumption based on domestic producers' U.S. shipments and U.S. shipments of imports from January to September 2020. Derived from CR/PR at Table IV-6a and Table C-1. Because the record does not contain data on apparent U.S. consumption for the April to August 2020 period, we have calculated the share of apparent U.S. consumption that the imports subject to Commerce's affirmative critical circumstance determinations in the countervailing duty investigation represents, using the facts available – apparent U.S. consumption data from January to September 2020. However, the actual share of apparent U.S. consumption represented by these imports in the post-petition period is necessarily greater than reflected in these calculations due to the longer timeframe for the denominator than the numerator.

[271] CR/PR at Table IV-8. Available inventory data do not correspond precisely to the comparison periods and therefore as facts available we have used end of 2019 inventories for end of pre-petition inventories and end of September 2020 inventories for end of post-petition period inventories. Taking seasonal trends into account, U.S. importers' inventories of imports subject to Commerce's affirmative critical circumstances determination in the countervailing duty investigation were *** units at the end of September 2019, and *** percent higher at *** units at the end of September 2020. CR/PR at Table IV-9.

[272] CR/PR at Table IV-7a.

[273] CR/PR at Table IV-7a and Figure IV-5a.

relative to apparent U.S. consumption at a time when consumption was declining,[274] and the volumes associated with the increase were large, rising from *** units in the pre-petition period to *** units in the post-petition period, an increase of *** percent.[275]

MTD provides what it purports are reasons for the post-petition increase in subject imports subject to the affirmative critical circumstances determinations unrelated to the investigation, in particular shutdowns related to the COVID-19 pandemic and MTD's concerns about the continued viability of Briggs & Stratton.[276] However, as discussed in section V.C.1, these arguments do not explain the large increase in imports or buildup of inventories subject to Commerce's critical circumstance determination.[277] Moreover, the largest volumes and increase in exports to the United States from Zongshen came in June and July 2020, late in the post-petition period and well after MTD asserts Zongshen reopened. Zongshen's exports to the United States in June and July 2020 combined were *** units, *** the *** units that Zongshen exported to the United States in the entire year of 2019.[278] Zongshen's exports to the United

[274] CR/PR at Table C-1 and Table F-1. Available apparent U.S. consumption data do not correspond precisely to the comparison periods.

[275] CR/PR at Table IV-6a.

[276] MTD argues that there was a spike in demand and consumption for gasoline-powered walk-behind lawn mowers as a result of the pandemic in 2020 at the same time that U.S. producers had supply shortages and that these events forced MTD to supply SVSEs from China. MTD's Prehearing Brief at 59. MTD also argues that ***. MTD's Prehearing Brief at 9; MTD's Posthearing Brief at 12. MTD also alleges that it turned to Zongshen for SVSEs after it reopened out of concern for Briggs & Stratton's continued viability. MTD's Posthearing Brief at 11-13. As described above, however, we find that Briggs & Stratton's declining revenues and performance, which led MTD to questioning the firm's viability, resulted in part from subject import competition. As such, MTD's proffered reasoning for increasing orders from Zongshen only further supports that the effect of these imports is to undermine seriously the remedial effect of the orders.

[277] With regard to MTD's argument that pandemic related shutdowns delayed exports January through March 2020, Zongshen's exports to the United States (U.S. imports subject to Commerce's countervailing duty critical circumstances determination) were higher January through March 2020 than during the same period in 2019. CR/PR at Table IV-7a.

[278] *Calculated from* CR/PR at Table IV-7a. Monthly exports from Zongshen to the United States in June and July 2020 were higher than the largest monthly export volumes to the United States from Zongshen over the full POI. CR/PR at Tables IV-6a, IV-7a. Exports to the United States from Zongshen were *** during April – July 2020 and increased from *** units in April 2020 to *** units in May 2020, *** units in June 2020, and *** units in July 2020, *** units in August 2020, the month of Commerce's preliminary countervailing duty determination. CR/PR at Table IV-7a. Prior to the filing of the petitions, their largest monthly volumes of exports from Zongshen to the United States were *** units in *** and *** units in ***. See CR/PR at Table IV-7a.

States during April – July 2020 totaled *** units, an amount *** its annual exports to the United States during 2017 – 2019.[279]

The effect of the increase in imports was to create a large stockpile of imports prior to the imposition of provisional duties, at levels that were higher than all U.S. importers' annual end-of-year inventories from 2017 through 2019.[280] These inventories were *** held by ***, the largest purchaser of SVSEs during the POI,[281] and totaled *** units at the end of September 2020, a large volume relative to Zongshen's annual exports to the United States during the POI.[282] The surge in imports prior to Commerce's preliminary countervailing duty determination in August and the substantial buildup in inventories means *** has less need to buy SVSEs from domestic producers for the 2021 season,[283] and the record shows that subject import prices were among their lowest of the POI during the second and third quarters of 2020.[284] Further, these imports entered during the period where domestic producers and purchasers typically negotiate and set prices for engines delivered for the 2021 lawn mower season. Given the predominant underselling of subject imports detailed in section IV.D. and the *** performance of the domestic industry in interim 2020 described in section IV.E., we find that this massive surge of imports and rapid inventory buildup is likely to protract the adverse impact of the subject imports on the domestic industry and thereby undermine seriously the remedial effect of the countervailing duty order.[285]

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[279] *Calculated from* CR/PR at Table IV-7a.

[280] *Compare* CR/PR at Table IV-8 *with* Table C-1.

[281] *See* CR/PR at Table V-9.

[282] Tables IV-8 and IV-9 only contains end-of-period inventories of SVSEs imported from Zongshen from *** except for end-of-period inventories of *** units in September 2020 imported from Zonshen by U.S. importer ***. Importer Questionnaire Responses of MTD and FNA at II-5a, EDIS Doc. Nos. 728011 and 728008.

[283] MTD contends that these orders entered the United States in July and August 2020, 90 to 120 days after Zongshen reopened. MTD's Posthearing Brief at 11-13. However, our critical circumstances data are based on monthly exports to the United States reported by Zongshen, not on monthly U.S. imports, and therefore do not reflect shipment times from Zongshen to ***.

[284] CR/PR at Tables V-2-V-5.

[285] We acknowledge that MTD and Toro entered new supply agreements with domestic producers in late 2020. However, these contracts, which are not for a fixed number of units, do not diminish the impact of the particularly high volumes of subject imports subject to Commerce's affirmative critical circumstances determination that entered the U.S. market prior to the imposition of the provisional duties and inventories thereof, which served as a disincentive to obtain additional supplies of SVSEs from domestic producers. *See* Briggs & Stratton's Posthearing Brief at Exhibit 4, para. 49. By the same token, while MTD would not typically resell SVSEs it maintained in inventories, the additional inventories represent orders that the domestic industry did not have an opportunity to obtain.

We thus find that the imports from China subject to Commerce's critical circumstances determination in the countervailing duty investigation are likely to undermine seriously the remedial effect of the countervailing duty order, and we make an affirmative critical circumstances finding with regard to those imports.

VI. Conclusion

For the reasons stated above, we determine that an industry in the United States is materially injured by reason of subject imports of SVSEs from China that are sold in the United States at less than fair value and are subsidized by the government of China. We also find that the dumped and subsidized imports subject to Commerce's affirmative critical circumstances determinations are likely to undermine seriously the remedial effect of the antidumping and countervailing duty orders to be issued.

Separate Views of Commissioner David S. Johanson

While I join the Commission's Views on material injury in their entirety, I write separately as I do not join the Commission's affirmative determinations of critical circumstances and instead make negative critical circumstances determinations with regard to subject imports in the antidumping duty investigation and countervailing duty investigation of small vertical shaft engines (SVSEs) from China. I join, however, the majority's discussion of the legal standards (Section V.A.) and its summary of the party arguments (Section V.B.).

I. Critical Circumstances

A. Analysis

As an initial matter, I concur with the majority's reasoning regarding the use of a five-month period of comparison.

Additionally, I wish to begin my analysis by recognizing that the critical circumstances analyses in these investigations are relatively manageable inquires. Zongshen by itself accounts for *** percent of volume under consideration for a critical circumstances finding in connection with the antidumping duty investigation and *** percent of the volume under consideration for a critical circumstances finding in connection with the countervailing duty investigation.[1] MTD was the importer of *** of Zongshen's exports.[2] Further, MTD imported *** from Zongshen.[3] Through examining the actions of these two market participants, a full understanding is able to be reached as to whether the increased volume of subject imports following the filing of the petition "are likely to undermine seriously the remedial effect of the antidumping duty order to be issued . . . ."[4] I conclude, as will be explained below, that the answer is no.[5]

[1] CR/PR at Tables IV-6a & IV-6b (comparing import data from Zongshen alone with import data including Zongshen affiliated companies).

[2] Zongshen's foreign producer questionnaire, at Question I-7, EDIS Doc. No. 707577 (showing MTD was the importer of *** percent of Zongshen's exports).

[3] MTD's importer questionnaire, at Questions II-5a n.1 & II-6a n.1, EDIS Doc. No. 728011 (listing *** Zongshen as its source of imports).

[4] 19 U.S.C. § 1673d(b)(4)(A)(i). The statutory design of this provision is to deter "exporters whose merchandise is subject to an investigation from circumventing the intent of the law by increasing their exports to the United States." *ICC Industries, Inc. v United States,* 812 F.2d 694, 700 (Fed. Cir. 1987), *quoting* H.R. Rep. No. 96-317 at 63 (1979), *aff'g* 632 F. Supp. 36 (Ct. Int'l Trade 1986). *See* 19 U.S.C. §§ 1671b(e)(2), 1673b(e)(2).

[5] While I conclude here that MTD's increase in subject imports during a period of several months in interim 2020 did not seriously undermine the remedial effect of the order, this does not detract from my conclusion that subject imports materially injured the domestic industry producing SVSEs.

1. Antidumping Duty Investigation[6]

On March 12, 2021, Commerce issued its final determination in the antidumping duty investigation and found that critical circumstances exist with respect to subject merchandise exported by the Zongshen Companies and the China-wide entity.[7]

Subject imports subject to Commerce's affirmative critical circumstances finding in the antidumping duty investigation increased from *** units in the pre-petition period to *** units in the post-petition period, an increase of *** percent.[8] U.S. importers' end-of-period inventories of imports subject to Commerce's affirmative critical circumstances determination in the antidumping duty investigation were *** percent higher at *** units in September 2020 than in December 2019 at *** units.[9]

While the U.S. market for SVSEs typically experiences regular seasonal cycles,[10] the COVID-19 pandemic caused significant demand and supply disruptions, first at Zongshen's production facility in Chongqing, China, then throughout the SVSE supply chain in the United States. Both MTD and Zongshen reported that Zongshen experienced production shutdowns from late January through March 2020 due to the pandemic.[11] This is supported by questionnaire data by Zongshen whose exports to the United States in February and March 2020 showed the *** volumes recorded for those two months over the POI (March is typically one of the highest volume months of the year—it was the month with the highest volume of exports for 2018, the second highest volume in 2019, and the third highest for 2017).[12] In April 2020, Zongshen began increasing shipments into the U.S. market again and the four months April through July 2020 exhibited period high volumes.[13] Zongshen's exports over the period from April to August 2020 were *** units higher than its exports over five months prior to the

[6] The discussion in this section is largely repeated verbatim in section 2 below, which addresses the countervailing duty investigation, but uses the data applicable to that investigation.

[7] Commerce Final AD Determination, 86 Fed. Reg. at 14078. The Commission gathered additional monthly data from Zongshen and certain of its affiliated companies for use in the critical circumstances analysis in the antidumping duty investigation. The Commission does not have data corresponding to the China-wide entity but the information available indicates that imports attributable to the China-wide entity would likely be small. CR/PR at Table IV-6b, Note.

[8] CR/PR at Table IV-6b.

[9] CR/PR at Table IV-8. Available inventory data do not correspond precisely to the comparison periods.

[10] CR/PR at II-11 to -12.

[11] CR/PR at Table VII-3; MTD's importer questionnaire at Question II-2b, EDIS Doc. No. 1593362; MTD's Prehearing Brief at 44 and 57, Exhibit 6 at 10.

[12] CR/PR at Table IV-7a (the CVD table is useful as it shows exports for only Zongshen).

[13] *Id*.

filing of the petition (*** units after vs. *** units before).[14] Even accounting for the lower-than-normal subject import volumes for February and March 2020, the figure of *** additional units in April to August 2020 is far higher than the apparent shortfalls for those two months. I will examine below what other causes could account for the extra volume of subject imports in April to August 2020.

As important as the import relationship with Zongshen was to MTD, MTD's relationship with Briggs & Stratton was even more so. Over the POI, *** percent of MTD's purchases were from Briggs & Stratton while *** percent of its purchases were from Zongshen.[15] MTD's explanation for the increased imports in the five months following the filing of the petition are centered on its perception that Briggs & Stratton was becoming a less reliable business partner. MTD felt that events in the months leading up to the filing "presented MTD with an immediate and alarming threat that Briggs would be unable to meet its supply obligations for the year."[16] MTD cited its past experience with the collapse of another component supplier, and the difficulties that caused MTD, as a cautionary tale.[17]

According to MTD, their perception of Briggs & Stratton's difficulties began in mid-August 2019, when Briggs & Stratton revealed in public filings that (1) it had not lived up to the terms of a credit agreement with its lenders for the period ending June 30, 2019, and (2) that it was closing its Murray, Kentucky, facility and would move production of SVSEs from the facility being closed and consolidate it with Briggs & Stratton's existing SVSE facility in Poplar Bluff, Missouri.[18] Following this reporting, an equities analyst that covers the sector opined that "Briggs just reported one of, if not the worst quarterly results and forward guides that we can recall in our total coverage history."[19]

Following this declaration, MTD asserts, the stream of bad news from Briggs & Stratton accelerated. In September and October 2019, Moody's and Standard & Poor's, respectively, downgraded Briggs & Stratton due to debt and liquidity concerns.[20] On March 6, 2020, Briggs & Stratton announced a strategic initiative to divest product lines and to borrow $200 million to

[14] Derived from CR/PR at Table IV-6a (again, using the CVD table with data only for Zongshen)

[15] MTD's purchaser questionnaire at Question II-4, EDIS Doc. No. 727998.

[16] Hearing Tr. at 181 (Moll).

[17] Hearing Tr. at 182 (Moll); MTD's Posthearing Br. at 12.

[18] MTD's Prehearing Br. at 40 and Exhibit 1, pp. 11-12 & Exhibits B & AK; CR/PR at Table III-3. According to the staff report, Briggs & Stratton's capacity in interim 2020 was *** units lower than in interim 2019 (annualized, this loss would be *** units per year). Derived from CR/PR at Table III-4. This lower capacity includes losses due to COVID-19 pandemic measures as well as the Murray facility shutdown.

[19] MTD's Prehearing Br. at Exhibit 1, pp. 25-26 & Exhibit AP.

[20] MTD's Prehearing Br. at 40 and Exhibit 1, pp. 11-12.

restructure loans that were due in December 2020.[21] On March 23, 2020, Briggs & Stratton announced that due to the pandemic, it had made "the difficult decision to reduce production in some of our facilities based on lower overall demand signals we are seeing from our customers."[22] With respect to SVSEs, Briggs & Stratton stated that it was closing production at the Poplar Bluff facility for more than two weeks from March 24 to April 10, 2020.[23] On May 13, 2020, after the shutdown was over, Briggs & Stratton asked that its purchasers confirm their "forecasts and open purchase orders" to assist in its supply chain planning and component procurement.[24] On May 27, 2020, it was reported by Bloomberg that Briggs & Stratton had hired bankruptcy specialists, Houlihan Lokey Inc.;[25] expectations were fulfilled in July 2020 when Briggs & Stratton filed for bankruptcy protection.[26]

The degree of uncertainty that MTD claims to have experienced regarding SVSE availability from Briggs & Stratton is largely supported by the data collected by the Commission. During interim 2020, Briggs & Stratton's U.S. production was *** units in interim 2020, lower than the *** units produced in interim 2019.[27] This reduction of *** units produced by Briggs & Stratton in interim 2020, as compared to interim 2019, would certainly have been a cause of concern to MTD, especially as it purchased roughly *** percent of Briggs & Stratton's production over the three full years of the POI.[28]

MTD provides several emails from October and November 2020 that indicate that Briggs & Stratton was ***.[29] MTD asserts that these production issues caused Briggs & Stratton to "short MTD by *** engines in model year 2020" and by a forecast *** in model year 2021.[30] Given the magnitude of the reduction in Briggs & Stratton's production in interim 2020, as compared to interim 2019, these shortage estimates appear conservative. Further, these U.S. production shortfalls came at just the time when demand was picking up for outdoor power equipment, as COVID-19 pandemic stay-at-home orders eased in the late spring and early

[21] MTD's Prehearing Br. at 39-40 and Exhibit 33. Shortly after this announcement, the ***. MTD's Posthearing Br. at 12 and Exhibit 15.

[22] MTD's Prehearing Br. at 7 and Exhibit 8, part 1.

[23] *Id*.

[24] MTD's Prehearing Br. at 9 and Exhibit 8, part 2.

[25] MTD's Posthearing Br. at 12-13 and Exhibit 19.

[26] CR/PR at Table III-3; MTD's Posthearing Br. at 13; MTD's Prehearing Br. at Exhibit 10 (Disclosure Statement for Joint Chapter 11 Plan of Briggs & Stratton Corp. and its Affiliated Debtors, Oct. 9, 2020, Bankr. E.D. Mo.).

[27] CR/PR at Table III-4.

[28] *Compare* MTD's purchaser questionnaire, Question II-1, EDIS Doc. No. 727998, *with* CR/PR at Table III-4. On a proportional basis, MTD's share of that *** unit shortfall would be over *** units.

[29] MTD's Prehearing Br. at 7-8 and Exhibit 9.

[30] MTD's Prehearing Br. at 7 and Exhibit 6 at ¶22; MTD's Posthearing Br. at 14.

summer.[31] The increase in subject imports in the five months following the filing of the petition, as compared to the five months prior to the filing, while significant, appears to have been primarily motivated by commercial uncertainties, especially the difficulties MTD's primary supplier, Briggs & Stratton, was experiencing in interim 2020.

The channel through which undermining of the remedial effect of an order would typically occur is through the buildup of a larger than normal inventory of subject imports, enabling the importer to draw down its excessive volume of inventory after the imposition of an order, continuing to take advantage of its unfairly traded imports. In such a case, the domestic industry would continue to be at a disadvantage even after the order as it would be continuing to compete against importers' shipments from its unfairly traded inventory. In this antidumping duty investigation, subject import inventories covered by Commerce's affirmative critical circumstances determination were *** percent higher, at *** units, at the end of September 2020 than they were at the end of December 2019, when they were *** units.[32] This represents a *** unit increase in importers' inventory.

As I observed above, the increased volume of subject imports in the five months following the filing of the petition was explainable as a reaction to commercial conditions in a U.S. market unsettled by the COVID-19 pandemic and solvency concerns surrounding the largest U.S. producer. My interpretation of the inventory figures is similar in that importers' inventory largely replaced the inventory held by the domestic industry during these challenging business conditions. With the domestic industry's production slowing in interim 2020, but with demand returning robustly following the easing of COVID-19 stay-at-home restrictions in late spring 2020, the domestic industry's inventories sunk to a level *** percent lower than they had been in interim 2019.[33] This indicates that the domestic industry was not having difficulty selling SVSEs that it made in interim 2020, but rather that it was not producing enough to satisfy increased demand. This is corroborated by MTD, which has stated that it "***[34] This appears credible because, over the three full years of the POI, MTD purchased an average of *** units from the domestic industry—accounting for far more than half of MTD's purchases—and MTD purchased *** units from the domestic industry in interim 2020, on track to exceed

[31] MTD's Prehearing Br. at 17 and Exhibit 29 (OPEI presentation slides, especially slides ***); MTD's Posthearing Br. at 13. In ***. MTD's Posthearing Br., Responses to Commissioners' Questions, at 18 (figure at top of page showing differing trend of retail deliveries of mowers in 2020, with higher levels in June through October 2020 than in 2018 or 2019).

[32] CR/PR at Table IV-8.

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

[34] MTD's Prehearing Brief at Exhibit 6 at ¶10. See also MTD's Prehearing Br. at 8; MTD's Posthearing Br. at 11.

MTD's domestic purchases in both 2017 and 2019.[35] MTD's purchases of SVSEs from the domestic industry in the *** of 2020 were almost *** than its purchases in the same period of 2019.[36] It is not evident, therefore, that the increased level of subject imports entered after the filing of the petition, or the increased level of importers' inventories of subject merchandise, supplanted a significant volume of sales for the domestic industry.

The very low levels of inventories held by the domestic industry at the end of September 2020 created market conditions in which it is difficult for an inventory overhang to exist. Considered together, the inventories of the domestic industry and of importers (of both subject and nonsubject merchandise) fell *** from *** units at the end of December 2019 to *** units at the end of September 2020.[37] By the time of the Commission's hearing, MTD had drawn down most of its inventory of Chinese produced engines.[38] Additionally, the units imported by MTD from Zongshen were built specifically for MTD's use and were not a fungible commodity that could be used by any purchaser.[39] Taken together, the facts on the record do not indicate that the increased volume of subject imports entered in the five months after the filing of the petition (from April to August 2020) resulted in an inventory overhang that will seriously undermine the remedial effect of the order.

I therefore find that imports from China subject to Commerce's critical circumstances determination in the antidumping duty investigation are not likely to undermine seriously the remedial effect of the countervailing duty order, and I make a negative critical circumstances finding with regard to those imports.

[35] MTD's purchaser questionnaire at Question II-1, EDIS Doc. No. 727998 (annualized interim 2020 data would have been equivalent to *** units for all of 2020).

[36] MTD's Prehearing Br. at 45 & 56; MTD's Posthearing Br. at 10.

[37] Derived from CR/PR at Table C-1. Nonsubject imports made a negligible contribution with the exception of the end of the interim period 2019. At the end of the interim 2019 period (end of September 2019), combined domestic industry and import inventories were *** units. *Id*.

[38] Hearing Tr. at 183 (Moll) ("Of the engines imported by MTD during the post-petition period, the organization used substantially all its inventory to accommodate increased demands . . . ."); MTD's Posthearing Br. at 10. MTD's average days in inventory is *** days. MTD's Posthearing Br., Responses to Commissioners' Questions, at 20.

[39] MTD's Prehearing Br. at 56.

2. Countervailing Duty Investigation

On March 12, 2021, Commerce issued its final determination in the countervailing duty investigation and found that critical circumstances exist with respect to subject merchandise exported by Zongshen.[40]

Data for imports subject to Commerce's affirmative critical circumstances finding in the countervailing duty investigation are based on monthly exports to the United States reported by Zongshen.[41] Imports of SVSEs from China subject to Commerce's affirmative critical circumstances finding in the countervailing duty investigation increased from *** units in the pre-petition period to *** units in the post-petition period, an increase of *** percent.[42] U.S. importers' inventories of imports subject to Commerce's affirmative critical circumstances determination in the countervailing duty investigation were *** percent higher at *** units at the end of September 2020 than at the end of December 2019 at *** units.[43]

While the U.S. market for SVSEs typically experiences regular seasonal cycles,[44] the COVID-19 pandemic caused significant demand and supply disruptions, first at Zongshen's production facility in Chongqing, China, then throughout the SVSE supply chain in the United States. Both MTD and Zongshen reported that Zongshen experienced production shutdowns from late January through March 2020 due to the pandemic.[45] This is supported by questionnaire data by Zongshen whose exports to the United States in February and March 2020 showed the *** volumes recorded for those two months over the POI (March is typically one of the highest volume months of the year—it was the month with the highest volume of exports for 2018, the second highest volume in 2019, and the third highest for 2017).[46] In April 2020, Zongshen began increasing shipments into the U.S. market again and the four months

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[40] Commerce Final CVD Determination, 86 Fed. Reg. at 14071 and *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Vertical Shaft Engines Between 99cc and Up To 225cc, and Parts Thereof, from the People's Republic of China,* March 5, 2021 at 4. The Commission gathered additional monthly data from Zongshen in order to make its critical circumstances determination with respect to the countervailing duty investigation. CR/PR at Table IV-6a.

[41] CR/PR at IV-16a and IV-18a; Supplemental data collection for monthly exports to the United States by foreign producer Zongshen, received February 19, 2021.

[42] CR/PR at Table IV-6a.

[43] CR/PR at Table IV-8. Available inventory data do not correspond precisely to the comparison periods.

[44] CR/PR at II-11 to -12.

[45] CR/PR at Table VII-3; MTD's importer questionnaire at Question II-2b, EDIS Doc. No. 728011; MTD's Prehearing Brief at 44 and 57, Exhibit 6 at 10.

[46] CR/PR at Table IV-7a.

April through July 2020 exhibited period high volumes.[47] Zongshen's exports over the period from April to August 2020 were *** units higher than its exports over five months prior to the filing of the petition (*** units after vs. *** units before).[48] Even accounting for the lower-than-normal subject import volumes for February and March 2020, the figure of *** additional units in April to August 2020 is far higher than the apparent shortfalls for those two months. I will examine below what other causes could account for the extra volume of subject imports in April to August 2020.

As important as the import relationship with Zongshen was to MTD, MTD's relationship with Briggs & Stratton was even more so. Over the POI, *** percent of MTD's purchases were from Briggs & Stratton while *** percent of its purchases were from Zongshen.[49] MTD's explanation for the increased imports in the five months following the filing of the petition are centered on its perception that Briggs & Stratton was becoming a less reliable business partner. MTD felt that events in the months leading up to the filing "presented MTD with an immediate and alarming threat that Briggs would be unable to meet its supply obligations for the year."[50] MTD cited its past experience with the collapse of another component supplier, and the difficulties that caused MTD, as a cautionary tale.[51]

According to MTD, their perception of Briggs & Stratton's difficulties began in mid-August 2019, when Briggs & Stratton revealed in public filings that (1) it had not lived up to the terms of a credit agreement with its lenders for the period ending June 30, 2019 and (2) that it was closing its Murray, Kentucky, facility and would move production of SVSEs from the facility being closed and consolidate it with Briggs & Stratton's existing SVSE facility in Poplar Bluff, Missouri.[52] Following this reporting, an equities analyst that covers the sector opined that "Briggs just reported one of, if not the worst quarterly results and forward guides that we can recall in our total coverage history."[53]

Following this declaration, MTD asserts, the stream of bad news from Briggs & Stratton accelerated. In September and October 2019, Moody's and Standard & Poor's, respectively,

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[47] *Id*.

[48] Derived from CR/PR at Table IV-6a.

[49] MTD's purchaser questionnaire at Question II-4, EDIS Doc. No. 727998.

[50] Hearing Tr. at 181 (Moll).

[51] Hearing Tr. at 182 (Moll); MTD's Posthearing Br. at 12.

[52] MTD's Prehearing Br. at 40 and Exhibit 1, pp. 11-12 & Exhibits B & AK; CR/PR at Table III-3. According to the staff report, Briggs & Stratton's capacity in interim 2020 was *** units lower than in interim 2019 (annualized, this loss would be *** units per year). CR/PR at Table III-4. This lower capacity includes losses due to COVID-19 pandemic measures as well as the Murray facility shutdown.

[53] MTD's Prehearing Br. at Exhibit 1, pp. 25-26 & Exhibit AP.

downgraded Briggs & Stratton due to debt and liquidity concerns.[54] On March 6, 2020, Briggs & Stratton announced a strategic initiative to divest product lines and to borrow $200 million to restructure loans that were due in December 2020.[55] On March 23, 2020, Briggs & Stratton announced that due to the pandemic, it had made "the difficult decision to reduce production in some of our facilities based on lower overall demand signals we are seeing from our customers."[56] With respect to SVSEs, Briggs & Stratton stated that it was closing production at the Poplar Bluff facility for more than two weeks from March 24 to April 10, 2020.[57] On May 13, 2020, after the shutdown was over, Briggs & Stratton asked that its purchasers confirm their "forecasts and open purchase orders" to assist in its supply chain planning and component procurement.[58] On May 27, 2020, it was reported by Bloomberg that Briggs & Stratton had hired bankruptcy specialists, Houlihan Lokey Inc.;[59] expectations were fulfilled in July 2020 when Briggs & Stratton filed for bankruptcy protection.[60]

The degree of uncertainty that MTD claims to have experienced regarding SVSE availability from Briggs & Stratton is largely supported by the data collected by the Commission. During interim 2020, Briggs & Stratton's U.S. production was *** units in interim 2020, lower than the *** units produced in 2019. This reduction of *** units produced by Briggs & Stratton in interim 2020, as compared to interim 2019, would certainly have been a cause of concern to MTD, especially as it purchased roughly *** percent of Briggs & Stratton's production over the three full years of the POI.[61]

MTD provides several emails from October and November 2020 that indicate that Briggs & Stratton was ***.[62] MTD asserts that these production issues caused Briggs & Stratton to "short MTD by *** engines in model year 2020" and by a forecast *** in model year 2021.[63] Given the magnitude of the reduction in Briggs & Stratton's production in interim 2020, as compared to interim 2019, these shortage estimates appear conservative. Further, these U.S.

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[54] MTD's Prehearing Br. at 40 and Exhibit 1, pp. 11-12.

[55] MTD's Prehearing Br. at 39-40 and Exhibit 33. Shortly after this announcement, the ***. MTD's Posthearing Br. at 12 and Exhibit 15.

[56] MTD's Prehearing Br. at 7 and Exhibit 8, part 1.

[57] *Id*.

[58] MTD's Prehearing Br. at 9 and Exhibit 8, part 2.

[59] MTD's Posthearing Br. at 12-13 and Exhibit 19.

[60] CR/PR at Table III-3; MTD's Posthearing Br. at 13; MTD's Prehearing Br. at Exhibit 10 (Disclosure Statement for Joint Chapter 11 Plan of Briggs & Stratton Corp. and its Affiliated Debtors, Oct. 9, 2020, Bankr. E.D. Mo.).

[61] *Compare* MTD's purchaser questionnaire, Question II-1, EDIS Doc. No. 727998, *with* CR/PR at Table III-4. On a proportional basis, MTD's share of that *** unit shortfall would be over *** units.

[62] MTD's Prehearing Br. at 7-8 and Exhibit 9.

[63] MTD's Prehearing Br. at 7 and Exhibit 6 at ¶22; MTD Posthearing Br. at 14.

production shortfalls came at just the time when demand was picking up for outdoor power equipment, as COVID-19 pandemic stay-at-home orders eased in the late spring and early summer.[64] The increase in subject imports in the five months following the filing of the petition, as compared to the five months prior to the filing, while significant, appears to have been primarily motivated by commercial uncertainties, especially the difficulties MTD's primary supplier, Briggs & Stratton, was experiencing in interim 2020.

The channel through which undermining of the remedial effect of an order would typically occur is through the buildup of a larger than normal inventory of subject imports, enabling the importer to draw down its excessive volume of inventory after the imposition of an order, continuing to take advantage of its unfairly traded imports. In such a case, the domestic industry would continue to be at a disadvantage even after the order as it would be continuing to compete against importers' shipments from its unfairly traded inventory. In this countervailing duty investigation, subject import inventories covered by Commerce's affirmative critical circumstances determination were *** percent higher, at *** units, at the end of September 2020 than they were at the end of December 2019, when they were *** units.[65] This represents a *** unit increase in importers' inventory.

As I observed above, the increased volume of subject imports in the five months following the filing of the petition was explainable as a reaction to commercial conditions in a U.S. market unsettled by the COVID-19 pandemic and solvency concerns surrounding the largest U.S. producer. My interpretation of the inventory figures is similar in that importers' inventory largely replaced the inventory held by the domestic industry during these challenging business conditions. With the domestic industry's production slowing in interim 2020, but with demand returning robustly following the easing of COVID-19 stay-at-home restrictions in late Spring 2020, the domestic industry's inventories sunk to a level *** percent lower than they had been in interim 2019.[66] This indicates that the domestic industry was not having difficulty selling SVSEs that it made in interim 2020, but rather that it was not producing enough to satisfy demand. This is corroborated by MTD, which has stated that it "***[67] This appears credible because, over the three full years of the POI, MTD purchased an average of *** units

[64] MTD's Prehearing Br. at 17 and Exhibit 29 (OPEI presentation slides, especially slides ***); MTD's Posthearing Br. at 13. In ***. MTD's Posthearing Br., Responses to Commissioners' Questions, at 18 (figure at top of page showing differing trend of retail deliveries of mowers in 2020, with higher levels in June through October 2020 than in 2018 or 2019).

[65] CR/PR at Table IV-8.

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

[67] MTD's Prehearing Brief at Exhibit 6 at ¶10. *See also* MTD's Prehearing Br. at 8; MTD's Posthearing Br. at 11.

from the domestic industry—accounting for far more than half of MTD's purchases—and MTD purchased *** units from the domestic industry in interim 2020, on track to exceed MTD's domestic purchases in both 2017 and 2019.[68] MTD's purchases of SVSEs from the domestic industry in the *** of 2020 were almost *** than its purchases in the same period of 2019.[69] It is not evident, therefore, that the increased level of subject imports entered after the filing of the petition, or the increased level of importers' inventories of subject merchandise, supplanted a significant volume of sales for the domestic industry.

The very low levels of inventories held by the domestic industry at the end of September 2020 created market conditions in which it is difficult for an inventory overhang to exist. Considered together, the inventories of the domestic industry and of importers (of both subject and nonsubject merchandise) fell *** from *** units at the end of December 2019 to *** units at the end of September 2020.[70] By the time of the Commission's hearing, MTD had drawn down most of its inventory of Chinese produced engines.[71] Additionally, the units imported by MTD from Zongshen were built specifically for MTD's use and were not a fungible commodity that could be used by any purchaser.[72] Taken together, the facts on the record do not indicate that the increased volume of subject imports entered in the five months after the filing of the petition (from April to August 2020) resulted in an inventory overhang that will seriously undermine the remedial effect of the order.

I therefore find that imports from China subject to Commerce's critical circumstances determination in the countervailing duty investigation are not likely to undermine seriously the remedial effect of the countervailing duty order, and I make a negative critical circumstances finding with regard to those imports.

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[68] MTD's purchaser questionnaire at Question II-1, EDIS Doc. No. 727998 (annualized interim 2020 data would have been equivalent to *** units for all of 2020).

[69] MTD's Prehearing Br. at 45 & 56; MTD's Posthearing Br. at 10.

[70] CR/PR at Table C-1. Nonsubject imports made a negligible contribution with the exception of the end of the interim period 2019. At the end of the interim 2019 period (end of September 2019), combined domestic industry and import inventories were *** units. *Id*.

[71] Hearing Tr. at 183 (Moll) ("Of the engines imported by MTD during the post-petition period, the organization used substantially all its inventory to accommodate increased demands . . . ."); MTD Posthearing Br. at 10. MTD's average days in inventory is *** days. MTD's Posthearing Br., Responses to Commissioners' Questions, at 20.

[72] MTD's Prehearing Br. at 56.

Part I: Introduction

Background

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by Briggs & Stratton, Wauwatosa, Wisconsin, on March 18, 2020, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of small vertical shaft engines ("SVSEs")[1] from China. The following tabulation provides information relating to the background of these investigations.[2] [3]

Effective date	Action
March 18, 2020	Petitions filed with Commerce and the Commission; institution of the Commission's investigations (85 FR 16958, March 25, 2020)
April 7, 2020	Commerce's notices of initiation of AD and CVD investigations (85 FR 20670 and 85 FR 20667, April 14, 2020)
May 4, 2020	Commission's preliminary affirmative determinations (85 FR 27243, May 7, 2020)
August 24, 2020	Commerce's preliminary affirmative CVD determination (85 FR 52086, August 24, 2020)
October 21, 2020	Commerce's preliminary affirmative AD determination, and preliminary affirmative critical circumstances determination, in part, in the AD investigation (85 FR 66932, October 21, 2020); scheduling of final phase of Commission investigations (85 FR 76103, November 27, 2020)
October 30, 2020	Commerce's preliminary critical circumstances determination, in part, in the CVD investigation (85 FR 68851, October 30, 2020)
March 9, 2021	Commission's hearing
March 12, 2021	Commerce's final determinations (86 FR 14071 and 86 FR 14077, March 12, 2021)
April 6, 2021	Commission's vote
April 26, 2021	Commission's views

[1] See the section entitled "The subject merchandise" in Part I of this report for a complete description of the merchandise subject in this proceeding.

[2] Pertinent *Federal Register* notices are referenced in appendix A and may be found at the Commission's website (www.usitc.gov).

[3] A list of witnesses appearing at the hearing is presented in appendix B of this report.

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--[4]

> *In evaluating the volume of imports of merchandise, 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.. . .In evaluating the effect of imports of such merchandise on prices, 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.. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

[4] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—[5]

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, subsidy/dumping margins, and domestic like product. Part II of this report presents information on conditions of competition and other relevant economic factors. Part III presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. Parts IV and V present the volume of subject imports and pricing of domestic and imported products, respectively. Part VI presents information on the financial experience of U.S. producers. Part VII presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

Market summary

SVSEs are predominantly designed for and used in walk-behind lawn mowers. They are also used in pressure washers and other outdoor power equipment.[6] The U.S. producers of SVSEs are Briggs & Stratton, LLC ("Briggs & Stratton") and Honda Power Equipment Manufacturing., Inc. ("Honda Power"), while leading producers of SVSEs outside the United States include Chinese firms Chongqing Kohler Engines ("Kohler"), Loncin Motor Co., Ltd. ("Loncin"), and Chongqing Zongshen General Power Machine Co., Ltd. ("Zongshen"). The leading U.S. importers of SVSEs from China are *** and ***. The leading importer of SVSEs from nonsubject countries (primarily Japan) is ***. U.S. purchasers of SVSEs are firms that manufacture walk-behind lawn mowers and other outdoor powered equipment; leading purchasers include MTD and Toro Purchasing Company ("Toro").

Apparent U.S. consumption of SVSEs totaled approximately *** units ($*** million) in 2019. Currently, two firms are known to produce SVSEs in the United States. U.S. producers' U.S. shipments of SVSEs totaled approximately *** units ($***)

[5] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.
[6] Petition, p. 5.

in 2019 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. shipments of subject U.S. imports totaled approximately *** units ($***) in 2019 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent of apparent consumption by value. U.S. shipments of U.S. imports from nonsubject sources totaled *** units ($***) in 2019 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent of apparent consumption by value.[7]

Summary data and data sources

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of two firms that accounted for 100 percent of U.S. production of SVSEs during 2019. U.S. import data are based on the questionnaire responses of 14 companies that represented *** percent of U.S. imports from China and *** percent of imports from nonsubject sources in 2019 under the primary Harmonized Tariff Schedule of the United States ("HTS") statistical reporting number of 8407.90.1010. Chinese industry data are based on the questionnaire response of three firms whose exports to the United States accounted for *** percent of total U.S. imports from China as reported under official import statistics for the primary HTS statistical reporting number of 8407.90.1010.[8]

Previous and related investigations

On January 15, 2020, the Coalition of American Vertical Engine Producers (Kohler Co., Kohler, Wisconsin, and Briggs & Stratton Corporation, Wauwatosa, Wisconsin), filed petitions with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of certain vertical shaft engine between 225 and 999 cubic centimeters ("cc") and parts thereof ("large vertical

[7] These apparent U.S. consumption data have been calculated using U.S. importers' U.S. shipments from subject and nonsubject sources, which is the methodology typically used by staff. See appendix F for alternate apparent U.S. consumption data calculated using U.S. imports rather than U.S. shipments of U.S. imports. These alternate apparent U.S. consumption figures account for direct imports by OEMs that went into inventories.

[8] As discussed further in the tariff treatment section, subject goods may also be imported under HTS statistical reporting numbers 8407.90.1020, 8407.90.9040, 8407.90.9060, 8409.91.9990, 8424.30.9000, 8433.11.0050, and 8433.11.0060. The primary HTS statistical reporting number of 8407.90.1010 also contains out-of-scope products. Because the official import statistics used to generate the questionnaire coverage estimates do not correspond directly to the scope, the U.S. importer and foreign producer questionnaire coverage estimates may be overstated and/or understated.

shaft engines" or "LVSEs") from China and LTFV imports of LVSEs from China (USITC Investigation Nos. 701-TA-637 and 731-TA-1471).

The products subject to the LVSE investigations are primarily provided for in HTS subheadings 8407.90.10, 8407.90.90, 8409.91.50, and 8409.91.99. LVSEs are spark-ignited, single or multiple cylinder, air cooled, internal combustion, nonroad engines with vertical power take off shafts with a minimum displacement of 225cc and a maximum displacement of 999cc. LVSEs covered by the scope in these related investigations also include subassemblies (unassembled or unfinished LVSEs), but do not include engines with a displacement of 224cc or less, nor does the scope include engines with a horizontal shaft. LVSEs are primarily used in riding lawn mowers and zero-turn radius lawn mowers, although engines meeting this physical description may also be used in other non-hand-held outdoor power equipment. Engines less than 225cc are not suitable for riding lawn mowers, and therefore are different products.[9] [10]

The Commission completed and filed its affirmative determinations in the preliminary phase of these related investigations on March 2, 2020.[11] Commerce released its preliminary affirmative CVD determination on June 19, 2020,[12] and its preliminary affirmative AD determination on August 19, 2020.[13] Commerce released its final affirmative AD and CVD determinations on January 11, 2021.[14] On February 2, 2021, the Commission voted on the final phase of these investigations and determined that a U.S. industry is materially injured by reason of imports of LVSEs from China that Commerce has determined are subsidized and sold in the United States at LTFV.[15]

[9] USITC Publication No. 5034, March 2020, p. I-8.

[10] MTD did note that it uses SVSEs in a small riding lawnmower that it calls the "mini-rider"; MTD, written testimony (Trumpler), p. 2.

[11] 85 FR 13184, March 6, 2020.

[12] 85 FR 37061, June 19, 2020.

[13] 85 FR 51015, August 19, 2020 (amended October 7, 2020 (85 FR 63248, October 7, 2020)).

[14] 86 FR 1933 and 86 FR 1936, January 11, 2021.

[15] 86 FR 12206, March 2, 2021.

Nature and extent of subsidies and sales at LTFV

Subsidies

On March 12, 2021, Commerce published a notice in the *Federal Register* of its final determination of countervailable subsidies for producers and exporters of SVSEs from China.[16] Commerce determined the following programs to be countervailable:[17]

1. Income Tax Deduction for R&D Expenses Under Enterprise Income Tax Law
2. Provision of Unwrought Aluminum for less than adequate remuneration ("LTAR")
3. Provision of Electricity for LTAR
4. Provision of Land-Use Rights for LTAR to Small Vertical Engine Producers
5. Policy Loans to the Small Vertical Engines Industry
6. Export Seller's Credit Program
7. Export Buyer's Credit Program
8. Interest Payment Subsidies
9. Other Subsidies

Table I-1 presents Commerce's findings of subsidization of SVSEs in China.

Table I-1
SVSEs: Commerce's final subsidy determination with respect to imports from China

Entity	Final countervailable subsidy margin (percent)
Chongqing Kohler Engines Ltd.	2.84
Chongqing Zongshen General Power Machine Co.	18.13
All others	10.46

Source: 86 FR 14071, March 12, 2021.

[16] 86 FR 14071, March 12, 2021.

[17] *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Vertical Shaft Engines Between 99cc and Up To 225cc, and Parts Thereof, from the People's Republic of China,* March 5, 2021, pp. 6-7.

Sales at LTFV

On March 12, 2021, Commerce published a notice in the *Federal Register* of its final determination of sales at LTFV with respect to imports from China.[18] Table I-2 presents Commerce's dumping margins with respect to imports of SVSEs from China.

Table I-2
SVSEs: Commerce's final weighted-average LTFV margins with respect to imports from China

Producer	Exporter	Estimated weighted-average dumping margin (percent)	Cash deposit rate (adjusted for subsidy offsets) (percent)
Chongqing Kohler Engines Ltd	Chongqing Kohler Engines Ltd	374.31	374.31
Chongqing Zongshen General Power Machine Co., Ltd./Chongqing Dajiang Power Equipment Co., Ltd./Chongqing Zongshen Power Machinery Co., Ltd	Chongqing Zongshen General Power Machine Co., Ltd./Chongqing Dajiang Power Equipment Co., Ltd./Chongqing Zongshen Power Machinery Co., Ltd	316.88	304.35
Producers Supplying the Non-Individually-Examined Exporters Receiving Separate Rates	Non-Individually-Examined Exporters Receiving Separate Rates	342.88	336.61
China-Wide Entity		541.75	535.48

Source: 86 FR 14077, March 12, 2021.

[18] 86 FR 14077, March 12, 2021.

The subject merchandise

Commerce's scope

In the current proceeding, Commerce has defined the scope as follows:[19] [20]

> *The merchandise covered by these investigations consists of spark-ignited, non-road, vertical shaft engines, whether finished or unfinished, whether assembled or unassembled, whether mounted or unmounted, primarily for walk-behind lawn mowers. Engines meeting this physical description may also be for other non-hand-held outdoor power equipment, including but not limited to, pressure washers. The subject engines are spark ignition, single-cylinder, air cooled, internal combustion engines with vertical power take off shafts with a minimum displacement of 99 cubic centimeters (cc) and a maximum displacement of up to, but not including, 225cc. Typically, engines with displacements of this size generate gross power of between 1.95 kilowatts (kw) to 4.75 kw. Engines covered by this scope normally must comply with and be certified under Environmental Protection Agency (EPA) air pollution controls title 40, chapter I, subchapter U, part 1054 of the Code of Federal Regulations standards for small non-road spark-ignition engines and equipment. Engines that otherwise meet the physical description of the scope but are not certified under 40 CFR part 1054 and are not certified under other parts of subchapter U of the EPA air pollution controls are not excluded from the scope of this proceeding. Engines that may be certified under both 40 CFR part 1054 as well as other parts of subchapter U remain subject to the scope of this proceeding.*
>
> *Certain small vertical shaft engines, whether or not mounted on non-hand-held outdoor power equipment, including but not limited to walk-behind lawn mowers and pressure washers, are included in the scope. However, if a subject engine is imported mounted on such equipment, only the engine is covered by the scope. Subject merchandise includes certain small vertical shaft engines produced in the subject country whether mounted on outdoor power equipment in the subject country or in a third country. Subject engines are covered whether or not they are accompanied by other parts.*
>
> *For purposes of these investigations, an unfinished engine covers at a minimum a sub-assembly comprised of, but not limited to, the following*

[19] 86 FR 14071 and 86 FR 14077, March 12, 2021.

[20] Commerce amended the scope between the preliminary and final phases of these investigations to exclude certain "commercial" or "heavy commercial" engines.

components: crankcase, crankshaft, camshaft, piston(s), and connecting rod(s). Importation of these components together, whether assembled or unassembled, and whether or not accompanied by additional components such as a sump, carburetor spacer, cylinder head(s), valve train, or valve cover(s), constitutes an unfinished engine for purposes of this investigation. The inclusion of other products such as spark plugs fitted into the cylinder head or electrical devices (e.g., ignition coils) for synchronizing with the engine to supply tension current does not remove the product from the scope. The inclusion of any other components not identified as comprising the unfinished engine subassembly in a third country does not remove the engine from the scope.

Specifically excluded from the scope of these investigations are "Commercial" or "Heavy Commercial" engines under 40 CFR 1054.107 and 1054.135 that have (1) a displacement of 160 cc or greater, (2) a cast iron cylinder liner, (3) an automatic compression release, and (4) a muffler with at least three chambers and volume greater than 400cc.

Tariff treatment

Based upon the scope set forth by Commerce, information available to the Commission indicates that the merchandise subject to these investigations is primarily imported under HTS statistical reporting number 8407.90.1010. The engine subassemblies that are subject to these investigations are imported under HTS statistical reporting number 8409.91.9990, a residual provision for parts of spark-ignition engines. The mounted engines that are subject to these investigations are incorporated in more advanced goods imported under HTS statistical reporting numbers 8433.11.0050, 8433.11.0060, and 8424.30.9000. Subject goods may also be imported under statistical reporting numbers 8407.90.1020, 8407.90.9040, and 8407.90.9060, residual categories for spark-ignition engines. The 2020 general rate of duty is free for HTS subheadings 8407.90.10, 8433.11.00, 8424.30.90, and 8407.90.90, and 2.5 percent ad valorem for HTS subheading 8409.91.99. Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

Section 301 tariff treatment

Various Chinese products subject to these investigations are also subject to additional duties under Section 301 of the Trade Act of 1974. Imported Chinese products subject to these investigations that were subject to additional 25 percent ad valorem import duties under Section 301 are those classified in HTS subheadings 8407.90.10, 8407.90.90, 8409.91.99, and 8424.30.90.[21] [22] Subheading 8407.90.10 (which includes the primary statistical reporting number, 8407.90.1010, that subject merchandise is imported under) was part of the second tranche of 25 percent duties, which went into effect on August 23, 2018. Finally, HTS subheading 8433.11.00 was also included in the list of articles subject to additional duties effective September 1, 2019, with the additional duties currently at 7.5 percent.[23] Exclusions were granted based on descriptions at the statistical reporting number level and were granted to products imported under HTS statistical reporting numbers 8407.90.1020 and 8407.90.9040 on July 31, 2019,[24] products imported under HTS statistical reporting numbers 8407.90.1010 and 8407.90.9060 on September 20, 2019,[25] products imported under HTS statistical reporting numbers 8407.90.9040 and 8407.90.9060 on October 2, 2019,[26] and products imported under HTS statistical reporting number 8424.30.9000 on October 28, 2019.[27] These exclusions expired

[21] See U.S. note 20(f), subchapter lll of HTS chapter 99. Subheading 8407.90.10 and 8407.90.90 were in the second tranche, which went into effect August 23, 2018. Subheadings 8409.91.99 and 8424.30.90 were included in the third tranche, which went into effect September 24, 2018 and was subject to additional duties of 10 percent and was then increased to 25 percent on May 10, 2019. For more information see https://ustr.gov/issue-areas/enforcement/section-301-investigations/tariff-actions.

[22] Note that there are also various out-of-scope upstream SVSE components and out-of-scope downstream SVSE products that are also subject to Section 301 duties and may have received temporary 301 exclusions.

[23] Note that the originally announced rate of duties for this tranche was going to be 15 percent but was amended prior to going into effect. Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, 85 FR 3741 (U.S. Trade Rep., Jan 22, 2020).

[24] The exclusion for 8407.90.1020 only applies to engines valued at less than $180. See: *Notice of Product Exclusions: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation,* 84 FR 37381-37384 (U.S. Trade Rep., July 31, 2019).

[25] Notice of Product Exclusions: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, 84 FR 49600-49610 (U.S. Trade Rep., Sep 20, 2019).

[26] Notice of Product Exclusions: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, 84 FR 52553-52566 (U.S. Trade Rep., Oct 2, 2019).

[27] Notice of Product Exclusions: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, 84 FR 57803-57807 (U.S. Trade Rep., Oct 28, 2019).

December 31, 2020.[28] Importers have stated that the majority of imports of SVSEs come in under a special provision (9817.00.60) that is exempt from additional Section 301 duties.[29]

The following goods[30] are imported under statistical reporting numbers covered by Commerce's scope and were previously eligible for exclusion of the additional Section 301 duties:

- Spark-ignition reciprocating or rotary internal combustion piston engines, to be installed in agricultural or horticultural machinery or equipment, each rated at less than 4,200 W (described in HTS statistical reporting number 8407.90.1010).
- Spark-ignition rotary or reciprocating internal combustion piston engines to be installed in agricultural or horticultural machinery or equipment, 4,476 W or more but not more than 37.6 kW, each valued not over $180 (described in HTS statistical reporting number 8407.90.1020).
- Spark-ignition internal combustion piston engines, not elsewhere specified or included, 746 W or greater but not exceeding 4,476 W, with an engine displacement of not more than 430cc (described in HTS statistical reporting number 8407.90.9040).
- Spark ignition internal combustion engines (other than aircraft engines, other than marine propulsion engines, other than reciprocating piston engines of a kind used for the propulsion of vehicles of chapter 87, other than to be installed in agricultural or horticultural machinery or equipment and other than natural gas or LP engines), rated 746 W or greater but not exceeding 4,476 W, of a cylinder capacity not exceeding 220cc (described in HTS statistical reporting number 8407.90.9040).
- Spark-ignition reciprocating or rotary internal combustion piston engines, not elsewhere specified or included, each rated at 4,476 W or more but not exceeding 18.65 kW, with an engine displacement of not more than 690cc (described in HTS statistical reporting number 8407.90.9060).

[28] 85 FR 45949, July 30, 2020; 85 FR 59595, September 22, 2020; and 85 FR 62786, October 5, 2020.

[29] ***; Respondent MTD's posthearing brief, Exhibit 1, p. 9-10; Respondent Toro's posthearing brief, p. 3. Note that SVSEs for non-lawn mower uses (such as pressure washers) were likely not eligible to be imported under 9817.00.60. For more information on the CROSS ruling related to this special provision as it applies to these products, see: https://www.customsmobile.com/rulings/docview?doc_id=NY%20N305139&highlight=8407.90%2A#

[30] 84 FR 37382, July 31, 2019; 84 FR 49607, September 20, 2019; 84 FR 52557, October 2, 2019; and 84 FR 57806, October 28, 2019.

- Spark ignition internal combustion engines (other than aircraft engines, other than marine propulsion engines, other than reciprocating piston engines of a kind used for the propulsion of vehicles of chapter 87, other than to be installed in agricultural or horticultural machinery or equipment and other than natural gas or LP engines), rated 4,476 W or greater but not exceeding 16.50 kW, of a cylinder capacity not exceeding 710cc (described in HTS statistical reporting number 8407.90.9060).
- Pressure washers (described in HTS statistical reporting number 8424.30.9000).

The product

Description and applications

SVSEs are spark-ignited, single cylinder, air cooled, internal combustion, nonroad engines with vertical power take off shafts and a displacement of less than 225cc (figure I-1). Most engines with this size displacement typically generate a gross power between 1.95kW and 4.75kW.[31] SVSEs covered by this scope include subassemblies (unassembled or unfinished VSEs) but do not include engines with a displacement of 225cc or more, nor does it include engines with a horizontal shaft.[32] Additionally, SVSEs covered by this scope include both mounted and unmounted engines.[33] Engines with a displacement of 225cc or greater, or with a horizontal shaft, have different characteristics and uses, and therefore have different customers.[34] Similarly, horizontal shaft engines have different customers, distribution channels, and price points, and are primarily used in generators and various construction equipment.[35] Finally, the scope of these investigations was modified by Commerce for the final phase to exclude certain varieties of commercial engines.[36]

[31] Petition, p. 5.

[32] Petition, pp. 9-10, 14.

[33] Petitioners noted that, due to the lower transport costs of walk-behind lawnmowers and pressure washers that use these smaller engines (compared to the LVSEs recently covered by USITC Investigation Nos. 701-TA-637 and 731-TA-1471), it would be more feasible to import a mounted SVSE than it would be a LVSE. Hearing transcript, p. 117 (Harrison); Petitioner Briggs and Stratton's posthearing brief, Exhibit 1, p. 12.

[34] Petition, p. 14; Petitioner written conference testimony, p. 2 (Orava).

[35] Conference transcript, *Vertical Shaft Engines from China,* Inv. Nos.: 701-TA-637 and 731-TA-1471 (Preliminary), p. 54 and p. 68 (Hudak).

[36] See the Commerce's scope section earlier in part I for an explanation of the product specifications necessary in order to be excluded from the scope.

SVSEs are used mainly in walk-behind lawn mowers, but are also used in other outdoor power equipment such as pressure washers and wheeled trimmers.[37] SVSEs are built based on OEM forecasts.[38] Walk-behind mowers may be used in both residential and commercial applications.[39] Residential lawn mowers are most commonly used by individual homeowners. Commercial lawn mowers with SVSEs still within the scope of these investigations are typically used by companies and contractors providing lawn maintenance services. Such commercial mowers are typically more durable, include various upgraded parts, and provide a better cut than a typical residential lawn mower.[40] Lastly, due to the price of a replacement SVSE compared to a replacement walk-behind lawn mower of similar quality, there is a very limited market for replacement SVSEs.[41]

[37] Honda lists common applications for its GXV160 engine as "lawn mowers," "commercial lawn and garden equipment," "forestry equipment," "construction/industrial equipment," and "agricultural equipment." Petition, pp. 9, 13; MTD, written testimony (Trumpler), p. 2; Honda Website, https://engines.honda.com/models/model-detail/gxv160#Features, retrieved April 15, 2020. ***

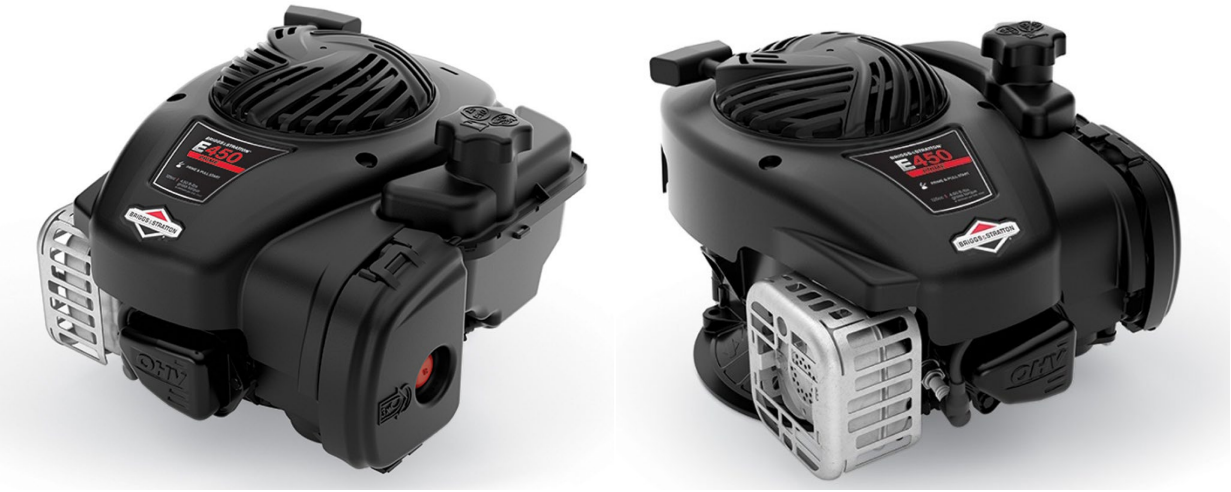
[38] Hearing transcript, p. 128 (Andrews).

[39] Toro website, https://www.toro.com/en/professional-contractor/commercial-mowers/21-heavy-duty-kawasaki-bbc-22298, https://www.toro.com/en/professional-contractor/commercial-mowers/21-heavy-duty-kawasaki-zone-start-22297, and https://www.toro.com/en/professional-contractor/commercial-mowers/21-heavy-duty-hondazone-start-22295, retrieved April 15, 2020; Northern Tool + Equipment Website, https://www.northerntool.com/shop/tools/product_200731984_200731984, retrieved April 15, 2020; Honda Website, https://powerequipment.honda.com/lawn-mowers/models/hrx217vka, retrieved April 15, 2020; Cub Cadet Website, https://www.cubcadet.com/en_US/walk-behind-mowers/push-mowers, retrieved April 15, 2020.

[40] ProGardenTips, "Commercial Lawn Mower Vs Residential Lawn Mower," January 18, 2019, https://www.progardentips.com/commercial-vs-home-use-lawn-mower/ (retrieved April 15, 2020); Backyard Woodshop, "Commercial Lawn Mowers Vs. Home Mowers – What's The Difference?" n.d., https://www.backyardworkshop.com/commercial-lawn-mowers-vs-home/, retrieved April 15, 2020. Respondent Toro's postconference brief, p. 8; emails from Donald Harrison, counsel to Honda, April 23, 2020 and April 24, 2020.

[41] Hearing transcript, p. 138-139 (Coad).

Figure I-1
SVSE: Briggs and Stratton 125 to 140 cc engines



Source: Briggs and Stratton Website, https://www.briggsandstratton.com/na/en_us/product-catalog/engines/push-mower-engines/eseries-engines.html, retrieved April 15, 2020.

SVSEs must comply with and be certified to meet U.S. Environmental Protection Agency ("EPA") air pollution control standards, with the most recent standards coming into effect in 2012.[42] SVSEs covered by the scope of these investigations are almost all EPA class I engines, which are defined as "nonhandheld equipment engines greater than or equal to 100cc and less than 225cc in displacement."[43] These regulations have specific requirements for residential, extended life residential (general purpose), and commercial SVSEs.[44] A commercial SVSE is one "that meets a 500-hour emissions qualification."[45] The engines must meet these standards over the full period of the useful life of the engine.[46] The useful life of these engines is based on five years or the number of hours of operation, whichever comes first.[47] For class I engines, useful life is typically the number of engine operating hours specified in the regulations that most closely matches the expected median in-use life of the engine (table I-3).[48]

[42] Petition, p. 9; The Border Center Website, https://www.bordercenter.org/smallengines.php, retrieved April 13, 2020.

[43] EPA class I engines also include horizontal shaft engines and could include some of the commercial engines excluded from the updated scope of these investigations. EPA Website, https://www.epa.gov/ve-certification/small-nonroad-spark-ignition-engines, retrieved April 15, 2020.

[44] 40 C.F.R. §1054.107.

[45] Petitioner's postconference brief, Exhibit 1, p. 19.

[46] 40 C.F.R. §1054.103.

[47] 40 C.F.R. §1054.107.

[48] 40 C.F.R. §1054.107.

Table I-3
SVSEs: EPA nominal useful life provisions for non-handheld class I engines[49]

Class	Residential	Extended life residential (or general purpose)	Commercial
Class I	125	250	500

Source: 40 C.F.R. §1054.107.

There are a number of different ways that engine power for SVSEs is rated, including displacement, torque, and watts ("W")/kilowatts ("kW").[50] Power measurements are typically done according to Society of Automotive Engineers ("SAE") standards.[51] Displacement is the "intended swept volume of all the engine's cylinders. The swept volume of the engine is the product of the internal cross-section area of the cylinders, the stroke length, and the number of cylinders."[52] Torque is the amount of rotational power that can be created to, in the case of a lawn mower, turn the blades that cut the grass.[53]

Subject SVSEs certified by the EPA for model year 2020 have displacements ranging from 121cc to 224cc. The maximum engine power of certified SVSEs range from 2.0 to 4.6kW.[54] The size and displacement of EPA certified engines is shown in figure I-2. Figure I-3 shows the

[49] Note again that Commerce amended the scope between the preliminary and final phases of these investigations to exclude certain "commercial" or "heavy commercial" engines. See the Commerce's scope section above for more information.

[50] Ratings may also be expressed as net power and gross power. "Net power values are taken with exhaust and air cleaner installed whereas gross power values are collected without these attachments. Actual gross engine power will be higher than net engine power and is affected by, among other things, ambient operating conditions and engine to engine variability." Briggs and Stratton Website, https://www.briggsandstratton.com/na/en_us/support/faqs/browse/engine-horsepower-or-torque-value.html, retrieved April 20, 2020.

[51] Briggs and Stratton Website, https://www.briggsandstratton.com/na/en_us/support/faqs/browse/mower-power-measurement.html, retrieved April 20, 2020; Honda Website, https://hondanews.com/en-US/releases/honda-gcv170-engine-specifications, retrieved April 20, 2020.

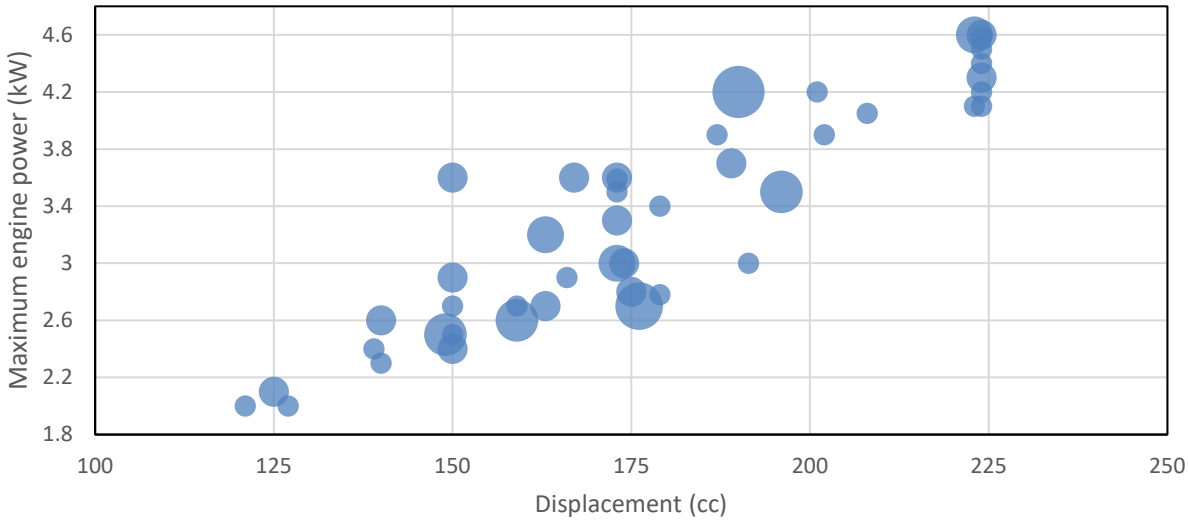
[52] 40 C.F.R. §1054.140.

[53] Williams, Diana K., "Torque Vs. Horsepower in Small Engine Lawn Mowers," *San Francisco Chronicle*, https://homeguides.sfgate.com/torque-vs-horsepower-small-engine-lawn-mowers-87440.html, retrieved November 11, 2020; Briggs & Stratton Website, https://www.briggsandstratton.com/na/en_us/support/faqs/browse/engine-horsepower-or-torque-value.html, retrieved November 11, 2020.

[54] EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small NRSI Engine Certification Data (Model years: 2011 – Present), January 24, 2020, https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment, retrieved April 12, 2020.

range of displacement and maximum engine power for residential, extended life residential, and commercial engines.

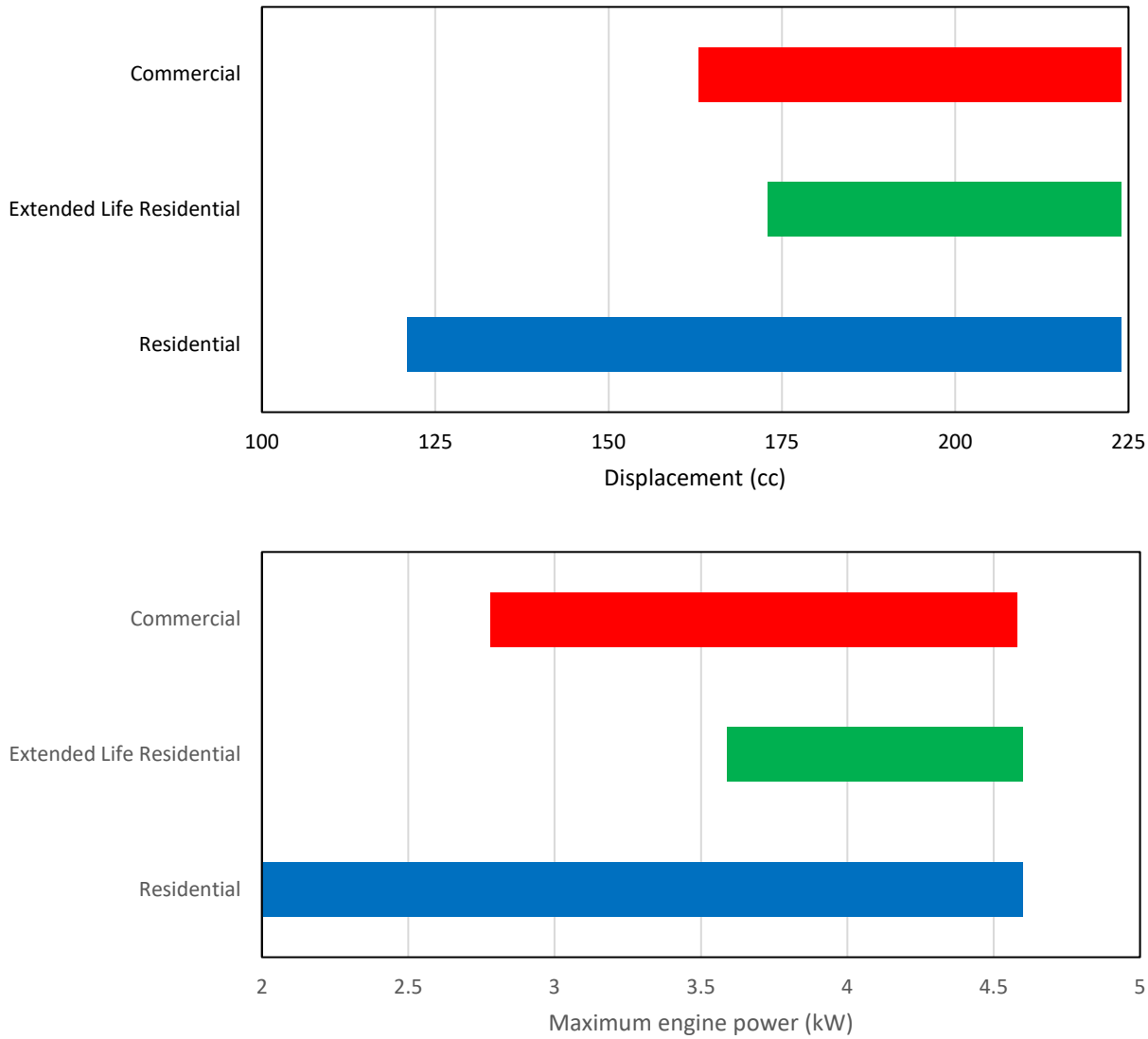
Figure I-2
SVSEs: Displacement and power of EPA certified SVSEs, model year 2020



Note: Size of the bubble is proportional to the number of engines with the same displacement and power.

Source: EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small nonroad spark-ignition ("NRSI") Engine Certification Data (Model years: 2011 – Present), January 24, 2020, https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment, retrieved April 12, 2020.

Figure I-3
SVSE: Range of displacement (top) and power (bottom) of EPA certified SVSE, by type, model year 2020

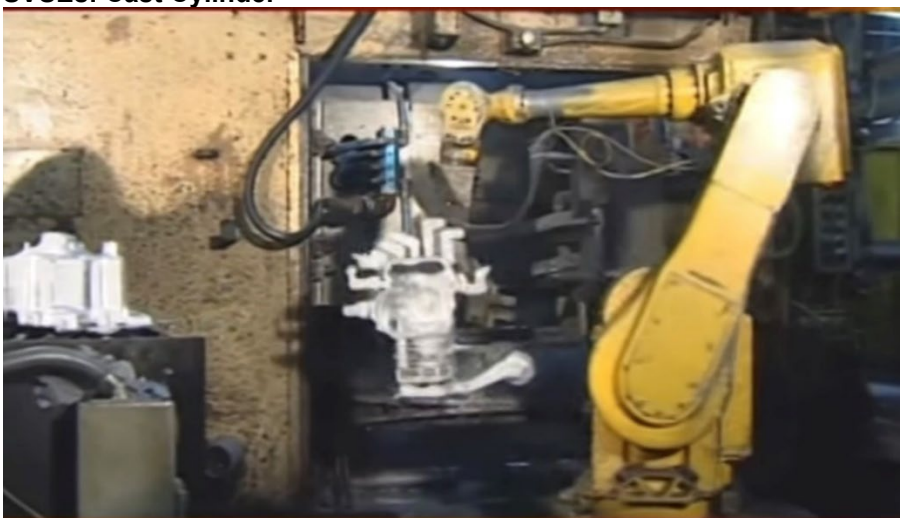


Source: EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small NRSI Engine Certification Data (Model years: 2011 – Present), January 24, 2020, https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment, retrieved April 12, 2020.

Manufacturing processes[55]

The manufacturing process for SVSEs is a continuous and lengthy operation, consisting of five production stages: (1) casting major components; (2) machining the components; (3) assembling the short block; (4) assembling the long block; and (5) finishing. The first two stages are casting and machining. The process begins by casting (figure I-4) various major cast iron and aluminum components (i.e. the crankcases, cylinder heads, oil pans, crankshafts, camshafts, balance shafts, connecting rods, pistons, and flywheels) that make up the predominant parts of the engines. Most of the parts in engines are made of aluminum, so that they do not get too heavy. Some engine producers are vertically integrated such that this is done using their own aluminum cast houses and iron foundries, while others use external foundries.

Figure I-4
SVSEs: Cast Cylinder



Source: "How Lawnmower Engines are Made," Aug 10, 2015, https://www.youtube.com/watch?v=uBPbSUUkTck, retrieved November 12, 2020

After casting, these major iron and aluminum components are machined. Machining involves milling, turning, drilling, boring, grinding, honing, deburring, balancing, and washing, as well as any other step required to transform the casted parts into useable engine components. Most SVSE manufacturers perform the machining of these components "in-house," while others source completed components from external machine shops, either entirely or to complement their in-house machining capabilities. The number and type of parts that are machined in-house may vary from one producer to the next. Any scrap collected from the machining process is generally sold and offset against the purchase price of the casting.

[55] Unless otherwise noted, this section is from Petition, pp. 7–9; and "How Lawnmower Engines are Made," Aug 10, 2015, https://www.youtube.com/watch?v=uBPbSUUkTck, retrieved April 12, 2020.

After casting and machining, the primary assembly process occurs on an assembly line. Most of the major cast iron and aluminum components produced in the prior two steps (including the engine crankcase, oil pan, crankshaft, camshaft, balance shafts, connecting rods, and pistons (figures I-5 and I-6) creates the "short block" subassembly. Additional smaller minor parts – such as rings, gaskets, bolts, screws, springs, governor gears, and washers – are added to the machined parts to complete this stage of the assembly process in order to complete the short block. Some of these minor parts are made by the SVSE manufacturers, while others are sourced as completed parts from various suppliers. During the assembly of the short block, many processes and many different types of critical assembly equipment are used to ensure quality, reliability, and durability of the core of the engine. In addition, numerous in process quality checks take place. The assembly process then continues by adding the valvetrain, cylinder heads, valve covers, and breather system components to the short block to create the "long block" assembly (figure I-7).

Figure I-5
SVSEs: Crank shaft assembly inserted into the cylinder box

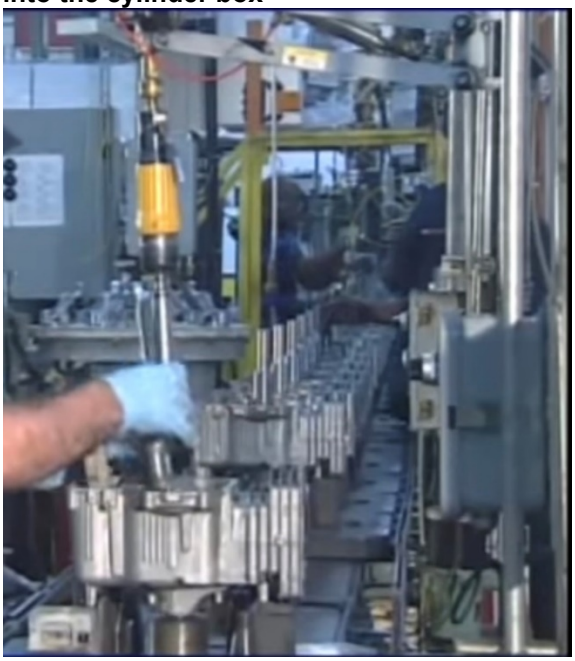
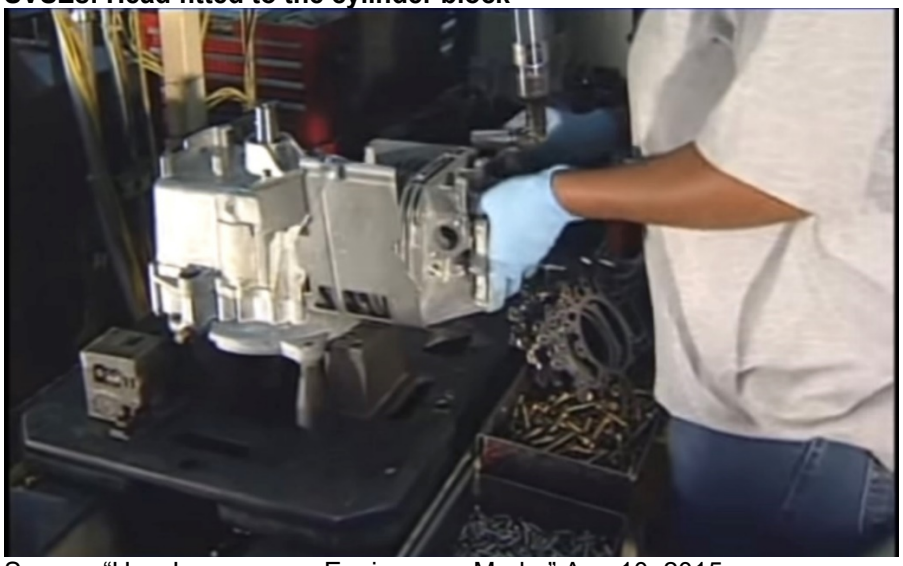


Figure I-6
SVSEs: Piston installed into the cylinder

Source: "How Lawnmower Engines are Made," Aug 10, 2015, https://www.youtube.com/watch?v=uBPbSUUkTck, retrieved November 12, 2020.

Figure I-7
SVSEs: Head fitted to the cylinder block



Source: "How Lawnmower Engines are Made," Aug 10, 2015, https://www.youtube.com/watch?v=uBPbSUUkTck, retrieved November 12, 2020.

The final phase of the assembly process requires adding the remaining engine parts to create a finished engine. These additional components include an intake manifold, carburetor, starter, flywheel, spark plugs, ignition modules, cooling fan, and any other component required to power the engine and meet emissions requirements. Moreover, various testing occurs to ensure quality control and EPA compliance. The testing process entails providing fuel, oil, and a rotating mechanism to start the engine. The testing process also involves setting speeds, checking safety shutdowns, and verifying that no leaks or abnormal operations are present. Moreover, various testing occurs to ensure quality control and EPA compliance. In additional to numerous internal testing and quality control, all engines covered by the scope of these SVSE investigations should also comply with and be certified under the EPA air pollution controls title 40, chapter I, subchapter U, part 1054 of the Code of Federal Regulations standards for small non-road spark-ignition engines and equipment.[56] There is also an additional certification required for engines in California set forth by the California Air Resources Board and, in general, engines are certified to meet both sets of regulations.[57] SVSEs that do not pass the quality testing process are either immediately reworked, added to a queue of repair engines, or scrapped, depending on the defect. SVSEs that pass all inspections and requirements are moved to packaging, where they are prepared for shipment depending on customer needs.

[56] Petition p. 9. However, engines that otherwise meet the physical description of the scope but are not certified under 40 CFR part 1054 and are not certified under other parts of subchapter U of the EPA air pollution controls are not excluded from the scope.

[57] Hearing transcript, p. 301-302 (Krueger & Buenz).

After packaging, SVSEs are either shipped to a customer directly or stored for future shipments. ***.[58]

Domestic like product issues

During the preliminary phase of these investigations, the petitioner proposed a domestic like product coextensive with the scope of these investigations.[59] Respondent Toro argued that the Commission should find that mounted SVSEs constitute a separate domestic like product from unmounted SVSEs. Toro argued that this was because unmounted and mounted engines were different products with different uses and characteristics. Additionally, Toro argued that the Commission should consider SVSEs for commercial applications to constitute a domestic like product that is separate from other merchandise described in the scope of the investigations. Toro argued that commercial engines have distinct physical characteristics because they are produced using higher-quality, more expensive materials and processes.[60] In regard to commercial engines, between the Commission's preliminary and final phases of these investigations, Commerce amended its scope language to exclude "'Commercial' or 'Heavy Commercial' engines under 40 CFR 1054.107 and 1054.135 that have (1) a displacement of 160 cc or greater, (2) a cast iron cylinder liner, (3) an automatic compression release, and (4) a muffler with at least three chambers and volume greater than 400cc."[61]

In its comments on the Commission's final phase draft questionnaires, Toro stated that it remained of the view that mounted SVSEs constitute a separate domestic like product.[62] During the hearing, Toro again argued that the Commission should find that mounted SVSEs constitute a separate domestic like product. Toro argued that SVSEs and mounted SVSEs are not the same product because installing an engine into the body of outdoor power equipment produces a new and distinct product: a walk-behind mower or a power washer. Toro argued that purchasers either buy an SVSE or a piece of outdoor power equipment.[63]

[58] Petition, p. 9.
[59] Petition, p. 13.
[60] Toro's postconference brief, pp. 4-8.
[61] 85 FR 52086, August 24, 2020.
[62] Toro Comments on USITC Final Phase Draft Questionnaires dated August 19, 2020, p. 5.
[63] Hearing transcript, p. 208 (Sparks).

Part II: Conditions of competition in the U.S. market

SVSEs are used in gas-powered walk-behind lawn mowers, as well as pressure washers and other outdoor power equipment.[1] The U.S. market for gas-powered mowers has generally declined in recent years, as sales of battery-powered mowers have increased, although there was an increase in both gas-powered and battery-powered walk-behind lawn mower shipments in 2020.[2]

The U.S. SVSEs market is supplied by two domestic producers, Briggs & Stratton and Honda, as well as imported product.[3] Briggs & Stratton is the larger of the two U.S. producers, accounting for *** of U.S. production in 2019. Honda generally serves the higher end of the SVSEs market with a higher performance product that is not suitable for all market segments.[4] Importers include firms that import SVSEs for resale, firms that import SVSEs for production of outdoor power equipment, and firms that import SVSEs mounted on equipment. Some importers perform more than one of these roles. Two importers, *** and ***, accounted for most subject imports during the period. ***. ***. The share of mounted engine imports varied over the period, ranging from about *** percent of subject imports in 2017 to about *** percent in 2019 (see part IV).

Most unmounted SVSEs are sold to the OEMs that manufacture mowers and other outdoor power equipment. OEMs, in turn, sell their mowers to major home center retailers,

[1] Petition, p. 16. ***.

[2] See demand trends discussion later in this section.

[3] In part II, Honda Power and American Honda will generally be referred to as "Honda." ***.

[4] Respondent Toro preliminary testimony, Buenz, p. 3. MTD's posthearing brief, Exhibit 1, pp. 48-49. ***. Petitioner's postconference brief, Answers to Questions, p. 14.

such as Home Depot, Lowe's, and Walmart, as well as to dealers.[5] Retailers decide which mowers and engines are promoted, can influence the engine selection for particular mowers, and may offer warranties or service packages on their mowers which require the services of the engine producer.[6]

During the period, the OEM market was concentrated among a very small number of manufacturers, including Husqvarna, MTD, and Toro.[7] Husqvarna announced in 2018 that it would leave the consumer lawn mower market and in June 2019, it closed its McRae, Georgia production facility, where these lawn mowers were produced.[8] The major OEMs source SVSEs from multiple producers including U.S. producers and Chinese producers. MTD, which stated that it is the largest U.S. producer of walk-behind lawnmowers, purchases SVSEs from both of the U.S. producers as well as from Chinese producer Zongshen, with which MTD has a joint development agreement for SVSEs.[9] Toro purchases SVSEs from U.S. producers Briggs & Stratton and Honda, as well as from Chinese producers.[10]

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[5] Petition, p. 15. Petitioner preliminary testimony, Rodgers, p. 8.

[6] Petition, p. 15.

[7] Petitioner's postconference brief, Responses to Questions, p. 9. ***. Among the largest importers, ***.

[8] "Husqvarna shifts focus to new technology," *Lawn and Landscape*, September 18, 2018, https://www.lawnandlandscape.com/article/ll-091818-husqvarna-focus-on-technology/, retrieved February 8, 2021.

[9] MTD brands include Cub Cadet, Troy Bilt, Remington, and Yard Machines, and it also has private labels under the Craftsman and DeWalt names. MTD purchases SVSEs primarily for use in the manufacture of walk-behind lawn mowers, as well as wheeled string trimmers and one smaller-sized riding mower. Hearing transcript, pp. 177-182 (Moll), MTD's posthearing brief, Exhibit 1, p. 45.

MTD reported that under its agreement with Zongshen to develop engines that are individually optimized for MTD's product, MTD supports product development, engineering, and quality assurance, and assists with compliance testing and certification to U.S. standards, including EPA emission standards. It stated that the engines it obtains from China are equivalent in quality and cost to Briggs & Stratton's engines. It reported that with its own engines it has more control of quality, warranty and consumer experience/satisfaction, and these engines are not directly interchangeable with petitioner's engines. Respondent MTD preliminary testimony, Trumpler, pp. 3-6.

[10] Hearing transcript, pp. 197-198 (Buenz).

In addition to producing SVSEs, both Briggs & Stratton and Honda also manufacture outdoor power products that use these engines. ***.[11]

*** U.S. producers and four importers reported changes in the marketing or product range of SVSEs since 2017. *** reported an increase in consumer-focused battery powered lawn mowers and ***. ***. ***.[12]

Overall, apparent U.S. consumption in 2019 was *** percent lower than in 2017, decreasing by *** percent from 2017 to 2018 and decreasing by *** percent from 2018 to 2019. In January-September 2020, apparent consumption was *** percent lower than in interim 2019.[13]

[11] On March 6, 2020, Briggs & Stratton "announced that it would divest much of the products business, which is the group within Briggs & Stratton that makes and markets branded mowers." Petitioner's postconference brief, Answers to Questions, pp. 13-14. ***. Petitioner's posthearing brief, Exhibit 1, p. 44. ***. Petitioner's posthearing brief, Exhibit 1, p. 59.

[12] ***.

[13] These apparent U.S. consumption data have been calculated using U.S. importers' U.S. shipments from subject and nonsubject sources, which is the methodology typically used by staff. See appendix F for alternate apparent U.S. consumption data using U.S. imports rather than U.S. shipments of U.S. imports.

Impact of Section 301 tariffs

As discussed in part I, various products subject to these investigations have been subject to Section 301 tariffs beginning in August and September 2018, although exclusions were granted in July, September, and October 2019. These exclusions expired on December 31, 2020. In addition, certain imports from China of downstream products with mounted engines (such as pressure washers) and upstream products (engine components) have also been subject to Section 301 tariffs.

*** U.S. producers, 8 of 14 responding importers, and 3 of 6 purchasers reported that Section 301 tariffs had an impact on the U.S. SVSEs market. Three importers ***, and one purchaser reported that they did not know if the Section 301 tariffs had an impact, and three importers and two purchasers reported no impact. Firms' reported impacts of the Section 301 tariffs on overall U.S. demand, supply, prices, and raw material costs are shown in table II-1. Some firms reported that the tariffs decreased the supply of imports from China, increased prices of SVSEs, and/or increased raw material costs for SVSEs.

Table II-1
SVSEs: Impact of Section 301 tariffs

	U.S. producers				U.S. importers				U.S. purchasers			
Country pair	I	NC	D	F	I	NC	D	F	I	NC	D	F
U.S. supply	***	***	***	***	1	7	---	1	1	2	---	---
China supply	***	***	***	***	---	5	5	---	---	2	1	---
Other country supply	***	***	***	***	2	7	---	---	1	2	---	---
Prices	***	***	***	***	5	4	---	1	3	---	---	---
U.S. demand	***	***	***	***	---	8	1	1	---	3	---	---
Raw material costs	***	***	***	***	4	4	---	2	2	1	---	---

Note: I=increased, NC=no change, D=decreased, F=fluctuated.

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

***. Importer *** reported a shift of finished goods (***) assembly from China to other countries. Importer *** reported a slowing of imports but added that the tooling for its downstream products *** is still in China. Firms' reported impacts of the Section 301 tariffs on raw material costs are discussed in Part V.

MTD and Toro both stated that SVSEs used to produce lawn mowers were eligible for agricultural exemptions from Section 301 tariffs and that neither firm ever paid Section 301 tariffs on these engines.[14]

U.S. purchasers

The Commission received seven usable questionnaire responses from firms that had purchased SVSEs during January 2017-September 2020.[15] [16] Six responding purchasers are OEMs and two are distributors.[17] The largest purchasers of SVSEs, by descending order of reported 2019 purchases and imports, were ***, ***, ***, and ***.[18] ***.[19]

[14] Hearing transcript, p. 223 (Schaeffer), p. 230 (Stoel), and p. 240 (Buenz).

[15] The following firms provided purchaser questionnaire responses: ***.

[16] All seven responding purchasers purchased domestic SVSEs, six purchased imports of SVSEs from China, and two reported purchasing imports of SVSEs from other sources.

[17] ***.

[18] Shares are based on total purchases and imports reported in purchaser questionnaire responses. Purchaser responses were equivalent to *** percent of apparent U.S. consumption in 2019. Internal consumption by the two U.S. producers accounted for an additional *** percent of apparent U.S. consumption.

[19] ***. After Husqvarna announced it was exiting production of these mowers, ***. Petitioner's posthearing brief, Exhibit 1, p. 36. ***. MTD's posthearing brief, p. 5.

All seven purchasers reported purchasing unmounted engines. Four purchasers also reported importing mounted engines. ***.[20] ***. ***. ***. ***.

Five of the seven purchasers (***) reported competing with their engine suppliers, particularly Briggs & Stratton and Honda, for sales of mowers, pressure washers, and other lawn and garden products. ***.

Channels of distribution

Unmounted SVSEs are mostly sold to OEMs that produce walk-behind lawn mowers and other outdoor power equipment. During 2017-19, more than *** percent of U.S. producers' and importers' U.S. shipments of unmounted SVSEs were to OEMs, with a slightly lower share of unmounted import shipments going to OEMs in interim 2020 (table II-2). Lawn mowers, pressure washers, and other outdoor power equipment that are imported with the engine already mounted are typically sold to retailers and dealers of outdoor equipment.

[20] ***.

Table II-2
SVSEs: U.S. producers' and importers' U.S. shipments of unmounted engines, by sources and channels of distribution, 2017-19, January-September 2019, and January-September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Share of U.S. shipments (percent)				
U.S. producers: to Distributors or dealers	***	***	***	***	***
to OEMs	***	***	***	***	***
U.S. importers: China to Distributors or dealers	***	***	***	***	***
to OEMs	***	***	***	***	***
U.S. importers: Nonsubject to Distributors or dealers	***	***	***	***	***
to OEMs	***	***	***	***	***
U.S. importers: All import sources to Distributors or dealers	***	***	***	***	***
to OEMs	***	***	***	***	***

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

Geographic distribution

U.S. producers and subject importers reported selling SVSEs to all U.S. regions (table II-3). For U.S. producers, *** percent of shipments were between 101 and 1,000 miles of their production facility and *** percent were over 1,000 miles. Importers sold 10 percent within 100 miles of their U.S. point of shipment, 67 percent between 101 and 1,000 miles, and 23 percent over 1,000 miles.

Table II-3
SVSEs: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Importers
Northeast	***	6
Midwest	***	8
Southeast	***	9
Central Southwest	***	7
Mountain	***	5
Pacific Coast	***	6
Other	***	2
All regions (except Other)	***	5
Reporting firms	2	11

Note: All other U.S. markets, including AK, HI, PR, and VI.

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

Supply and demand considerations

U.S. supply

Table II-4 provides a summary of the supply factors regarding SVSEs from U.S. producers and from China. U.S. producers ship SVSEs mainly to the U.S. home market, whereas Chinese producers reported a smaller share of shipments to the Chinese home market. U.S. capacity was more than double reported Chinese capacity during the period. U.S. producers and Chinese producers both reported much lower capacity utilization in 2019 than in 2017.

Table II-4
SVSEs: Supply factors that affect the ability to increase shipments to the U.S. market

Item	Capacity (1,000 units)		Capacity utilization (percent)		Inventories as a ratio to total shipments (percent)		Shipments by market in 2019 (percent)		Able to shift to alternate products
	2017	2019	2017	2019	2017	2019	Home market shipments	Exports to non-U.S. markets	No. of firms reporting "yes"
United States	***	***	***	***	***	***	***	***	1 of 2
China	***	***	***	***	***	***	***	***	1 of 3

Note: Responding U.S. producers accounted for all of U.S. production of SVSEs in 2019. Responding foreign producer/exporter firms accounted for virtually all of U.S. imports of SVSEs from China during 2019. For additional data on the number of responding firms and their share of U.S. production and of U.S. imports from China, please refer to Part I, "Summary Data and Data Sources."

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

Domestic production

Based on available information, U.S. producers of SVSEs have the ability to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced SVSEs to the U.S. market. The main contributing factors to this degree of responsiveness of supply is the availability of unused capacity and some ability to shift shipments from alternate markets, but a limited ability to shift production to or from alternate products.

U.S. producers' capacity *** from 2017 to 2019, and *** production declined in each year, and thus capacity utilization declined in each year. Briggs & Stratton reported that its export markets were ***

***.[21] ***. ***.

Subject imports from China

Based on available information, responding Chinese producers of SVSEs have the ability to respond to changes in demand with large changes in the quantity of shipments of SVSEs to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity, some ability to shift shipments from alternate markets, and some ability to shift production to or from alternate products.

Responding foreign producers' capacity increased from 2017 to 2018, decreased in 2019, and was projected to be higher than 2018 levels in 2020. Production increased from 2017 to 2018 but was lower in 2019 than in 2017. Capacity utilization declined from *** percent in 2017 to *** percent in 2019. ***. ***.

Imports from nonsubject sources

Nonsubject imports were reported from Japan and ***. Nonsubject imports accounted for *** percent of total U.S. import quantity in 2019, up from *** percent in 2018. No imports of SVSEs from nonsubject countries were reported in 2017. ***. ***.[22]

[21] ***. Petitioner's posthearing brief, Exhibit 1, p. 74.

[22] ***.

Supply constraints

Most firms (*** U.S. producers, 10 of 13 importers, and 4 of 7 purchasers) reported no supply constraints. However, several firms, including four OEMs (***) and *** did report constraints, particularly beginning in 2020. ***. *** reported that Honda and Briggs & Stratton have not been able to commit to meeting its production requests for the 2020-21 build season, and that ***.[23] *** reported that since the AD/CVD investigations, it has been unable to supply all of its customers because Briggs & Stratton cannot supply enough engines to meet its requirements. *** reported that Honda had supply constraints because of COVID-19 and that Briggs & Stratton had supply constraints because of a limited supply of components. *** reported that ***. *** stated that most of the several instances of limited supply have had a relatively low impact. However, very recently there have been acute shortages which have had a major impact on ***. *** that both Honda and Briggs & Stratton have announced that they have supply constraints, ***.[24]

[23] ***.

[24] MTD stated that, "Briggs' shutdown of its SVSE production and continued supply problems throughout 2020 led it to short MTD by approximately *** for model-year 2020 and it is projected that MTD will be shorted another *** for model-year 2021." MTD's posthearing brief, Exhibit 1, p. 46.

New suppliers

All but one responding purchaser indicated that no new suppliers have entered the U.S. market since January 1, 2017. *** reported that new suppliers from Vietnam have entered the market.

U.S. demand

Based on available information, the overall demand for SVSEs is likely to experience small-to-moderate changes in response to changes in price. The main contributing factors are the lack of direct substitute products (although electric-powered equipment is a downstream substitute) and the moderate cost share of SVSEs in its end-use products.

End uses and cost share

U.S. demand for SVSEs depends on the demand for gas-powered walk-behind lawn mowers, pressure washers, and other outdoor power equipment. SVSEs generally account for a moderate share of the cost of outdoor power equipment. Firms reported a wide range of cost shares for SVSEs in non-commercial walk-behind lawn mowers, ranging from 13 to 75 percent, with differing shares often depending on the type of mower.[25] Firms reported cost shares for SVSEs in pressure washers of 29 to 60 percent.[26] Cost shares reported for SVSEs in other outdoor powered equipment included: aerator-3 percent, power wagon-9 percent, stump grinder/log splitter-20 percent, and trimmer-27 percent.

Business cycles

The market for SVSEs is seasonal, based on the demand for landscape services for residential lawns, as well as the demand for pressure washers and other outdoor powered equipment. OEMs generally make most of their engine purchases in early winter, and consumers make most of their lawn mower purchases in spring and early summer.[27] MTD starts

[25] *** reported an average cost share of 30 percent in mowers. *** reported a cost share of 25 percent in consumer walk-behind mowers. *** reported cost-share estimates of 53 percent in push mowers, 38 percent in self-propelled mowers, and 15 percent in ***. *** reported a cost share of 13 percent in wide area mowers. *** reported costs shares of 60 percent in walk power mowers and 33 percent in walk-behind mowers. *** and *** reported a cost share of 75 percent in mowers.

[26] ***.

[27] Petition, p. 17.

producing lawn mowers in the fall to be prepared for the next selling season in the spring of the following year.[28]

Most responding firms (*** responding U.S. producers, 12 of 13 importers, and 4 of 6 purchasers) indicated that the SVSE market was subject to business cycles. Firms reported seasonal sales for SVSEs with most sales in the fall or winter for OEMs' production in winter and early spring to support sales of mowers, pressure washers, and other outdoor equipment to consumers in spring and early summer. *** reported that 70 percent of its pressure washer sales occur in a 3-month period and *** stated that April and May were the peak months for its pressure washer sales. Firms also reported that weather conditions, including rainfall, affects annual demand for SVSEs.

Most firms (*** responding U.S. producers, 7 of 13 importers, and 3 of 6 purchasers) indicated that the market was not subject to other distinct conditions of competition. Distinct conditions reported by some importers and purchasers included the Section 301 tariffs, the small number of U.S. engine producers and small number of lawn mower manufacturers, and an inability of U.S. producers to meet demand for SVSEs. *** stated that Honda has limited capacity to produce SVSEs, that Briggs & Stratton is vertically integrated;[29] that only Toro and MTD produce consumer retail lawn mowers; and that most consumer lawn mowers are sold through retailers Home Depot and Lowe's. *** stated that domestic producers' inability to meet its demand has forced it to look to foreign suppliers to ensure reliable supply, and that Honda had limited ***. *** stated that domestic engines are priced higher than Chinese engines because of the value of the U.S. producers' brand names, customer service networks, and warranties. *** reported that distinct conditions include rebates provided by U.S. producers to retailers, U.S. producers' marketing of gross torque instead of displacement or net torque (which it claims is deceptive to consumers); direct competition in finished goods from certain domestic engine suppliers; purchase timing; cyclical business; and the need for advance planning due to the need to comply with regulatory requirements (e.g., EPA certifications and testing).

[28] Hearing transcript, p. 236 (Griffin). MTD stated that it orders about 80 percent of its engines in the spring and early summer for delivery in the late summer and early fall. It then builds mowers during the fall and winter, with a goal of having *** percent of its estimated mower requirements ready in inventory by mid-January. MTD's posthearing brief, p. 33.

[29] ***.

Some firms reported changes to the conditions of competition during the period. *** cited growth in battery-operated and robotic mowers, increased consumer desirability of engines branded with the same name as the mower, and increased popularity of professional lawn care services (although it stated this trend has temporarily reversed during the COVID-19 pandemic). *** stated that changes included Husqvarna's decision to exit the walk-behind lawn mower market and the Sears' bankruptcy, which have further consolidated the number of lawn mowers OEMs and retailers.

Demand trends

U.S. demand for SVSEs is driven largely by demand for walk-behind mowers, which is driven by the need for residential lawn landscaping services, which is in turn, driven by new and existing homes sales.[30] According to ***, overall U.S. shipments of consumer gasoline-powered walk-behind mowers declined from 2017 to 2019 (with a *** percent decline in 2018 and an *** percent decline in 2019) but were projected to increase by *** percent in 2020 before declining again in 2021 by *** percent.[31] The declines in 2018 and 2019 were a result of overall declines in shipments of consumer walk-behind rotary mowers combined with growth in shipments of electric walk-behind mowers.[32] In 2020, overall shipments of walk-behind mowers were projected to increase by *** percent, with growth in shipments of both gasoline (*** percent) and electric (*** percent) mowers.

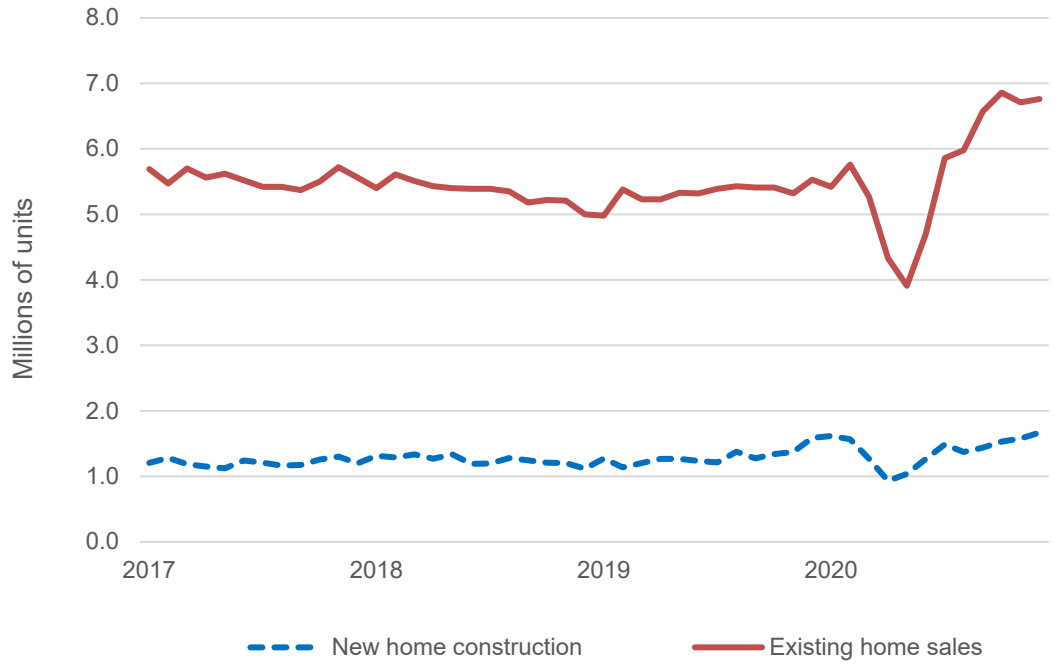
[30] Petition, p. 17.

[31] Gasoline-powered walk-behind mower shipments were *** units in 2017, *** units in 2018, *** units in 2019, and were projected to be *** units in 2020 and 2021. ***. ***.

[32] Electric walk-behind mower shipments grew to *** percent of U.S. shipments of consumer walk-behind mowers in 2019 and were projected to comprise *** percent of 2020 shipments. Electric walk-behind mower shipments experienced growth of *** percent in 2018 and *** percent in 2019 and was projected to grow by *** percent in 2020. Shipments of electric walk-behind mowers were *** units in 2017, nearly *** units in 2018; *** units in 2019; and were projected to grow to *** units in 2020. ***. ***. ***

New and existing home sales drive demand for walk-behind lawn mowers.[33] Overall, the number of new privately-owned housing units started increased by 31.1 percent between January 2017 and September 2020 and existing home sales increased by 15.5 percent over the same period (figure II-2).

Figure II-2
Housing: New privately-owned housing units started and existing home sales, seasonally adjusted, monthly, January 2017-December 2020



Source: Census Bureau, https://www.census.gov/construction/nrc/index.html, and National Association of Realtors, http://www.realtor.org/topics/existing-home-sales.

Firms provided mixed responses concerning U.S. demand for SVSEs since January 1, 2017 (table II-5). Several firms pointed to a long-term downward trend in demand for SVSEs as gas-powered equipment is being replaced by battery-powered equipment and consumers increasingly using lawn services rather than purchasing walk-behind lawn mowers,[34] although several firms described a temporary increase in demand in 2020 because of COVID-19 stay-at-home orders.

[33] Petition, p. 17.

[34] *** reported that, in 2020, demand for professional lawn services were "impacted by the recession, and some loss of business has occurred as some 'stay at home' consumers decide to do more of their yard work on their own." ***

Table II-5
SVSEs: Firms' responses regarding U.S. demand and demand outside the United States

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand inside the United States: U.S. producers	1	---	1	---
Importers	4	2	3	3
Purchasers	1	---	2	3
Demand outside the United States: U.S. producers	---	---	1	---
Importers	2	2	3	2
Purchasers	---	---	2	2
Demand for end use product(s): Purchasers	1	1	---	3

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

Briggs & Stratton stated that demand for SVSEs used in walk-behind mowers was generally weak because of the following factors: homeowners increasingly using professional lawncare services, competition from electric and battery powered mowers, the 2018 bankruptcy of Sears (which traditionally was a significant retailer whose advertising drove demand for walk-behind lawn mowers), and the exit of Husqvarna from the gas powered walk-behind mower market.[35] It also stated that, in 2019, weak demand because of poor weather conditions, increased competition from electric mowers, and the departure of Husqvarna and Sears from the market led to inventory draw downs.[36]

*** stated that demand for SVSEs for pressure washers did not change but importer *** stated that gas pressure washers have slowly lost market share to electric pressure washers (with about a 2 percent market share loss per year). *** reported an uptick in demand for SVSEs after the first half of 2020 because of the COVID-19 pandemic and stay-at-home orders but stated that demand has generally been declining since 2017. *** reported a decrease in demand related to both a decline in the overall market of walk-behind mowers and an increase in electric mowers.

*** reported decreased demand for SVSEs, citing increased demand for battery-powered outdoor power equipment instead of gas-powered outdoor equipment as longer battery life equipment becomes available at lower prices, that robotic technology is making inroads into the lawnmower market, and that increased emissions regulations, such as California's intention to eliminate gas engines by 2026, are driving decreased demand for gas-

[35] Petitioner preliminary testimony, Rodgers, p. 5. Petitioner's postconference brief, p. 7.
[36] Hearing transcript, p. 38, 104 (Coad) and p. 41 (Harrison).

powered equipment. *** added that with the exit of Husqvarna from the residential lawn mower market and Sears' bankruptcy, low-cost imported lawnmowers (including Chinese lawnmowers with Briggs & Stratton engines) have gained market share in the United States from domestic lawn mower manufacturers at the entry level consumer price points. It also stated that consumers are increasingly using lawn services, which has also decreased demand for walk-behind lawnmowers, although COVID-19 has temporarily increased demand for consumer lawn mowers.

Firms reporting demand growth include ***, which stated its business has grown due to the "home as a sanctuary" trend and ***, which stated that the COVID-19 pandemic has boosted its sales of pressure washers. *** pointed to the increase in the housing market as a reason for increased demand. *** reported growth in its sales of pressure washers, and *** cited growth in the walk-behind mower market.

Regarding demand outside of the United States, firms reported decreased demand in Europe and Canada because of increased use of battery-powered products. *** stated that demand outside the United States for SVSEs used in walk-behind lawn mowers had decreased but that demand for SVSEs used in pressure washers had not changed. *** reported decreased demand in Europe for SVSEs as battery products replace gas products. *** reported that Europe has experienced a significant decline in demand for gas-powered lawnmowers as they are replaced by battery and robotic lawnmowers, for which prices have come down as technology advances, and that Canada has also followed these trends. It added that changing weather patterns in certain regions such as Europe and Australia, have negatively impacted demand for walk-behind lawnmowers and SVSEs.

Substitute products

Direct substitutes for SVSEs are limited; however, there is some substitution in downstream products. Firms had mixed responses regarding whether there were substitutes for SVSEs. *** U.S. producers, 5 of 13 importers, and 3 of 6 purchasers reported that there were substitutes for SVSEs. Firms reported that battery-powered and corded electric walk-behind mowers were substitutes for gas-powered mowers, that battery-powered equipment could also be substituted in other gas-powered outdoor equipment that use SVSEs, and that horizontal engines can be substituted in pressure washers.

No U.S. producers, three importers (***), and two purchasers (***) reported that changes in the prices of substitutes had affected prices of SVSEs. *** and *** stated that increased demand and falling prices of battery-powered mowers have put downward pressure on pricing and demand for gas-powered engines. *** cited

OPEI data that electric walk-behind mower sales increased by nearly 40 percent and that gasoline powered walk-behind mower sales declined by 13 percent from 2017 to 2019, and stated that as a result of declining demand for gasoline walk-behind mowers, *** imports of SVSEs declined by ***.

Substitutability issues

The degree of substitution between domestic and imported SVSEs depends upon such factors as relative prices, quality (e.g., grade standards, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, reliability of supply, product services, etc.). Based on available data, staff believes that there is a moderate degree of substitutability between domestically produced SVSEs and SVSEs imported from China. Factors limiting substitutability include engine features and specifications, supplier relationships, the importance of having multiple sources, and engine selections for equipment models which can last for a year or longer. For imports of mounted engines, OEM factory locations and supply chains may limit the short-term substitution of the engines.

Lead times

***.[37] Briggs & Stratton reported that its lead times average *** days. Honda reported that ***, with lead times of *** days.

Importers reported that most sales were from U.S. inventories, with lead times of one week or less.[38] ***. Importers (*** reported lead times of 90 to 100 days for produced-to-order product from China. MTD reported that lead times from China are typically *** days but that lead times have recently varied widely because of shipment disruptions

[37] Petitioner's postconference brief, Answers to Questions, p. 20, Email from Petitioner, April 16, 2020.

[38] These data do not include imports by firms that do not resell engines (including ***).

related to COVID-19 and extreme weather.[39] MTD stated that Briggs & Stratton's lead times had previously been *** days but had increased to about *** days.[40]

Knowledge of country sources

All seven responding purchasers indicated they had marketing/pricing knowledge of domestic product, seven of product imported from China, and three of nonsubject countries. As shown in table II-6, most purchasers and their customers sometimes or never make purchasing decisions based on the producer or country of origin. Of the two purchasers that reported that they always make decisions based on the manufacturer, engine dealer *** only sells Honda products and *** purchases from U.S. producer Honda. *** answered that it usually makes decisions based on the manufacturer, explaining that it requires multiple sources to assure reliability of supply.

Table II-6
SVSEs: Purchasing decisions based on producer and country of origin

Purchaser/customer decision	Always	Usually	Sometimes	Never
Purchaser makes decision based on producer	2	1	3	1
Purchaser's customers make decision based on producer	2	1	3	1
Purchaser makes decision based on country	1	---	2	4
Purchaser's customers make decision based on country	---	---	2	5

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

Factors affecting purchasing decisions

The most often cited top three factors firms consider in their purchasing decisions for SVSEs were availability/reliability of supply/lead time (6 firms), quality (4 firms), and brand (3 firms) as shown in table II-7. Quality was the most frequently cited first-most important factor (cited by 3 firms), followed by availability/reliability/lead time and brand (2 firms each). Price was listed as a top three factor by two of the seven responding purchasers (***). *** listed factors but also stated that purchase decisions are complex and that it is not possible to describe its decision process with a list of specific factors in a specific rank order.

The majority of purchasers (5 of 7) reported that they sometimes purchase the lowest-priced product. One purchaser (***) reported it

[39] MTD's inventories are held for an average of *** days. MTD's posthearing brief, Exhibit 1, pp. 7, 19, 42.

[40] MTD's posthearing brief, Exhibit 1, p. 42.

always purchases the lowest-priced product, and one purchaser (***, a distributor of Honda engines, never purchases the lowest-priced product.

Table II-7
SVSEs: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor

Item	First	Second	Third	Total
	Number of firms			
Availability/ reliability/ lead time	2	2	3	6
Quality	3	1	---	4
Brand	2	1	---	3
Price	---	1	1	2
All other factors	2	1	2	5

Note: Other factors include collaborative partnership and power for first factor; breadth of assortment for second factor; and meet purchaser specifications and parts availability for third factor. One firm listed availability as first factor and reliability as third factor; this firm's response is counted once in the total column. Other factors not in a specific firm's top three factors were price, diverse supplier base, warranty coverage, service support, partnership with supplier, parts & accessories support (***) and terms/location (***).

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

Engine selection

Purchasers were asked to describe how they select the SVSEs to pair with the outdoor powered equipment they produce. ***.

Purchasers were also asked how they analyze the total value proposition of purchasing SVSEs from different sources. *** considers quality, on-time delivery, cost, and collaborative partnership. *** considers brand, cost, performance, and customer preference. *** process involves using consumer insights to narrow the available options and then focuses on factors such as availability, quality, delivery, cost of warranty, and expected return on investment. *** looks at its customers' value criteria and then compares

engines using these criteria along with its own technical, aesthetic, and performance criteria to choose specific engines for each of its product offerings.

Four responding purchasers work with their engine suppliers to develop SVSEs for their particular equipment models. ***.[41] ***. ***. ***. On the other hand, *** purchases “off the shelf" engines ***.

Four of five purchasers said that their expenses to procure engines vary by producer. ***

[41] ***.

***.

Briggs & Stratton stated that once an engine is selected for a particular mower line for the season, the engine selection typically will not change for that season since the mower line is set with the retailer.[42] MTD stated that it is "very rare" to change an engine on a platform.[43] Toro stated that in addition to its lengthy engine approval process, changing an engine on a platform also involves changing the lawn mower model number and would involve "prohibitive costs" to go back to the retailer with which they have contracts for a certain model lineup.[44]

Importance of specified purchase factors

Purchasers were asked to rate the importance of 21 factors in their purchasing decisions (table II-8). The factors rated as very important by more than half of responding purchasers were availability, engine features, meet purchaser specifications, product consistency, quality meets industry standards, and reliability of supply (five purchasers each); and brand of engine manufacturer, engine safety, and quality exceeds industry standards (four purchasers each). None of the factors were rated as not important by a majority of firms.

Supplier certification

Briggs & Stratton stated that the process for qualifying an SVSE at an OEM for a new application ***.[45] Toro's qualification process for SVSEs includes testing the engines both mounted on equipment and unmounted in an indoor laboratory and outdoor field tests, and involves tests for engine performance over time.[46]

[42] Hearing transcript, p. 89 (Coad).

[43] It added that in recent years, it only had one swap out, in which it exchanged one Briggs & Stratton engine that it was unable to get for another larger displacement engine from Briggs & Stratton. Hearing transcript, pp. 259-60 (Krueger).

[44] Hearing transcript, pp. 260-261 (Buenz).

[45] Petitioner's postconference brief, Answers to Questions, pp. 9-10.

[46] Respondent Toro's postconference brief, p. 4.

Table II-8
SVSEs: Importance of purchase factors, as reported by U.S. purchasers, by factor

Factor	Number of firms reporting		
	Very important	Somewhat important	Not important
Availability	5	2	---
Brand of engine manufacturer	4	3	---
Brand private label	2	3	2
Delivery terms	2	5	---
Delivery time	2	5	---
Discounts offered	1	6	---
Engine features	5	2	---
Engine safety	4	3	---
Meet purchaser specifications	5	2	---
Minimum quantity requirements	1	5	1
Packaging	1	4	2
Payment terms	2	5	---
Price	3	4	---
Product consistency	5	2	---
Product range	3	4	---
Quality meets industry standards	5	2	---
Quality exceeds industry standards	4	3	---
Reliability of supply	5	2	---
Technical support/service	2	5	---
U.S. transportation costs	2	5	---
Warranty	2	5	---

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

Six of seven responding purchasers require their suppliers to become certified or qualified to sell SVSEs to their firm.[47] Purchasers reported that the time to qualify a new supplier ranged from 30 days to 6 months.[48] ***

[47] All responding OEMs require qualification. Distributor *** does not require qualification.

[48] *** reported 30 days, *** reported 60 days, *** reported 30-180 days (average of 90 days), *** reported 60-75 days, and *** reported 180 days. *** stated that the time to qualify varies depending on the challenges encountered during the qualification.

***.

None of the purchasers reported that a domestic or foreign supplier had failed in its attempt to qualify SVSEs or had lost its approved status since 2017. *** reported that no producers failed to qualify although a particular SVSE offered by a manufacturer may fail *** engine application approval process. *** reported it had not reviewed any new suppliers during the period.

Changes in purchasing patterns

Purchasers' reported changes in their purchasing patterns since January 1, 2017 are shown in table II-9. ***.[49] It added that its overall imports and purchases were lower in 2019 because of lower mower demand caused by a late, wet spring. ***. ***. ***. ***. ***.

[49] ***.

One purchaser reported changing suppliers since January 1, 2017. *** stated it began purchasing from Chinese supplier *** because of Honda capacity issues and it also began purchasing from ***.

Table II-9
SVSEs: Changes in purchase patterns from U.S., subject, and nonsubject countries

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	---	2	1	1	3
China	1	3	1	---	2
All other sources	4	---	---	---	1

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

Importance of purchasing domestic product

Most responding purchasers (5 of 7) reported that none of their purchases required purchasing U.S.-produced product. *** reported that the SVSEs it purchases from *** are only produced in the United States. *** stated that its customers require domestic product for a portion of their purchases.

Comparisons of domestic products, subject imports, and nonsubject imports

Purchasers were asked a number of questions comparing SVSEs produced in the United States, the subject country, and nonsubject countries. First, purchasers were asked for a country-by-country comparison on the same 21 factors (table II-10) for which they were asked to rate the importance.

A majority of purchasers rated the domestic and subject imported SVSEs as comparable on 19 of the 21 factors (table II-10), including most of the factors that a majority of firms rated as very important (table II-8). For delivery time, three purchasers rated the domestic product as superior and three rated the products as comparable. For availability, a factor that was reported to be very important by a majority of firms (table II-8), responses were split with three firms rating the products as comparable, two rating the domestic product as superior and two rating it as inferior to the Chinese product. Most purchasers reported that U.S. and nonsubject SVSEs were comparable on all factors.

Table II-10
SVSEs: Purchasers' comparisons between U.S.-produced and imported product

Factor	Number of firms reporting								
	United States vs. China			United States vs. Nonsubject sources			China vs. Nonsubject sources		
	S	C	I	S	C	I	S	C	I
Availability	2	3	2	1	3	---	1	2	---
Brand of engine manufacturer	2	4	1	1	2	1	---	2	1
Brand private label	---	5	2	---	4	---	1	2	---
Delivery terms	2	5	---	1	3	---	---	3	---
Delivery time	3	3	1	1	3	---	---	3	---
Discounts offered	1	5	1	---	3	1	1	2	---
Engine features	1	5	1	---	4	---	---	3	---
Engine safety	1	6	---	---	4	---	---	3	---
Meet purchaser specifications	---	7	---	---	4	---	---	3	---
Minimum quantity requirements	---	7	---	---	4	---	---	3	---
Packaging	1	6	---	---	4	---	---	3	---
Payment terms	---	6	1	---	4	---	1	2	---
Price	---	4	3	1	3	---	1	2	---
Product consistency	---	7	---	---	4	---	---	3	---
Product range	---	6	1	---	4	---	---	3	---
Quality meets industry standards	---	7	---	---	4	---	---	3	---
Quality exceeds industry standards	---	7	---	---	4	---	---	3	---
Reliability of supply	1	4	2	---	4	---	---	3	---
Technical support/service	3	4	---	---	4	---	---	3	---
U.S. transportation costs	1	5	1	---	4	---	---	3	---
Warranty	2	5	---	---	3	1	---	3	---

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

Comparison of U.S.-produced and imported SVSEs

In order to determine whether U.S.-produced SVSEs can generally be used in the same applications as imports from China, U.S. producers, importers, and purchasers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-11, U.S. producer *** reported that products from the United States, China, and all other sources were always interchangeable, and *** reported that domestic and Chinese product were frequently interchangeable. Most importers reported that domestic and Chinese produced SVSEs were frequently interchangeable. Most purchasers reported that domestic and Chinese SVSEs were always or frequently interchangeable.

Table II-11
SVSEs: Interchangeability between SVSEs produced in the United States and in other countries, by country pair

Country pair	U.S. producers				U.S. importers				U.S. purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
United States vs. China	1	1	---	---	1	8	3	1	3	2	2	---
United States vs. Other	1	---	---	---	1	4	3	---	3	2	---	---
China vs. Other	1	---	---	---	1	4	3	---	3	2	---	---

Note: A=Always, F=Frequently, S=Sometimes, N=Never.

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

In additional comments, ***, reported frequent interchangeability, stating that it has internal requirements and proprietary technical specifications. ***. *** stated that there is no interchangeability for replacement engines since the same engine that was originally sold with the mower must be used. *** reported that engines from different sources are sometimes interchangeable since end-use products are designed with a particular engine "for the best cost purpose;" that engines differ in dimension, size, and structure; and that "a lot or some parts" must be changed to switch an end use product to a different engine.

***.

Some producers of pressure washers reported some limits to interchangeability of SVSEs from different sources. ***. ***. ***.

As can be seen from table II-12, five of seven responding purchasers reported that domestically produced product always met minimum quality specifications and four purchasers reported that Chinese product always met such specifications.

Table II-12
SVSEs: Ability to meet minimum quality specifications, by source

Source of purchases	Always	Usually	Sometimes	Rarely or never
United States	5	2	---	---
China	4	2	1	---
All other sources	1	---	---	1

Note: Purchasers were asked how often domestically produced or imported SVSEs meets minimum quality specifications for their own or their customers' uses.

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

In addition, U.S. producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of SVSEs from the United States, subject, or nonsubject countries. As seen in table II-13, U.S. producer *** reported that such differences were never significant whereas *** and 11 of 14 responding importers reported that such differences between domestic and Chinese produced SVSEs were always or frequently significant. Purchasers had mixed responses with four firms reporting that such differences were sometimes or never significant factors in their purchases and three firms reporting that they were always or frequently significant.

In describing these differences, *** stated that its technical support is a priority for its consumers. *** stated that since its finished product is made in China, the supply chain is more efficient. ***

***. ***. ***.

Table II-13
SVSEs: Significance of differences other than price between SVSEs produced in the United States and in other countries, by country pair

Country pair	U.S. producers				U.S. importers				U.S. purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
United States vs. China	***	***	***	***	6	5	3	---	2	1	2	2
United States vs. Other	***	***	***	***	2	4	2	1	---	1	2	2
China vs. Other	***	***	***	***	2	3	2	1	---	1	1	3

Note: A = Always, F = Frequently, S = Sometimes, N = Never.

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

MTD stated that Zongshen has worked with MTD to provide innovations such as vertical storage capabilities, electronic governors, and lithium ion battery starting capabilities compatible with Craftsman handheld tools, features which Briggs & Stratton was unable or unwilling to provide.[50] In addition, it stated that U.S. producers manage warranty claims while OEMs that source SVSEs from China manage the warranty claim.[51] Toro stated that having multiple supply sources is an important non-price consideration in order to ensure supply chain security because of the high-volume requirements, demanding seasonal timing for outdoor power equipment, and to support Toro's "broad and innovative" product line.[52]

Elasticity estimates

This section discusses elasticity estimates. Parties did not comment on these estimates in their prehearing or posthearing briefs.

U.S. supply elasticity

The domestic supply elasticity for SVSEs measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of SVSEs. The elasticity of

[50] Respondent MTD's postconference brief, pp. 7-8.
[51] Respondent MTD's postconference brief, pp. 6-7.
[52] Respondent Toro's postconference brief, pp. 13-15.

domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced SVSEs. Analysis of these factors above indicates that the U.S. industry has the ability to greatly increase or decrease shipments to the U.S. market; an estimate in the range of 4 to 8 is suggested.

U.S. demand elasticity

The U.S. demand elasticity for SVSEs measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of SVSEs. This estimate depends on factors discussed above such as the existence, availability, and commercial viability of substitute products, as well as the component share of the SVSEs in the production of any downstream products. Based on the available information, the aggregate demand for SVSEs is likely to be inelastic; a range of -0.5 to -0.9 is suggested.

Substitution elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.[53] Product differentiation, in turn, depends upon such factors as quality (e.g., chemistry, appearance, etc.) and conditions of sale (e.g., availability, sales terms/discounts/promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced SVSEs and imported SVSEs is likely to be in the range of 2 to 4. Factors affecting substitutability include engine features and specifications, supplier relationships, and the importance of having multiple sources. Other factors affecting short-term substitutability include annual agreements with suppliers and OEM factory locations and supply chains.

[53] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

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 subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part 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 two firms that accounted for 100 percent U.S. production of SVSEs during 2019.

U.S. producers

The Commission issued a U.S. producer questionnaire to two firms based on information contained in the petition: Briggs & Stratton and Honda Power. Both firms provided usable data on their SVSE operations. Staff believes that these responses represent all U.S. production of SVSEs in 2019.

Table III-1 lists the two U.S. producers of SVSEs, their production locations, positions on the petition, and shares of total production.

Table III-1
SVSEs: U.S. producers, their position on the petition, location of production, and share of reported production, 2019

Firm	Position on petition	Production location(s)	Share of production (percent)
Briggs & Stratton	Petitioner	Poplar Bluff, Missouri Murray, Kentucky Wauwatosa, Wisconsin	***
Honda Power	***	Swepsonville, NC	***
Total			100.0

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

Table III-2 presents information on U.S. producers' ownership, related, and/or affiliated firms. As indicated in the table, *** reported ***.[1]

Table III-2
SVSEs: U.S. producers' ownership, related and/or affiliated firms

Item / Firm	Firm Name	Affiliated/Ownership
Ownership:		
***	***	***
***	***	***
Related producers:		
***	***	***
***	***	***

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

[1] ***.

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2017. One firm *** reported ***, and one firm *** reported ***.

Table III-3
SVSEs: U.S. producers' reported changes in operations, since January 1, 2017

Item / Firm	Reported changed in operations
Plant closings:	
***	***
Expansions:	
***	***
Consolidations:	
***	***
Prolonged shutdowns or curtailments:	
***	***
Other:	
***	***

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

U.S. production, capacity, and capacity utilization

Table III-4 and figure III-1 present U.S. producers' production, capacity, and capacity utilization. Domestic producers' reported SVSE capacity *** during 2017-19. In comparing SVSE capacity in interim 2020 to interim 2019, *** reported a capacity increase of *** percent and *** reported a capacity reduction of *** percent; this resulted in a net capacity reduction of *** percent across the comparison periods.

During 2017-19, *** reported a decrease in SVSE production (***). In comparing SVSE production in interim 2020 to interim 2019, *** reported a *** percent reduction and *** reported a *** percent reduction resulting in a combined *** percent SVSE production drop across the comparison periods. Resultingly, *** reported capacity utilization decreases. During 2017-19, *** capacity utilization *** percentage points and *** capacity utilization *** percentage points (for a combined capacity utilization drop of *** percentage points). Capacity utilization also fell across the comparison periods for *** (*** percentage points for *** and *** percentage points at *** for a combined capacity utilization drop of *** percentage points).

With regard to the impact of the COVID-19 pandemic, Briggs & Stratton reported, "***." Honda Power reported, "***."

In terms of production constraints, Briggs & Stratton noted, "***." Honda Power noted, "***."

Table III-4
SVSEs: U.S. producers' capacity, production, and capacity utilization, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Capacity (units)				
Honda Power	***	***	***	***	***
Briggs & Stratton	***	***	***	***	***
All firms	***	***	***	***	***
	Production (units)				
Honda Power	***	***	***	***	***
Briggs & Stratton	***	***	***	***	***
All firms	***	***	***	***	***
	Capacity utilization (percent)				
Honda Power	***	***	***	***	***
Briggs & Stratton	***	***	***	***	***
All firms	***	***	***	***	***
	Share of production (percent)				
Honda Power	***	***	***	***	***
Briggs & Stratton	***	***	***	***	***
All firms	100.0	100.0	100.0	100.0	100.0

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

Figure III-1
SVSEs: U.S. producers' capacity, production, and capacity utilization, 2017-19, January to September 2019, and January to September 2020

* * * * * * *

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

Alternative products

As shown in table III-5, the *** of the product produced by U.S. producers using the same equipment, machinery, or labor as SVSEs from 2017-19 were SVSEs (between *** and *** percent). *** reported that *** using the same machinery or labor, while *** reported that ***. The reported out-of-scope products in table III-5, therefore, ***. This out-of-scope production represented between *** and *** percent of total production by quantity during the period of investigation.

Table III-5
SVSEs: U.S. producers' overall capacity and production on the same equipment machinery, or labor as subject production, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
Overall capacity	***	***	***	***	***
Production: Small vertical shaft engines	***	***	***	***	***
Out-of-scope production	***	***	***	***	***
Total production on same machinery	***	***	***	***	***
	Ratios and shares (percent)				
Overall capacity utilization	***	***	***	***	***
Share of production: Small vertical shaft engines	***	***	***	***	***
Out-of-scope production	***	***	***	***	***
Total production on same machinery	100.0	100.0	100.0	100.0	100.0

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

U.S. producers' U.S. shipments and exports

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. Total shipments fell *** percent during 2017-19 and were *** percent lower in interim 2020 as compared to interim 2019 (***).

*** reported that ***. From 2017-19, *** transfers to related firms *** comprised between *** and *** percent of its total shipments by quantity and its internal consumption comprised between *** and *** percent of the remaining portion of its total shipments.

*** reported ***. From 2017-19, *** commercial U.S. shipments comprised between *** and *** percent of its total shipments by quantity, its internal consumption comprised between *** and *** percent of its total shipments by quantity, and its transfers to related firms comprised between *** and *** percent of its total shipments by quantity.[2] *** also reported that it exports SVSEs to *** whereas *** reported *** during the period. *** exports comprised between *** and *** percent of the quantity of total shipments during 2017-19.

As a ratio of the total shipments by quantity from 2017-19, commercial U.S. shipments comprised between *** and *** percent of both firms' total shipments, transfers to related firms comprised between *** and *** percent of the firms' total shipments, and internal consumption comprised between *** and *** percent of the firms' total shipments. As a share of U.S. shipments during 2017-19, commercial U.S. shipments comprised between *** and *** percent by quantity, transfers to related firms comprised between *** and *** percent by quantity, and internal consumption comprised between *** and *** percent by quantity.

[2] ***

Table III-6
SVSEs: U.S. producers' U.S. shipments, export shipments, and total shipments, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Value (1,000 dollars)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Unit value (dollars per unit)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Share of quantity (percent)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0

Table continued.

Table III-6--Continued
SVSEs: U.S. producers' U.S. shipments, export shipments, and total shipments, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Share of U.S. shipments quantity (percent)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	100.0	100.0	100.0	100.0	100.0
	Share of total shipments quantity (percent)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0
	Share of U.S. shipments value (percent)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	100.0	100.0	100.0	100.0	100.0
	Share of total shipments value (percent)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0

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

The Commission asked U.S. producers to break out their U.S. shipments by engines that were sold with the name of the engine manufacturer ("branded") versus engines that were sold with the name of a firm other than the engine manufacturer (e.g., the lawn mower OEM's name or brand) ("private label"). ***.[3] [4]

The Commission also asked U.S. producers to break out their U.S. shipments by nominal useful life rating (residential, extended life residential, and commercial). Table III-7 presents U.S. producers' U.S. shipments by useful life rating.[5] *** reported that ***.[6] ***. *** reported between *** and *** percent of its U.S. SVSE shipments were of residential engines (with the remaining *** to *** percent of its shipments being classified as ***). Engines classified as residential comprised between *** and *** percent of U.S. producers' U.S. SVSE shipments by quantity in 2017 and 2018, but this share rose to *** percent following the ***. ***.

[3] Briggs & Stratton also noted in its questionnaire response that it "***."

[4] See Appendix D for tables comparing U.S. producers' and U.S. importers' U.S. shipments together broken out by "branded" engines versus "private label" engines.

[5] See the product section in part I and table I-3 for a discussion of EPA nominal useful life rating provisions and see appendix E for U.S. producers' and U.S. importers' U.S. shipments together by nominal useful life rating.

[6] Email Donald Harrison, counsel to Honda, February 5, 2021. EDIS #733126.

Table III-7
SVSEs: U.S. producers' U.S. shipments by useful life rating, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. shipments by useful life rating.--Residential	***	***	***	***	***
Extended life residential	***	***	***	***	***
Commercial	***	***	***	***	***
Total shipments	***	***	***	***	***
	Value (1,000 dollars)				
U.S. shipments by useful life rating.--Residential	***	***	***	***	***
Extended life residential	***	***	***	***	***
Commercial	***	***	***	***	***
Total shipments	***	***	***	***	***
	Unit value (dollars per unit)				
U.S. shipments by useful life rating.--Residential	***	***	***	***	***
Extended life residential	***	***	***	***	***
Commercial	***	***	***	***	***
Total shipments	***	***	***	***	***
	Share of quantity (percent)				
U.S. shipments by useful life rating.--Residential	***	***	***	***	***
Extended life residential	***	***	***	***	***
Commercial	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
U.S. shipments by useful life rating.--Residential	***	***	***	***	***
Extended life residential	***	***	***	***	***
Commercial	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0

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

U.S. producers' inventories

Table III-8 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments. The U.S. industry's ending inventories decreased by *** percent during 2017-19. The ratio of inventories to U.S. production of the U.S. industry decreased by *** percentage points between 2017-19. The U.S. industry's ratio of inventories to U.S. shipments and its ratio of inventories to total shipments decreased by *** and *** percentage points during the period, respectively. In interim 2020, the U.S. industry's ratio of inventories to U.S. production, U.S. shipments, and total shipments all fell significantly as compared to interim 2019 (by ***, ***, and *** percentage points, respectively).

Table III-8
SVSEs: U.S. producers' inventories, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. producers' end-of-period inventories	***	***	***	***	***
	Ratio (percent)				
Ratio of inventories to.-- U.S. production	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Total shipments	***	***	***	***	***

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

U.S. producers' imports and purchases

U.S. producers' imports and purchases of SVSEs are presented in table III-9. *** reported having imported SVSEs from nonsubject sources (***) during the period of investigation ***.[7] *** cited the following reason for importing, ***." *** cited the following reason for importing, "***."

*** also reported *** during the period of investigation (***) for ***. *** noted in its purchaser questionnaire response that it ***.

[7] As previously noted, ***.

Table III-9
SVSEs: U.S. producers' imports, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
Honda Power's U.S. production	***	***	***	***	***
Honda Power's and American Honda's U.S. imports from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All imports sources	***	***	***	***	***
	Ratio (percent)				
Honda Power's and American Honda's ratio to U.S. production of imports from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All imports sources	***	***	***	***	***
	Narrative				
Honda Power's and American Honda's reason for importing	***				

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

U.S. employment, wages, and productivity

Table III-10 shows U.S. producers' employment-related data. Between 2017 and 2019, ***. Between 2017 and 2019, production and related workers for the two companies decreased by *** workers (a reduction of *** percent), total hours worked decreased by *** hours (a reduction of *** percent), hours worked per production and related worker decreased by *** hours (a reduction of *** percent), and wages paid decreased by $*** (a reduction of *** percent). From 2017-19, hourly wages increased by $*** per hour (a *** percent increase) and unit labor costs increased by $*** (a *** percent increase). As previously noted, ***.

With regards to employment trends, Briggs & Stratton reported, "***." Honda Power reported, "***."

Table III-10
SVSEs: U.S. producers' employment related data, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
Production and related workers (PRWs) (number)	***	***	***	***	***
Total hours worked (1,000 hours)	***	***	***	***	***
Hours worked per PRW (hours)	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***
Hourly wages (dollars per hour)	***	***	***	***	***
Productivity (units per 1,000 hours)	***	***	***	***	***
Unit labor costs (dollars per unit)	***	***	***	***	***

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

Captive consumption

Section 771(7)(C)(iv) of the Act states that–[8]

> *If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that–*
>
> *(I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product,*
>
> *(II) the domestic like product is the predominant material input in the production of that downstream article, and*
>
> *then the Commission, in determining market share and the factors affecting financial performance . . ., shall focus primarily on the merchant market for the domestic like product.*

Transfers and sales

As reported in table III-6, internal consumption accounted for between *** and *** of U.S. producers' U.S. shipments of SVSEs during 2017-19. Internal consumption accounted for *** percent of U.S. producers' U.S. shipments of SVSEs during interim 2019 and *** percent of U.S. producers' U.S. shipments of SVSEs during interim 2019. Transfers to related firms accounted for between *** and *** of U.S. producers' U.S. shipments of SVSEs during 2017-19. Transfers accounted for *** percent of U.S. producers' U.S. shipments of SVSEs during interim 2019 and *** percent of U.S. producers' U.S. shipments of SVSEs during interim 2019.

***.

[8] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

***.

***.

First statutory criterion in captive consumption

The first requirement for application of the captive consumption provision is that the domestic like product that is internally transferred for processing into that downstream article not enter the merchant market for the domestic like product. *** reported internal consumption of SVSEs for the production of downstream ***. ***. ***.[9] No U.S. producer, however, reported diverting SVSEs intended for internal consumption to the merchant market.

Second statutory criterion in captive consumption

The second criterion of the captive consumption provision concerns whether the domestic like product is the predominant material input in the production of the downstream article that is captively produced. With respect to the downstream articles resulting from captive production, Honda Power estimated that SVSEs comprise *** percent of the finished

[9] ***.

value of its downstream product and Briggs & Stratton estimated that SVSEs comprise *** percent of the finished value of its downstream products. Table III-11 shows the weighted average shares of SVSEs and other material inputs in the value and weight of captive production producers' downstream products in 2019. In 2019, the producers' estimated weighted average share of SVSEs in the value of downstream products was *** percent and the estimated weighted average share of SVSEs in the weight of downstream products was *** percent.

Table III-11
SVSEs: Weighted average shares for captive production producers' downstream products, 2019

Item	Share of value (percent)	Share of weight (percent)
Downstream products' material inputs.-- SVSEs	***	***
Other material inputs	***	***
All material inputs for downstream products	***	***

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

Note: Weighted averages were calculated using the data for merchandise firms indicated were internally consumed or transferred to a related firm, but not subsequently diverted back to the open market for SVSEs.

Part IV: U.S. imports, apparent U.S. consumption, and market shares

U.S. importers

The Commission issued importer questionnaires to 96 firms believed to be importers of SVSEs, as well as to the two U.S. producers of SVSEs.[1] Usable questionnaire responses were received from 14 companies[2], representing *** percent of U.S. imports from China and *** percent of imports from nonsubject sources in 2019 under the primary HTS statistical reporting number of 8407.90.1010.[3] Table IV-1 lists all responding U.S. importers of SVSEs from China and other sources, their locations, and their shares of U.S. imports, in 2019.

[1] The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have accounted for more than one percent of total imports under HTS statistical reporting numbers 8407.90.1010, 8409.91.9990, 8424.30.9000, 8433.11.0050, and 8433.11.0060 in 2019.

[2] Additionally, the following 20 firms certified they had not imported SVSEs since January 1, 2017: ***.

[3] Because the official import statistics used to generate the questionnaire coverage estimates do not correspond directly to the scope, the questionnaire coverage estimates may be overstated and/or understated. The primary HTS statistical reporting number of 8407.90.1010 contains out-of-scope products. Subject goods may also be imported under HTS statistical reporting numbers 8407.90.1020, 8407.90.9040, 8407.90.9060, 8409.91.9990, 8424.30.9000, 8433.11.0050, and 8433.11.0060. However, these additional statistical reporting numbers would likely have a higher degree of out-of-scope merchandise and were, therefore, not used to calculate the questionnaire coverage estimates.

Table IV-1
SVSEs: U.S. importers, their headquarters, and share of total imports by source, 2019

Firm	Headquarters	Share of imports by source (percent)		
		China	Nonsubject sources	All import sources
American Honda	Torrance, CA	***	***	***
Ardisam	Cumberland, WI	***	***	***
FNA	Pleasant Prairie, WI	***	***	***
Generac	Waukesha, WI	***	***	***
Harbor Freight	Calabasas, CA	***	***	***
Honda Power	Swepsonville, NC	***	***	***
Husqvarna	Charlotte, NC	***	***	***
Karcher	Denver, CO	***	***	***
Kohler	Kohler, WI	***	***	***
Loncin	Chongqing,	***	***	***
MTD	Valley City, OH	***	***	***
Techtronic	Anderson, SC	***	***	***
Toro	Bloomington, MN	***	***	***
Yamaha	Cypress, CA	***	***	***
Total		100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

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

U.S. imports

Table IV-2 and figure IV-1 presents data for U.S. imports of SVSEs from China and nonsubject sources. U.S. imports of SVSEs from China increased from 2017-18 (*** by quantity and *** percent by value), then decreased from 2018-19 (*** by quantity and *** percent by value), resulting in an overall net decrease during the 2017-19 period (*** percent by quantity and *** percent by value). Imports from China rose in interim 2020 as compared to interim 2019 (*** percent by quantity and *** percent by value).

There were *** imports from nonsubject sources during 2017 and *** reported units of imports from nonsubject sources in 2018. Imports from nonsubject sources increased from 2018-19 (*** percent by quantity and *** percent by value). Imports from nonsubject sources were down by both quantity and value in interim 2020 as compared to interim 2019 (by *** and *** percent, respectively).[4]

The average unit values of imports from China decreased each year between 2017 and 2019, resulting in a total decrease of *** percent over the period. The average unit value of imports from China was also lower in interim 2020 as compared to interim 2019 (by *** percent). As noted, there were *** imports from nonsubject sources in 2017. Between 2018-19, average unit values from nonsubject sources increased *** percent.

As a ratio to U.S. production, imports from China increased *** percentage points from 2017-18, then decreased *** percentage points from 2018-19, resulting in a net increase of *** percentage points during the 2017-19 period. U.S. imports from China as a ratio to U.S. production stood at *** percent in interim 2019 and rose to *** percent in interim 2020, representing a *** percentage point increase across the comparison periods.

As a ratio to U.S. production, imports from nonsubject increased from *** to *** percent between 2017 and 2019. U.S. imports from nonsubject sources as a ratio to U.S. production fell *** percentage points in interim 2020 as compared to interim 2019.

[4] This was due to ***.

Table IV-2
SVSEs: U.S. imports, by source, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Value (1,000 dollars)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Unit value (dollars per unit)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Share of quantity (percent)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	100.0	100.0	100.0	100.0	100.0
	Ratio to U.S. production				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***

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

Figure IV-1
SVSEs: U.S. import quantities and average unit values, 2017-19, January to September 2019, and January to September 2020

* * * * * * *

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

U.S. import shipments breakouts

Tables IV-3 and figure IV-2 presents U.S. importers' SVSE imports broken out by unmounted engines versus engines that had been imported already mounted onto equipment. In 2017, *** percent of reported SVSE imports from China by quantity were of unmounted engines. From 2017-19, mounted engine imports as a share of total imports from China by quantity rose from *** percent to *** percent resulting in the unmounted engine imports share falling to *** percent of total imports from China. This was mainly due to ***. Mounted SVSE imports from China rose *** percent from 2017-19, whereas imports of unmounted SVSEs fell *** percent during this period.

Across the interim comparison periods, unmounted engine imports as a share of imports from China rose from *** percent to *** percent, while mounted engine imports as a share of total imports from China share fell from *** percent to *** percent. In 2018 and 2019, *** imports from nonsubject sources were reported as unmounted engines. In interim 2020, *** percent of imports from nonsubject sources were of unmounted engines. This was due to ***.[5]

[5] ***.

Table IV-3
SVSEs: U.S. imports, by product type, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. imports from China.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
	Value (1,000 dollars)				
U.S. imports from China.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
	Unit value (dollars per unit)				
U.S. imports from China.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***

Table continued.

Table IV-3--Continued
SVSEs: U.S. imports, by product type, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Share of quantity, by source (percent)				
U.S. imports from China.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	100.0	100.0	100.0	100.0	100.0
	Share of quantity, for all sources (percent)				
U.S. imports from China.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
All product types	100.0	100.0	100.0	100.0	100.0

Note.—***.

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

Figure IV-2
SVSEs: Share of imports, by source and product type, 2019

* * * * * * *

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

Table IV-4 and figure IV-3 present importers' reported imports of engines that were sold with the name of the engine manufacturer ("branded") versus engines that were sold with the name of a firm other than the engine manufacturer (e.g., the lawn mower OEM's name or brand) ("private label"). Between 2017-19, the share of U.S. importers' reported SVSE imports from China branded with the Chinese engine manufacturers' name by quantity was between *** and *** percent, while imports from China using private label branding during this period was between *** and *** percent by quantity.

Table IV-4
SVSEs: U.S. imports by branded and private label, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. imports from China.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from nonsubject sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
	Value (1,000 dollars)				
U.S. imports from China.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from nonsubject sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
	Unit value (dollars per unit)				
U.S. imports from China.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from nonsubject sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***

Table continued.

Table IV-4--Continued
SVSEs: U.S. imports by branded and private label, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Share of quantity, by source (percent)				
U.S. imports from China.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	100.0	100.0	100.0	100.0	100.0
U.S. imports from nonsubject sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	100.0	100.0	100.0	100.0	100.0
	Share of quantity, for all sources (percent)				
U.S. imports from China.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from nonsubject sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	***	***	***	***	***
U.S. imports from all import sources.-- Branded	***	***	***	***	***
Private label	***	***	***	***	***
All product types	100.0	100.0	100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

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

Figure IV-3
SVSEs: Share of imports, by source and product type, 2019

* * * * * * *

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

The Commission asked U.S. importers to break out their U.S. shipments of imports by nominal useful life rating (residential, extended life residential, and commercial).[6] Table IV-5 present importers' U.S. shipments by useful life rating. ***.[7] [8] Between 2017-19, the share of U.S. importers' reported shipments of SVSE imports from China rated as extended life by quantity was between *** and *** percent, thus the *** of U.S. importers' reported shipments of SVSE imports from China were of residential engines during this period (between *** and *** percent by quantity). ***.

[6] See the product section in part I and table I-3 for a discussion of EPA nominal useful life rating provisions and see appendix E for U.S. producers' and U.S. importers' U.S. shipments together by nominal useful life rating.

[7] The scope of these investigations was modified by Commerce for the final phase to exclude certain varieties of "commercial" or "heavy commercial" engines. See the Commerce's scope section in part I for an explanation of the product specifications necessary in order to be excluded from the scope.

[8] ***

Table IV-5
SVSEs: U.S. importers' U.S. shipments, by useful life rating, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. importers' U.S. shipments (China).--Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
U.S. importers' U.S. shipments (nonsubject sources).--Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
U.S. importers' U.S. shipments (all import sources).--Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
	Value (1,000 dollars)				
U.S. importers' U.S. shipments (China).--Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
U.S. importers' U.S. shipments (nonsubject sources).--Residential	***	***	***	***	***
Extended life residential/general					
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
U.S. importers' U.S. shipments (all import sources).--Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
	Unit value (dollars per unit)				
U.S. importers' U.S. shipments (China).--Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
U.S. importers' U.S. shipments (nonsubject sources).--Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
U.S. importers' U.S. shipments (all import sources).--Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***

Table continued.

Table IV-5--Continued
SVSEs: U.S. importers' U.S. shipments, by useful life rating, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Share of quantity, by source (percent)				
U.S. importers' U.S. shipments (China).--					
Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	100.0	100.0	100.0	100.0	100.0
U.S. importers' U.S. shipments (nonsubject sources).--					
Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	100.0	100.0	100.0	100.0
U.S. importers' U.S. shipments (all import sources).--					
Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	100.0	100.0	100.0	100.0	100.0
	Share of quantity, for all sources (percent)				
U.S. importers' U.S. shipments (China).--					
Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
U.S. importers' U.S. shipments (nonsubject sources).--					
Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	***	***	***	***	***
U.S. importers' U.S. shipments (all import sources).--					
Residential	***	***	***	***	***
Extended life residential/general	***	***	***	***	***
Commercial	***	***	***	***	***
All product types	100.0	100.0	100.0	100.0	100.0

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

Critical circumstances

On March 12, 2021, Commerce issued its final determination that "critical circumstances" exist on the AD investigation with regard to imports from China of SVSEs from the Zongshen Companies and the China-wide entity, but do not exist for the separate-rate companies (which now includes Loncin Motor Co., Ltd. ("Loncin")) or Chongqing Kohler Engines Ltd.[9] On March 12, 2021, Commerce issued its final determination that critical circumstances exist in the CVD investigation for imports of SVSEs from China with respect to Chongqing Zongshen General Power Machine Co. ("Zongshen").[10] In these investigations, if both Commerce and the Commission make affirmative final critical circumstances determinations, certain subject imports may be subject to antidumping duties retroactive by 90 days from October 21, 2020, the effective date of Commerce's preliminary affirmative LTFV determination, or to countervailing duties retroactive by 90 days from August 24, 2020, the effective date of Commerce's preliminary affirmative CVD determination.

Table IV-6 and figure IV-4 show certain U.S. imports from China subject to Commerce's final AD and CVD critical circumstances determinations for the period of October 2019 through September 2020. Table IV-7 and figure IV-5 shows certain U.S. imports from China subject to Commerce's final AD and CVD critical circumstances determinations for the period of January 2017 through September 2020.

[9] Commerce defined the "Zongshen Companies" as consisting of Chongqing Zongshen General Power Machine Co., Ltd**.**, Chongqing Zongshen Power Machinery Co., Ltd. ("Zongshen Power"), and Chongqing Dajiang Power Equipment Co., Ltd. ("Chongqing Dajiang"). Additionally, Commerce granted Loncin a separate rate in its final determination. Thus, as a separate-rate company, the critical circumstances determination no longer applies to Loncin. 86 FR 14077, March 12, 2021, referenced in app. A. Also see *Issues and Decision Memorandum for the Final Affirmative Determination in the Less-Than-Fair-Value Investigation of Certain Vertical Shaft Engines Between 99cc and Up To 225cc, and Parts Thereof, from the People's Republic of China*, March 5, 2021, pp. 9-12, 71.

[10] Commerce continued to find that critical circumstances do not exist for Chongqing Kohler or the companies covered by the all-others rate. 86 FR 14071, March 12, 2021, referenced in app. A. Also see *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Vertical Shaft Engines Between 99cc and Up To 225cc, and Parts Thereof, from the People's Republic of China,* March 5, 2021, pp. 4, 26-29.

Table IV-6a
SVSEs: U.S. imports from China subject to Commerce's final CVD critical circumstances determination (Zongshen), October 2019 to September 2020

Month	Actual monthly quantity (units)	Outwardly cumulative subtotals (units)	Percentage change from comparable period (percent)
2019.-- October	***	***	
November	***	***	
December	***	***	
2020.-- January	***	***	
February	***	***	
March	***	***	
Petition file date: March 18, 2020			
April	***	***	***
May	***	***	***
June	***	***	***
July	***	***	***
August	***	***	***
September	***	***	***

Note: The percent increase or (decrease) is over the comparable pre-petition period.

Source: Supplemental data collection for monthly exports to the United States by Chinese foreign producer Zongshen, received February 19, 2021.

Table IV-6b
SVSEs: Certain U.S. imports from China subject to Commerce's final AD critical circumstances determination (Zongshen Companies), October 2019 to September 2020

Month	Actual monthly quantity (units)	Outwardly cumulative subtotals (units)	Percentage change from comparable period (percent)
2019.-- October	***	***	
November	***	***	
December	***	***	
2020.-- January	***	***	
February	***	***	
March	***	***	
Petition file date: March 18, 2020			
April	***	***	***
May	***	***	***
June	***	***	***
July	***	***	***
August	***	***	***
September	***	***	***

Note: The percent increase or (decrease) is over the comparable pre-petition period.

Note: As indicated above, Commerce issued its final determination that critical circumstances exist for the Zongshen Companies and the China-wide entity on the AD investigation. Commerce defined the China-wide entity as any Chinese companies that were unresponsive and thus had not demonstrated that they were eligible for separate rate status. ***.

Source: Supplemental data collection for monthly exports to the United States by Chinese foreign producer Zongshen, received February 19, 2021, and Zongshen's affiliate companies (Chongqing Dajiang and Ducar), received March 26, 2021.

Figure IV-4a
SVSEs: U.S. imports from China subject to Commerce's final CVD critical circumstances determination (Zongshen), October 2019 to September 2020

* * * * * * *

Source: Supplemental data collection for monthly exports of SVSEs to the United States by Chinese foreign producer Zongshen, received February 19, 2021.

Figure IV-4b
SVSEs: Certain U.S. imports from China subject to Commerce's final AD critical circumstances determination (Zongshen Companies), October 2019 to September 2020

* * * * * * *

Source: Supplemental data collection for monthly exports to the United States by Chinese foreign producer Zongshen, received February 19, 2021, and Zongshen's affiliate companies (Chongqing Dajiang and Ducar), received March 26, 2021.

Table IV-7a
SVSEs: U.S. imports from China subject to Commerce's final CVD critical circumstances determination (Zongshen), January 2017 to September 2020

Month	Calendar year			
	2017	2018	2019	2020
	Quantity (units)			
January	***	***	***	***
February	***	***	***	***
March	***	***	***	***
April	***	***	***	***
May	***	***	***	***
June	***	***	***	***
July	***	***	***	***
August	***	***	***	***
September	***	***	***	***
October	***	***	***	
November	***	***	***	
December	***	***	***	

Source: Supplemental data collection for monthly exports to the United States by Chinese foreign producer Zongshen, received February 19, 2021.

Table IV-7b
SVSEs: Certain U.S. imports from China subject to Commerce's final AD critical circumstances determination (Zongshen Companies), January 2017 to September 2020

Month	Calendar year			
	2017	2018	2019	2020
	Quantity (units)			
January	***	***	***	***
February	***	***	***	***
March	***	***	***	***
April	***	***	***	***
May	***	***	***	***
June	***	***	***	***
July	***	***	***	***
August	***	***	***	***
September	***	***	***	***
October	***	***	***	
November	***	***	***	
December	***	***	***	

Note: The percent increase or (decrease) is over the comparable pre-petition period.

Source: Supplemental data collection for monthly exports to the United States by Chinese foreign producer Zongshen, received February 19, 2021, and Zongshen's affiliate companies (Chongqing Dajiang and Ducar), received March 26, 2021.

Figure IV-5a
SVSEs: U.S. imports from China subject to Commerce's final CVD critical circumstances determination (Zongshen), January 2017 to September 2020

* * * * * * *

Source: Supplemental data collection for monthly exports to the United States by Chinese foreign producer Zongshen, received February 19, 2021.

Figure IV-5b
SVSEs: Certain U.S. imports from China subject to Commerce's final AD critical circumstances determination (Zongshen Companies), January 2017 to September 2020

* * * * * * *

Source: Supplemental data collection for monthly exports to the United States by Chinese foreign producer Zongshen, received February 19, 2021, and Zongshen's affiliate companies (Chongqing Dajiang and Ducar), received March 26, 2021.

Tables IV-8 presents U.S. importers' U.S. inventories subject to Commerce's final AD and CVD critical circumstance determinations. U.S. importers' U.S. inventories subject to Commerce's final critical circumstance determinations were *** percent higher on September 30, 2020 as compared to December 31, 2019. Table IV-9 compares U.S. importers' U.S. inventories as of September 30, 2020, as compared to U.S. importers' U.S. inventories as of September 30, 2019.

Table IV-8
SVSEs: U.S. importers' U.S. inventories subject to Commerce's final AD and CVD critical circumstance determinations, December 2019 to September 2020

Month	Quantity (units)	Percent change (percent)
Inventories.--		
December 31, 2019	***	---
September 30, 2020	***	***

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

Table IV-9
SVSEs: U.S. importers' U.S. inventories subject to Commerce's final AD and CVD critical circumstance determinations, September 2019 to September 2020

Month	Quantity (units)	Percent change (percent)
Inventories.--		
September 30, 2019	***	---
September 30, 2020	***	***

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

Negligibility

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[11] Negligible imports are generally defined in the Act, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[12] As shown in table IV-10, imports from China accounted for *** percent of total imports of SVSEs by quantity during 2019.

Table IV-10
SVSEs: U.S. imports in the twelve-month period preceding the filing of the petition, March 2019 through February 2020

Item	March 2019 through February 2020	
	Quantity (units)	Share quantity (percent)
U.S. imports from.--		
China	***	***
Nonsubject sources	***	***
All import sources	***	100.0

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

[11] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[12] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

Apparent U.S. consumption and U.S. market shares

Table IV-11 and figure IV-6 present data on apparent U.S. consumption and U.S. market shares for SVSEs.[13] Total apparent U.S. consumption fell *** percent by quantity and *** percent by value from 2017-18 and then fell another *** percent by quantity and *** percent by value from 2017-18 resulting in a net decline of *** percent by quantity and *** percent by value across the 2017-19 period. Total apparent U.S. consumption was also down *** percent by quantity and *** percent by value in interim 2020 as compared to interim 2019.

From 2017-19, U.S. producers' U.S. shipments fell as a share of total apparent U.S. consumption by both quantity and value (by *** and *** percent, respectively). U.S. importers' U.S. shipments from China rose as a share of apparent U.S. consumption by both quantity and value from 2017-18 (by *** and *** percent, respectively), then fell as a share of apparent consumption by both quantity and value from 2018-19 (by *** and *** percent, respectively), resulting in shipments of imports from China falling irregularly as a share of apparent consumption by both quantity and value over the 2017-19 period (by *** and *** percent, respectively). *** shipments of U.S. imports from nonsubject sources were reported for 2017. As a share of total apparent U.S. consumption, shipments of imports from nonsubject sources rose from *** percent to *** percent by quantity and *** percent by value in 2018 and to *** percent by quantity and *** percent by value in 2019.

In comparing interim 2020 to interim 2019, U.S. producers' U.S. shipments as a share of total apparent U.S. consumption rose by both quantity and value (by *** and *** percentage points, respectively), while shipments of imports from China and nonsubject sources as a share of total apparent U.S. consumption fell by both quantity and value (imports from China as a share of total apparent consumption fell *** percentage points by quantity and *** percentage points by value and shipments of imports from nonsubject sources as a share of total apparent consumption fell *** percentage points by quantity and *** percentage points by value).

[13] These apparent U.S. consumption data have been calculated using U.S. importers' U.S. shipments from subject and nonsubject sources, which is general Commission practice. See appendix F for alternate apparent U.S. consumption data calculated using U.S. imports rather than U.S. shipments of U.S. imports. These alternate apparent U.S. consumption figures account for direct imports by OEMs that went into inventories.

Table IV-11
SVSEs: Apparent U.S. consumption, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***
	Share of quantity (percent)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Share of value (percent)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***

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

Figure IV-6
SVSEs: Apparent U.S. consumption, 2017-19, January to September 2019, and January to September 2020

* * * * * * *

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

Part V: Pricing data

Factors affecting prices

Raw material costs

Raw materials as a share of U.S. producers' cost of goods sold remained fairly steady at about *** percent during 2017-19 and was slightly lower in interim 2020 (*** percent). U.S. producers' unit raw material costs increased from *** in 2017 to *** in 2019 but were lower in interim 2020 than in interim 2019. SVSEs are produced from machined cast iron and aluminum parts. Engine producers may have their own aluminum cast houses or iron foundries or may use external foundries.[1] Since 2017, some imported SVSE raw materials and other inputs have been subject to Section 232 tariffs on steel and aluminum and Section 301 tariffs on imported engine components from China. Some contracts to purchase engines have pricing that adjusts for changes in aluminum costs.

The prices of aluminum and steel scrap decreased overall between January 2017 and September 2020, by *** and *** percent, respectively (figure V-1). Aluminum prices increased by *** percent from January 2017 to May 2018, declined by *** percent through September 2019, and then fluctuated through September 2020. Steel scrap prices have generally followed a similar trend.

*** responding U.S. producers reported that raw material prices have fluctuated since January 1, 2017. Honda[2] stated that its SVSEs prices ***. Briggs & Stratton reported that ***. Among importers, six firms reported that raw material prices fluctuated, four firms reported no change in these prices, two reported that prices increased, and one firm reported that prices decreased.

[1] Petition, p. 7.

[2] In part V, Honda Power and American Honda will generally be referred to as "Honda." ***.

Most purchasers (6 of 7) reported that they were familiar with raw material costs for SVSEs, and three reported that such costs affected their negotiations or contracts to purchase SVSEs. *** stated that significant changes in raw material cost is a factor in price negotiations. *** reported it negotiates prices each year including factoring in any changes in commodity prices. *** stated that aluminum price changes impact engine price negotiations. *** reported that some contracts have raw material index adjustments, but they do not affect *** purchase decisions.

Figure V-1
Raw materials: Prices of aluminum and steel scrap, monthly, January 2017-September 2020

* * * * * * *

Source: ***.

*** U.S. producers reported that Section 232 tariffs caused a fluctuation of raw material prices, *** (table V-1). ***. ***.

Among importers, five firms reported an increase in raw material prices as a result of Section 232 tariffs, six reported no change, one reported a decrease, and one reported that prices fluctuated. *** reported that aluminum prices affect SVSE prices and *** stated that imported components used in domestic engines are subject to tariffs, which in some cases are passed on to *** as an engine price increase. Most importers reported no change in SVSE sales prices because of Section 232 tariffs on raw materials, two reported SVSE prices increased, and two reported they fluctuated. Importer *** reported a 3 percent increase in SVSE prices.

Table V-1
SVSEs: Firms' responses regarding the impact of the 232 tariffs

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Impact on the cost of raw materials: U.S. producers	***	***	***	***
Importers	5	6	1	1
Impact on the prices of SVSEs: U.S. producers	***	***	***	***
Importers	2	8	---	2

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

Regarding the impact of Section 301 tariffs on raw material and component costs (see table II-1 in Part II), ***. *** reported that there have been significant increases in the costs of imported component parts that are used to manufacture SVSEs, and *** and *** reported that U.S. engine manufacturers have raised prices because of the Section 301 tariffs on those components.

U.S. producers were asked if they raised their prices, or attempted to raise prices, at any time since January 1, 2017, to cover increases in production costs. ***. ***. ***.[3]

[3] ***. Petitioner's posthearing brief, Exhibit 1, p. 22.

Transportation costs to the U.S. market

Transportation costs for SVSEs shipped from China to the United States averaged 3.8 percent during 2019. These estimates were derived from official import data and represent the transportation and other charges on imports.[4]

U.S. inland transportation costs

*** U.S. producers and five of seven responding importers reported that their firm typically arranges transportation to the customer.[5] U.S. producers reported that their U.S. inland transportation costs were *** percent and most importers reported costs of 5 percent or less.[6]

Pricing practices

Pricing methods

SVSE prices may be affected by engine size and output, expected service life, product innovation, brand, warranty, purchase volume, shipping and payment terms, and material input and labor costs.[7] Briggs & Stratton stated that engines for pressure washers are generally higher priced than similar-sized engines for mowers because the pressure washer does not have a spinning mass like the blade on a mower, and therefore needs a heavier flywheel than a mower engine.[8]

Firms reported different methods of setting prices for SVSEs. Briggs & Stratton starts price negotiations with OEMs in mid-spring. Price negotiations are typically finalized by summer, and the pricing remains in effect until the next season (typically February or March of the following year).[9]

---

[4] The estimated transportation costs were obtained by subtracting the customs value from the c.i.f. value of the imports for 2019 and then dividing by the customs value based on the HTS statistical reporting number 8407.90.1010.

[5] *** reported that the customer arranges transportation.

[6] Four importers *** reported 1 percent, *** reported 0.3 percent, *** reported 1 to 4 percent, *** reported 5 percent, and *** reported 10 percent.

[7] Respondent Toro's postconference brief, Answers to Questions, p. 5.

[8] Petitioner's postconference brief, Answers to Questions, p. 11.

[9] Hearing transcript, pp. 70-71 (Coad).

***. ***.

*** stated that its pricing is based on existing market prices and ***.[10] *** sets prices to OEMs and other customers based on ***.

Among OEM importers, ***, sends a request for quotation to the supplier with the specification requested. MTD's price negotiations for SVSEs typically start in the *** and is a relatively short process for most of its suppliers. However, it stated that ***.[11] Toro typically purchases SVSEs ***.[12]

[10] ***.

[11] Respondent MTD's postconference brief, Answers to Questions, p. 7.

[12] Respondent Toro's postconference brief, Answers to Questions, p. 4.

According to the petitioner, sales agreements establish a price for the engine but may not establish a volume of sales.[13] Sales of SVSEs to OEMs are typically on a contract basis, with price negotiations taking place more than a year before the engine is delivered to the OEM.[14] U.S. producers reported that all sales were ***. ***. ***.

Among the importers of Chinese SVSEs that sell to OEMs, *** reported 100 percent of its sales were on an annual contract basis (with price based on annual volume), *** reported that all of its sales were on a spot basis, and *** reported that 100 percent of its sales were on a short-term contract basis.

***. Importer *** also reported raising prices to customers during the contract period; ***.

[13] Petition, p. 16.
[14] Petition, p. 15.

Purchaser negotiations and contracts

Purchasers were also asked to describe their contracts with their engine suppliers. ***. ***. ***.[15] *** and *** do not have contracts with their engine suppliers.

Five purchasers reported that their purchases involve negotiations with their suppliers. ***.

***

[15] ***.

***.[16] ***.

***. ***. ***.

Sales terms, discounts, and rebates

*** U.S. producers and five of six responding importers reported that prices are typically quoted on an f.o.b. basis.

U.S. producers *** quantity discounts to customers. ***. Briggs & Stratton ***.[17] Among importers that sell SVSEs to OEMs, *** reported quantity and total volume discounts and *** reported no discount policy. ***

[16] ***.

[17] Briggs & Stratton stated ***. Petitioner's postconference brief, exhibit 7, p. 9.

***.

Engine producers may provide rebates to an OEM or to the OEM's customer, the retailer.[18] *** reported providing direct or indirect rebates to their customers or their customers' customers (i.e., retailers), and ***. ***. ***.

Warranties

U.S. producers' engines are typically sold with warranty protection. ***.

For imported product, the warranty may be provided by the foreign producer for branded engines ***) or may be provided by the OEM purchaser for private label engines provided by some Chinese producers ***. ***. ***.[19] ***.

[18] Petition, p. 12.
[19] ***.

Price leadership

Four purchasers did not name any price leaders in the U.S. market and three named one or more leaders. *** listed Honda as a price leader, stating that it had the highest prices and was a premium brand. *** listed Honda and Chinese producer Ducar as price leaders, stating that "if they increase their prices, every other manufacturer increases their prices." ***.

Price and purchase cost data

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following SVSE products shipped to unrelated U.S. OEM customers during January 2017-September 2020. In addition, firms that imported these products from China for use in production of downstream products were requested to provide import purchase cost data for these products.

Product 1: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 125-140cc Displacement, Unmounted

Product 2: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 141-155cc Displacement, Unmounted

Product 3: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 156-175cc Displacement, Unmounted

Product 4: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 186-205cc Displacement, Unmounted

Two U.S. producers (***) and three importers (***) provided usable pricing data for sales of the requested products, and six importers (***) reported usable import

purchase cost data.[20] Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' U.S. shipments of SVSEs and *** percent of imports of unmounted SVSEs from China in 2019.[21] Purchase cost data reported by these firms accounted for *** percent of imports of unmounted SVSEs from China in 2019. Price data and landed duty paid purchase cost data for products 1-4 are presented in tables V-2 to V-5 and figures V-2 to V-5.[22]

Among U.S. producers, *** reported pricing data for *** pricing products and *** reported data for ***. ***.

For importers, for product 1, no firms reported price data and three firms, ***, reported purchase cost data; for product 2, *** provided price data and *** reported purchase cost data; for product 3, no firms reported price data and six firms (***) reported purchase cost data; for product 4, two firms provided price data *** and three reported purchase cost data ***.

As discussed previously, *** provide direct or indirect rebates to their customers or their customers' customers (i.e., retailers). *** reported that these rebates were deducted from their reported price data. *** reported that such rebates in 2019 averaged ***. *** reported that they did not provide such rebates.

[20] No firms reported pricing or cost data for all products for all quarters. Per-unit pricing and cost data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

[21] Pricing coverage is based on U.S. shipments or imports reported in questionnaires.

[22] LDP import value does not include any potential additional costs that a purchaser may incur by importing rather than purchasing from another importer or U.S. producer. Price-cost differentials are based on LDP import values whereas margins of underselling/overselling are based on importer sales prices.

Table V-2
SVSEs: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarter, January 2017-September 2020

Period	United States		China			China cost		
	Price (dollars per unit)	Quantity (units)	Price (dollars per unit)	Quantity (units)	Margin (percent)	Unit LDP value (dollars per unit)	Quantity (units)	Price-cost differential (percent)
2017: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2018: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2019: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2020: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***

Note: Product 1: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 125-140cc Displacement, Unmounted

Note: ***.

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

Table V-3
SVSEs: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarter, January 2017-September 2020

Period	United States		China			China cost		
	Price (dollars per unit)	Quantity (units)	Price (dollars per unit)	Quantity (units)	Margin (percent)	Unit LDP value (dollars per unit)	Quantity (units)	Price-cost differential (percent)
2017: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2018: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2019: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2020: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***

Note: Product 2: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 141-155cc Displacement, Unmounted.

Note: ***.

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

Table V-4
SVSEs: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarter, January 2017-September 2020

Period	United States		China			China cost		
	Price (dollars per unit)	Quantity (units)	Price (dollars per unit)	Quantity (units)	Margin (percent)	Unit LDP value (dollars per unit)	Quantity (units)	Price-cost differential (percent)
2017: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2018: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2019: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2020: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***

Note: Product 3: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 156-175cc Displacement, Unmounted.

Note: ***.

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

Table V-5
SVSEs: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 and margins of underselling/(overselling), by quarter, January 2017-September 2020

Period	United States		China			China cost		
	Price (dollars per unit)	Quantity (units)	Price (dollars per unit)	Quantity (units)	Margin (percent)	Unit LDP value (dollars per unit)	Quantity (units)	Price-cost differential (percent)
2017: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2018: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2019: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2020: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***

Note: Product 4: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 186-205cc Displacement, Unmounted.

Note: ***.

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

Figure V-2
SVSEs: Weighted-average prices and quantities of domestic and imported product 1, by quarter, January 2017-September 2020

* * * * * * *

Product 1: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 125-140cc Displacement, Unmounted.

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

Figure V-3
SVSEs: Weighted-average prices, import purchase costs, and quantities of domestic and imported product 2, by quarter, January 2017-September 2020

* * * * * * *

Product 2: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 141-155cc Displacement, Unmounted.

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

Figure V-4
SVSEs: Weighted-average prices, import purchase costs, and quantities of domestic and imported product 3, by quarter, January 2017-September 2020

* * * * * * *

Product 3: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 156-175cc Displacement, Unmounted.

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

Figure V-5
SVSEs: Weighted-average prices, import purchase costs, and quantities of domestic and imported product 4, by quarter, January 2017-September 2020

* * * * * * *

Product 4: Vertical Shaft Engine, Residential (EPA-certified nominal useful life rating of no more than 125 hours), Air-Cooled, Single Cylinder, Carbureted, 186-205cc Displacement, Unmounted.

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

Import purchase cost data

Importers reporting import purchase cost data were asked to provide additional information regarding the costs and benefits of directly importing SVSEs. Three of the six importers providing useable cost data reported that they incurred additional costs beyond landed duty-paid costs by importing SVSEs directly rather than purchasing from a U.S. producer or U.S. importer.[23] ***.

***.

Firms were also asked to describe how these additional costs incurred by importing SVSEs compare with additional costs incurred when purchasing from a U.S. producer or U.S. importer. MTD stated that it incurs the following costs on its imports from Zongshen that it does not incur when purchasing from U.S. producers: warranty costs; product development costs; and testing, certification, quality control, and regulatory compliance costs.[24] ***. ***.

Five of the six importers *** reporting useable import cost data indicated that they compare costs of importing to the cost of purchasing from a U.S. producer in determining whether to import SVSEs, two of these importers (***) also compare costs of importing to the cost of purchasing from a

[23] ***.

[24] Respondent MTD's postconference brief, pp. 19-21.

U.S. importer, and one importer (***) does not compare the cost of importing to the costs of purchasing from either U.S. producers or importers.

All six importers identified benefits from importing SVSEs directly instead of purchasing from U.S. producers or importers. ***.

Firms were asked whether the cost (both excluding and including additional costs) of SVSEs they imported are lower than the price of purchasing SVSEs from a U.S. producer or importer. Four importers reported that the costs were lower not including additional costs and three importers reported that the costs were lower including the additional costs to import.[25]

Importer *** estimated that it saved *** percent of LDP value by importing SVSEs rather than purchasing from a U.S. importer and *** percent compared to purchasing from a U.S. producer. Importer *** estimated saving *** percent compared to purchasing the

[25] *** reported that the costs were lower both excluding and including additional costs. *** reported that the costs were lower excluding additional costs but not when including additional costs. *** reported that the costs were not lower. *** did not answer the question.

product from a U.S. producer. *** reported that it saved *** percent compared to purchasing the SVSEs from U.S. producers and importers.[26]

Price and import purchase cost trends

Products 1 and 3 accounted for the large majority of U.S. producers' sales of the three pricing products during the period, accounting for *** percent and *** percent of the quantity of pricing data reported, respectively, while product 2 accounted for *** percent and product 4 accounted for *** percent. Most of the pricing data for China was reported for product 2 (*** percent) with the remaining *** percent reported for product 4. Purchase cost data quantities were mostly for products 2 and 3, *** and *** percent respectively, with product 1 accounting for *** percent and product 4 accounting for *** percent.

In general, prices decreased during January 2017-September 2020. Table V-6 summarizes the price trends, by country and by product. As shown in the table, domestic price decreases for products 1-3 ranged from *** to *** percent during January 2017-September 2020, while domestic prices for product 4 increased by *** percent. Subject import prices of product 2 increased by *** percent during January 2017-September 2020 and subject import prices of product 4 decreased by *** percent during January 2017-June 2020. Import purchase costs for products 2-4 decreased by *** to *** percent during January 2017-September 2020. Indexed price data and purchase cost data for products 1-4 are shown in figure V-6.

[26] *** based its estimate on previous company transactions ***. *** based its estimate on market research. *** based its estimates of previous company transactions and market research. ***.

Table V-6
SVSEs: Summary of weighted-average f.o.b. prices for products 1-4 from the United States and China

Item	Number of quarters	Low price (dollars per short ton)	High price (dollars per short ton)	Change in price over period (percent)
Product 1: United States	15	***	***	***
China price	---	***	***	***
China cost	11	***	***	***
Product 2: United States	15	***	***	***
China price	15	***	***	***
China cost	15	***	***	***
Product 3: United States	15	***	***	***
China price	---	***	***	***
China cost	15	***	***	***
Product 4: United States	15	***	***	***
China price	14	***	***	***
China cost	15	***	***	***

Note: Percentage change from the first quarter of 2017 to the third quarter of 2020, except for China product 4 price is from the first quarter of 2017 to the second quarter of 2020.

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

Figure V-6
SVSEs: Indexed prices and purchase costs, January 2017-September 2020

* * * * * * *

Figure continued on next page.

Figure V-6--Continued.
SVSEs: Indexed prices and purchase costs, January 2017-September 2020

* * * * * * *

Note: Indexes are shown only where data were available for the first quarter of 2017.

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

Price and purchase cost comparisons

Price comparisons

As shown in table V-7, prices for product imported from China were below those for U.S.-produced product in 23 of 29 instances (*** units); margins of underselling ranged from 11.0 to 38.9 percent. In the remaining 6 instances (*** units), prices for product from China were between 0.2 and 11.2 percent above prices for the domestic product.

Table V-7
SVSEs: Instances of underselling/overselling and the range and average of margins, by country, January 2017-September 2020

Product	Underselling				
	Number of quarters	Quantity (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	---	---	---	---	---
Product 2	10	***	***	***	***
Product 3	---	---	---	---	---
Product 4	13	***	***	***	***
Total, underselling	23	***	22.4	11.0	38.9
Product	(Overselling)				
	Number of quarters	Quantity (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	---	---	---	---	---
Product 2	5	***	***	***	***
Product 3	---	---	---	---	---
Product 4	1	***	***	***	***
Total, overselling	6	***	(6.1)	(0.2)	(11.2)

Note: These data include only quarters in which there is a comparison between the U.S. and subject product. There were no import price data reported for products 1 and 3.

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

Price-cost comparisons

As shown in table V-8, landed duty-paid costs for SVSEs imported from China were below the sales price for U.S.-produced product in 56 of 56 instances (*** units); price-cost differentials ranged from 8.5 percent to 45.1 percent.

Table V-8
SVSEs: Comparisons of import purchase costs and U.S.-producer sales prices, January 2017-December 2019

Product	Import purchase cost lower than U.S. sales price				
	Number of quarters	Quantity (units)	Average price-cost difference (percent)	Range of price-cost difference (percent)	
				Min	Max
Product 1	11	***	***	***	***
Product 2	15	***	***	***	***
Product 3	15	***	***	***	***
Product 4	15	***	***	***	***
Total, lower	56	***	29.3	8.5	45.1

Note: These data include only quarters in which there is a comparison between the U.S. and subject product. There were no quarters in which the import purchase cost was higher than the U.S. sales price.

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

Lost sales and lost revenue

In the preliminary phase of these investigations, the Commission requested that U.S. producers of SVSEs report purchasers with which they experienced instances of lost sales or revenue due to competition from imports of SVSEs from China during 2017-19. *** submitted lost sales and lost revenue allegations, and identified *** firms with which it lost sales or revenue (*** consisting of both lost sales and lost revenues allegations, *** consisting of a lost sale allegation, and *** consisting of a lost revenue allegation).[27] ***.[28] ***.

In the final phase of these investigations, ***. Staff received questionnaire responses from seven purchasers, including *** firms named in the allegations. Responding purchasers reported purchasing *** SVSEs during January 2017-September 2020 (table V-9).

Of the seven responding purchasers, three reported that, since 2017, they had purchased imported SVSEs from China instead of U.S.-produced product. Three of these purchasers reported that subject import prices were lower than U.S.-produced product, and one of these purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product. One purchaser (***) estimated the quantity of SVSEs from China purchased instead of domestic product at *** units (table V-10).[29] One purchaser (***) identified non-price reasons for purchasing imported rather than U.S.-produced product. *** stated that diversification of supply was an important factor because of U.S. supply constraints, that Chinese SVSEs are sometimes priced higher than domestic SVSEs and are sometimes priced lower, and that its purchase decisions are based on ***.

[27] ***. Additional details regarding these allegations are shown in the petition, volume 1, exhibit I-11.
[28] ***.
[29] ***.

Table V-9
SVSEs: Purchasers' reported purchases of unmounted engines and imports of mounted and unmounted engines, January 2017-September 2020

Purchaser	Purchases and imports in January 2017 through September 2020 (units)			Change in domestic share (pp, 2017-19)	Change in subject country share (pp, 2017-19)
	Domestic	Subject	All other		
***.—					
Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
***.—					
Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
***.—					
Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
***.—					
Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
***.—					
Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
***.--Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
***.—					
Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
Total—					
Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***

Note: All other includes all other sources and unknown sources.

Note: Percentage points (pp) change: Change in the share of the firm's total purchases of domestic and/or subject country imports between first and last years.

Note: ***.

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

Table V-10
SVSEs: Purchasers' responses to purchasing subject imports instead of domestic product

Purchaser	Subject imports purchased instead of domestic (Y/N)	Imports priced lower (Y/N)	If purchased subject imports instead of domestic, was price a primary reason		
			Y/N	If Yes, quantity (units)	If No, non-price reason
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Total	Yes--3; No--4	Yes--3; No—0	Yes--1; No--2	***	

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

No purchaser reported that U.S. producers had reduced prices in order to compete with lower-priced imports from China. Five purchasers (***) reported that U.S. producers had not reduced prices to compete with subject imports and two purchasers (***) reported that they did not know.

Part VI: Financial experience of U.S. producers

Background

Two U.S. producers, Briggs & Stratton and Honda Power, provided usable financial results on their SVSE operations. Both U.S. producers reported financial data on a calendar-year basis. One of the responding U.S. producers provided its financial data on the basis of generally accepted accounting principles ("GAAP"), and the other company provided its results on the basis of international financial reporting standards ("IFRS").

Staff verified the results of Briggs & Stratton with its corporate records. The verification adjustments were incorporated into this report.[1] Briggs & Stratton's U.S. producer questionnaire response was changed to revise the following sections: ***.

[1] Staff verification report, Briggs & Stratton, March 16, 2021.

Operations on SVSEs

Figure VI-1 presents each responding firm's share of the total reported net sales quantity in 2019. Table VI-1 presents aggregated data on U.S. producers' operations in relation to SVSEs over the period examined, while table VI-2 presents corresponding changes in average unit values ("AUVs"). Table VI-3 presents selected company-specific financial data.

Figure VI-1
SVSEs: Share of net sales quantity, by firm, 2019

* * * * * * *

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

Table VI-1
SVSEs: Results of operations of U.S. producers, 2017-19, January-September 2019, and January-September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
Commercial sales	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Total net sales	***	***	***	***	***
	Value (1,000 dollars)				
Commercial sales	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Total net sales	***	***	***	***	***
Cost of goods sold.-- Raw materials	***	***	***	***	***
Direct labor	***	***	***	***	***
Other factory costs	***	***	***	***	***
Total COGS	***	***	***	***	***
Gross profit	***	***	***	***	***
SG&A expense	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***
Interest expense	***	***	***	***	***
All other expenses/(income), net	***	***	***	***	***
Net income or (loss)	***	***	***	***	***
Depreciation/amortization	***	***	***	***	***
Cash flow	***	***	***	***	***
	Ratio to net sales (percent)				
Cost of goods sold.-- Raw materials	***	***	***	***	***
Direct labor	***	***	***	***	***
Other factory costs	***	***	***	***	***
Average COGS	***	***	***	***	***
Gross profit	***	***	***	***	***
SG&A expense	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***
Net income or (loss)	***	***	***	***	***

Table continued on next page.

Table VI-1—Continued
SVSEs: Results of operations of U.S. producers, 2017-19, January-September 2019, and January-September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Ratio to total COGS (percent)				
Cost of goods sold.-- Raw materials	***	***	***	***	***
Direct labor	***	***	***	***	***
Other factory costs	***	***	***	***	***
Average COGS	***	***	***	***	***
	Unit value (dollars per unit)				
Commercial sales	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Total net sales	***	***	***	***	***
Cost of goods sold.-- Raw materials	***	***	***	***	***
Direct labor	***	***	***	***	***
Other factory costs	***	***	***	***	***
Average COGS	***	***	***	***	***
Gross profit	***	***	***	***	***
SG&A expense	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***
Net income or (loss)	***	***	***	***	***
	Number of firms reporting				
Operating losses	***	***	***	***	***
Net losses	***	***	***	***	***
Data	***	***	***	***	***

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

Table VI-2
SVSEs: Changes in AUVs between calendar years and partial year periods

Item	Between calendar years			Between partial year periods
	2017-19	2017-18	2018-19	2019-20
	Change in AUVs (percent)			
Commercial sales	***	***	***	***
Internal consumption	***	***	***	***
Transfers to related firms	***	***	***	***
Total net sales	***	***	***	***
Cost of goods sold.-- Raw materials	***	***	***	***
Direct labor	***	***	***	***
Other factory costs	***	***	***	***
Average COGS	***	***	***	***
	Change in AUVs (dollars per unit)			
Commercial sales	***	***	***	***
Internal consumption	***	***	***	***
Transfers to related firms	***	***	***	***
Total net sales	***	***	***	***
Cost of goods sold.-- Raw materials	***	***	***	***
Direct labor	***	***	***	***
Other factory costs	***	***	***	***
Average COGS	***	***	***	***
Gross profit	***	***	***	***
SG&A expense	***	***	***	***
Operating income or (loss)	***	***	***	***
Net income or (loss)	***	***	***	***

Note: AUVs shown as "(0.00)" represent values less than zero, but greater than "$0.005."

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

Table VI-3
SVSEs: Results of operations of U.S. producers, by firm, 2017-19, January-September 2019, and January-September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Total net sales (units)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Total net sales (1,000 dollars)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Cost of goods sold (1,000 dollars)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Gross profit or (loss) (1,000 dollars)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	SG&A expenses (1,000 dollars)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Operating income or (loss) (1,000 dollars)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Net income or (loss) (1,000 dollars)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	COGS to net sales ratio (percent)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Gross profit or (loss) to net sales ratio (percent)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***

Table continued on next page.

Table VI-3—Continued
SVSEs: Results of operations of U.S. producers, by firm, 2017-19, January-September 2019, and January-September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	SG&A expense to net sales ratio (percent)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Operating income or (loss) to net sales ratio (percent)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Net income or (loss) to net sales ratio (percent)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Unit net sales value (dollars per unit)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Unit raw materials (dollars per unit)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Unit direct labor (dollars per unit)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Unit other factory costs (dollars per unit)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Unit COGS (dollars per unit)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Unit gross profit or (loss) (dollars per unit)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***

Table continued on next page.

Table VI-3—Continued
SVSEs: Results of operations of U.S. producers, by firm, 2017-19, January-September 2019, and January-September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Unit SG&A expenses (dollars per unit)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Unit operating income or (loss) (dollars per unit)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	Unit net income or (loss) (dollars per unit)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***

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

Net sales

In addition to commercial sales, the industry's reported net sales included internal consumption and transfers to related firms, with commercial sales, internal consumption, and transfers to related firms accounting for ***, ***, and *** percent, respectively, of total reported net sales quantity in 2019.[2] [3]

The industry's net sales quantity decreased from *** units in 2017 to *** units in 2019 and was lower in interim 2020 (at *** units) than in interim 2019 (at *** units). Net sales value decreased from $*** in 2017 to $*** in 2019 and was lower in interim 2020 (at $***) than in interim 2019 (at $***). The average net sales AUV decreased from $*** per unit in 2017 to $*** per unit in 2019 and was lower in interim 2020 (at $***) than in interim 2019 (at $***). [4] [5]

[2] ***. ***. *** producer questionnaire responses, section II-11 and III-9a. ***.

[3] ***. Email from ***.

[4] In general, commercial sales, internal consumption, and transfers to related firms had similar directional trends during the period examined. As seen in table VI-3, ***.

[5] The net sales AUVs of ***.

Cost of goods sold and gross profit or loss

As seen in table VI-1, raw material costs, direct labor, and other factory costs accounted for ***, ***, and *** percent of total COGS, respectively, in 2019. On a per-unit basis, raw material costs increased from $*** in 2017 to $*** in 2019 but were lower in interim 2020, at $***, than during interim 2019, at $***.[6]

Table VI-4 shows the value, average unit value, and share of value of raw materials, by type, for 2019. This shows that metal components represented *** percent of total raw material costs in 2019.[7] [8]

Table VI-4
SVSEs: Raw materials by type, 2019

Raw materials	Calendar year 2019		
	Value (1,000 dollars)	Unit value (dollars per unit)	Share of value (percent)
Metal components	***	***	***
Other raw materials	***	***	***
Total, raw materials	***	***	***

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

[6] ***. U.S. producer questionnaire responses, section III-7 and email from ***.

[7] Briggs & Stratton reported that *** percent of its raw material purchases are from ***. The company reported that its ***. Honda Power reported that ***. U.S. producer questionnaire responses, section III-9c.

[8] Firms were asked to estimate the impact that Section 232 and Section 301 tariffs had on their raw material costs. ***. U.S. producer questionnaire responses, section III-9d.

Both direct labor and other factory costs decreased from 2017 to 2019 and were lower in interim 2020 than in interim 2019. However, these decreases were not as steep as the decreases in net sales quantity during the same periods, which caused direct labor and other factory costs to increase on a per-unit basis. Direct labor increased from $*** per unit in 2017 to $*** per unit in 2019, and it was higher in interim 2020 ($*** per unit) than in interim 2019 ($*** per unit). Similarly, other factory costs increased on a per-unit basis from $*** in 2017 to $*** in 2019 and were higher in interim 2020 ($***) than in interim 2019 ($***).

The Commission requested U.S. producers to provide information on their warranty expenses. Warranty expenses are a contractual expense related to the repair, replacement, or compensation to a buyer or user for any product defects. In accounting, warranty expenses should be recognized when they are probable and can be estimated. Warranty expenses are estimated based on claims experience. The income statement is impacted by the full amount of warranty expenses when a sale occurs, even if there are no warranty claims during the period (this is the "matching principle" to revenue recognition, a basic element of GAAP). When claims appear in later accounting periods, the only further impact is made on the balance sheet, since the company reduces both the warranty liability and inventory accounts.[9] [10] ***. Total warranty expenses and cash outlays are summarized in table VI-5.

[9] Retrieved from https://corporatefinanceinstitute.com/resources/knowledge/accounting/warranty-expense/, February 9, 2021.

[10] If a firm concludes that its warranty liability account is overstated (i.e., the firm has overestimated the amount of warranty claims that would be submitted from previous periods and has a larger than needed balance in its warranty liability account), an adjustment can be recorded, which would have a positive impact on profitability.

Table VI-5
SVSEs: Warranty expenses, cash outlays, and number of claims, 2017-19, January-September 2019, and January-September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
Warranty expenses (1,000 dollars)	***	***	***	***	***
Warranty cash outlays (1,000 dollars)	***	***	***	***	***
Number of claims (count)	***	***	***	***	***
Average cash outlay (dollars per claim)	***	***	***	***	***
Average unit value of warranty expenses (dollars per unit sold)	***	***	***	***	***
Ratio of warranty expenses to net sales (percent)	***	***	***	***	***
Ratio of warranty expenses to operating expenses (percent)	***	***	***	***	***

Note: Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

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

Warranty expense is the liability recorded on the sale of an SVSE (this account is adjusted for the expiry of warranties in past years and claims under warranty); warranty cash outlays represent the amount of total current expenses incurred for claims on SVSEs that are under warranty, which may be from sales made as long as several years prior to the current reporting period.

With regard to claims, ***. With regard to warranty cash outlays, ***. The industry's warranty expenses, cash outlays, and the number of claims each declined overall from 2017 to 2019, as did the average cost per claim, the average per-unit warranty expense, ratio of warranty expenses to net sales, and the ratio of warranty expenses to operating expenses (COGS plus SG&A expenses).[11] Each of these indicators were

[11] The ***. *** U.S. producer questionnaire response, section III-9g.

either unchanged or lower in interim 2020 compared to interim 2019. The average per-unit warranty expense ranged from $*** per unit in 2018 (***), to $*** per unit in 2017.

On a per-unit basis, total COGS for the industry increased from $*** in 2017 to $*** in 2019 and was slightly lower in interim 2020 than in interim 2019. As a ratio to net sales, total COGS increased from *** percent in 2017 to *** percent in 2019 and was *** percent in interim 2019 and *** percent in interim 2020. This increase in the COGS to sales ratio ***.

Net sales revenue decreased more than the decrease in total COGS between 2017 and 2019, which resulted in gross profit decreasing from $*** in 2017 to $*** in 2019. Similarly, the difference in the net sales value between the interim periods was larger than the difference in the COGS, which resulted in gross profit being lower in interim 2020 (at $***) than in interim 2019 (at $***).

SG&A expenses and operating income or loss

The industry's SG&A expenses decreased between 2017 and 2019, from $*** to $*** and were lower in interim 2020 than during interim 2019. *** accounted for the largest share of the decrease from 2017 to 2019, but the company's decrease was mostly in line with its decrease in net sales value, as the company's SG&A to net sales ratio *** percentage points. The industry's SG&A expense ratio (the ratio of SG&A expenses to net sales value) increased from *** percent in 2017 to *** percent in 2019 and was higher in interim 2020 than in interim 2019.[12]

The industry reported ***. The operating *** in 2017 to $*** in 2019. The *** was worse in interim 2020, at $***, than during the same period in 2019 when it was ***.

[12] *** U.S. producer questionnaire response, section III-10.

All other expenses and net income or loss

The industry's total interest expense increased from $*** in 2017 to $*** in 2019 and was higher in interim 2020 than during interim 2019. All other expenses, net of all other income, increased irregularly from *** in 2017 to *** in 2019, but was lower in interim 2020 than in interim 2019.[13] Net income worsened from *** in 2017 to *** in 2019. The industry reported *** in interim 2019 and *** in interim 2020.

Variance analysis

A variance analysis for the operations of U.S. producers of SVSEs is presented in table VI-6.[14] The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. The information for this variance analysis is derived from table VI-1. The analysis shows that both the decrease in operating income (i.e., the ***) between 2017 and 2019 and the *** were attributable to unfavorable net cost/expense variances (higher cost/expense AUVs) and unfavorable price variances (lower net sales AUVs), despite favorable volume variances. Even though sales volumes declined by *** percent from 2017 to 2019, and were *** percent lower in interim 2020 than in interim 2019, the volume variances are positive because it is determined by multiplying the AUV of the beginning period operating income or loss by the change in the volume from the first period to the last. Since the industry *** in 2017 and interim 2019, and the volume of net sales decreased between 2017 and 2019, and were lower in interim 2020 compared with interim 2019, the volume

[13] ***.

[14] The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

variances are positive because the industry was making fewer sales of product on which it was ***.

Table VI-6
SVSEs: Variance analysis on the operations of U.S. producers, January-September 2019, and January-September 2020

Item	Between calendar years			Between partial year period
	2017-19	2017-18	2018-19	2019-20
	Value (1,000 dollars)			
Net sales: Price variance	***	***	***	***
Volume variance	***	***	***	***
Net sales variance	***	***	***	***
COGS: Cost variance	***	***	***	***
Volume variance	***	***	***	***
COGS variance	***	***	***	***
Gross profit variance	***	***	***	***
SG&A expenses: Cost/expense variance	***	***	***	***
Volume variance	***	***	***	***
Total SG&A expense variance	***	***	***	***
Operating income variance	***	***	***	***
Summarized (at the operating income level) as: Price variance	***	***	***	***
Net cost/expense variance	***	***	***	***
Net volume variance	***	***	***	***

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

Capital expenditures and research and development expenses

Table VI-7 presents capital expenditures and research and development ("R&D") expenses by firm. The industry's capital expenditures increased irregularly from $*** in 2017 to $*** in 2019, but were lower in interim 2020 than in interim 2019.[15] R&D expenses decreased from $*** in 2017 to $*** in 2019, and were *** lower in interim 2020 than in interim 2019.[16]

Table VI-7
SVSEs: Capital expenditures and R&D expenses of U.S. producers, January-September 2019, and January-September 2020

Item	Fiscal year			January to September	
	2017	2018	2019	2019	2020
	Capital expenditures (1,000 dollars)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***
	R&D expenses (1,000 dollars)				
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All firms	***	***	***	***	***

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

[15] ***. U.S. producer questionnaire responses at III-13.
[16] *** U.S. producer questionnaire response at III-13 and III-14.

Assets and return on assets

Table VI-8 presents data on the U.S. producers' total assets and their return on assets ("ROA").[17] Total assets decreased from $*** in 2017 to $*** in 2019. *** accounted for the largest share of the total net assets and *** of the decrease.[18]

Table VI-8
SVSEs: U.S. producers' total assets and return on assets, 2017-19

Firm	Calendar years		
	2017	2018	2019
	Total net assets (1,000 dollars)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Operating return on assets (percent)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***

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

[17] The return on assets ("ROA") is calculated as operating income divided by total assets. With respect to a firm's overall operations, the total asset value reflects an aggregation of a number of assets which are generally not product specific. Thus, high-level allocations are generally required in order to report a total asset value for the subject product.

[18] The company reported that its ***.

Capital and investment

The Commission requested U.S. producers of SVSEs to describe any actual or potential negative effects of imports of SVSEs from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Table VI-9 presents the number of firms reporting an impact in each category and table VI-10 provides the U.S. producers' narrative responses.

Table VI-9
SVSEs: Actual and anticipated negative effects of imports on investment, growth, and development, since January 1, 2017

Item	No	Yes
Negative effects on investment	***	***
Cancellation, postponement, or rejection of expansion projects		***
Denial or rejection of investment proposal		***
Reduction in the size of capital investments		***
Return on specific investments negatively impacted		***
Other		***
Negative effects on growth and development	***	***
Rejection of bank loans		***
Lowering of credit rating		***
Problem related to the issue of stocks or bonds		***
Ability to service debt		***
Other		***
Anticipated negative effects of imports	***	***

Note: ***.

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

Table VI-10
SVSEs: Narratives relating to actual and anticipated negative effects of imports on investment, growth, and development, since January 1, 2017

Item / Firm	Narrative
***	
***	***
***	
***	***
***	
***	***
***	
***	***
***	
***	***
***	
***	***
***	
***	***
***	
***	***
***	
***	***
***	***

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

Part VII: Threat considerations and information on nonsubject countries

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped 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 under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the subsidies was presented earlier in this report; 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. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

The industry in China

The Commission issued foreign producers'/exporters' questionnaires to 41 firms believed to produce and/or export SVSEs from China.[3] Usable responses to the Commission's questionnaire were received from three firms: Chongqing Kohler Engines, LTD ("Kohler"), Loncin Motor Co., Ltd. ("Loncin"), and Chongqing Zongshen General Power Machine Co., Ltd. ("Zongshen").[4] These three firms' reported exports to the United States accounted for *** percent total U.S. imports from China as reported under official import statistics for the primary HTS statistical reporting number 8407.90.1010.[5] Kohler estimated in its questionnaire response that its SVSE production represented *** percent of total Chinese SVSE production and *** percent of total Chinese SVSE exports to the United States in 2019, while Loncin and Zongshen ***. Table VII-1 presents information on the SVSE operations of the responding producers and exporters in China.

Table VII-1
SVSEs: Summary data on firms in China, 2019

Firm	Production (units)	Share of reported production (percent)	Exports to the United States (units)	Share of reported exports to the United States (percent)	Total shipments (units)	Share of firm's total shipments exported to the United States (percent)
Kohler	***	***	***	***	***	***
Loncin	***	***	***	***	***	***
Zongshen	***	***	***	***	***	***
All firms	***	100.0	***	100.0	***	***

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

EPA annual certification data for small nonroad spark-ignition engines lists 15 firms that manufactured EPA certified vertical shaft engines from 99 to 224cc in China for model year

[3] These firms were identified through a review of information submitted in the petition and contained in *** records.

[4] Additionally, the following eight firms certified that certified they had not produced or exported SVSEs from China since January 1, 2017: ***.

[5] Because the official import statistics used to generate the questionnaire coverage estimate do not correspond directly to the scope, the questionnaire coverage estimate is overstated.

2020. The firms and the specifications for the models that they produce in China are listed in table VII-2.

Table VII-2
SVSEs: Firms manufacturing EPA certified SVSEs in China, including range of engine types produced in China, model year 2020

Firm	Type	Displacement	Maximum engine power
		(Cubic centimeters)	(kilowatts)
Chongqing Hwasdan Power Technology Company, Ltd.	Residential	149-224	2.5–4.1
ChongQing AM Pride Power & Machinery Co., Ltd.	Extended life residential	223	4.6
Chongqing Dajiang Power Equipment Co. Ltd.	Residential	150–224	2.4–4.4
Chongqing Dinking Power Machinery Co., Ltd.	Residential	140–191	2.3–3.0
Chongqing Rato Technology Co., Ltd	Residential, commercial	121–224	2.0–4.3
Chongqing Shineray Agricultural Machinery Co., Ltd.	Residential	208	4.1
Chongqing Zongshen General Power Machine Co., Ltd.	Residential	149–224	2.5–4.3
Fujian Everstrong Lega Power Equipments Co., Ltd.	Residential	175	2.8
Honda	Commercial	163	3.2
Kawasaki Motors Corp., U.S.A.	Commercial	179	3.4
Kohler Co.	Residential, extended life residential, commercial	173–224	3.5–4.6
Lifan Industry (Group) Co., Ltd.	Residential	159–196	2.6–3.5
Loncin Motor Co., Ltd.	Residential	139–224	2.4–4.5
Taizhou Sabo Electronics Co., Ltd.	Residential	150	3.6
Qianjiang Group Wenling Jennfeng Industry Inc.	Residential	173	3.0

Note: Commerce amended the scope between the preliminary and final phases of these investigations to exclude certain “commercial” or “heavy commercial” engines. As such, some or all of the commercial engines may be excluded from the scope. See the Commerce’s scope section in part I for more information.

Source: EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small NRSI Engine Certification Data (Model years: 2011 – Present), January 2021, https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment, retrieved February 9, 2021.

Changes in operations

As presented in table VII-3 producers in China reported operational changes since January 1, 2017 related to the COVID-19 pandemic.

Table VII-3
SVSEs: Reported changes in operations by producers in China, since January 1, 2017

Item / Firm	Reported changes in operations due to COVID-19 pandemic
***	***
***	***

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

Operations on SVSEs

Table VII-4 presents information on the SVSEs operations of the responding producers and exporters in China. From 2017-19, Kohler reported that its SVSE production capacity ***, while Loncin reported its capacity *** percent, and Zongshen reported its capacity *** percent. This resulted in the firms' total reported capacity increasing irregularly by *** percent over the 2017-19 period. The three firms' total capacity was also *** percent higher in interim 2020 as compared to interim 2019 (***). The firms projected their combined 2020 capacity will be *** percent higher than 2019 capacity, but the firms forecasted their 2021 capacity will decrease *** percent as compared to their projected combined 2020 capacity.

The Chinese firms' reported SVSE production increased *** percent from 2017-18 and then decreased *** percent from 2018-19 resulting in a total decrease of *** percent during the 2017-19 period (***). The firms' projected 2020 production is expected to be higher than 2019 production (by *** percent) but projected 2021 production is expected to drop *** percent as compared to projected 2020 production. As a result of the capacity and production trends discussed above, the firms' combined capacity utilization fell *** percentage points over the 2017-19 period (although capacity utilization was *** percentage points higher in

interim 2020 as compared to interim 2019). Capacity utilization for calendar year 2020 is forecasted to be *** percentage points higher than the firms' combined capacity utilization reported for 2019 but capacity utilization is projected to fall by *** percentage points in 2021 as compared to the calendar year 2020 projection.

Home market commercial shipments rose from *** percent to *** percent of the share of foreign producers' total shipments during 2017-19. Comparatively, exports to the United States comprised between *** and *** percent of the foreign producers' total shipments during 2017-19 while exports to all other markets comprised between *** and *** percent of foreign producers' total shipments during 2017-19. The responding foreign producers reported Europe, South America, Africa, Asia, and Australia as their principal export markets outside the United States.

Table VII-4
SVSEs: Data on industry in China, 2017-19, January to September 2019, and January to September 2020 and projection calendar years 2020 and 2021

Item	Actual experience					Projections	
	Calendar year			January to September		Calendar year	
	2017	2018	2019	2019	2020	2020	2021
	Quantity (units)						
Capacity	***	***	***	***	***	***	***
Production	***	***	***	***	***	***	***
End-of-period inventories	***	***	***	***	***	***	***
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***	***	***
Total home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***
	Ratios and shares (percent)						
Capacity utilization	***	***	***	***	***	***	***
Inventories/production	***	***	***	***	***	***	***
Inventories/total shipments	***	***	***	***	***	***	***
Share of shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***	***	***
Total home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

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

Alternative products

When asked if it could produce alternative products using the same equipment, machinery, or employees as used to make SVSEs, *** reported that ***, while *** reported ***. Table VII-5 shows Chinese producers' overall capacity and production on the same equipment and labor as in-scope production and the quantities of *** out-of-scope production during the period of investigation using that same equipment and/or labor.

Table VII-5
SVSEs: Overall capacity and production using the same equipment, machinery as in-scope production by producers in China, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
Overall capacity	***	***	***	***	***
Production: SVSEs	***	***	***	***	***
Out-of-scope production	***	***	***	***	***
Total production on same machinery	***	***	***	***	***
	Ratios and shares (percent)				
Overall capacity utilization	***	***	***	***	***
Share of production: SVSEs	***	***	***	***	***
Out-of-scope production	***	***	***	***	***
Total production on same machinery	100.0	100.0	100.0	100.0	100.0

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

U.S. inventories of imported merchandise

Table VII-6 presents data on U.S. importers' reported end-of-period inventories of SVSEs. Inventories of imports from China increased from 2017-18 by *** percent and then decreased from 2018-19 by ***, resulting in a net increase of *** percent during the 2017-19 period (***). Inventories of imports from nonsubject sources increased from *** units in 2017 to *** units in 2018 and fell to *** units in 2019 (***). As a result, U.S. importers' end-of-period inventories of imports from all sources increased from 2017-18 by *** percent and then decreased *** percent from 2018-19, resulting in a net increase of *** percent during the 2017-19 period.

Inventories from China were significantly higher in interim 2020 as compared to interim 2019 (by *** percent) (***). Inventories from nonsubject sources were significantly down in interim 2020 as compared to interim 2019 (by *** percent) (***).

Table VII-6
SVSEs: U.S. importers' end-of-period inventories of imports by source, 2017-2019, January-September 2019, and January-September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Inventories (units); Ratios (percent)				
Imports from China					
Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***
Imports from nonsubject sources:					
Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***
Imports from all import sources:					
Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***

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

U.S. importers' outstanding orders

The Commission requested importers to indicate whether they imported or arranged for the importation of SVSEs from China after September 30, 2020. These data are presented in table VII-7. Responding importers reported arranged imports of *** units for the fourth quarter of 2020 and *** units for the first quarter of 2021 from *** resulting in a total of *** units in outstanding orders.

Table VII-7
SVSEs: Arranged imports, October 2020 through September 2021

Item	Period				
	Oct-Dec 2020	Jan-Mar 2021	Apr-Jun 2021	Jul-Sep 2021	Total
	Quantity (units)				
Arranged U.S. imports from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***

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

Antidumping or countervailing duty orders in third-country markets

There are no known antidumping or countervailing duty order in third-country markets on SVSEs.

On February 3, 2020, Argentina initiated an antidumping investigation on imports of certain weeding machines and lawnmowers with a motor, specifically products classified under HTS subheadings 8467.29.99 and 8433.11.00. The mounted engines that are subject to this investigation may enter under HTS subheading 8433.11.00. On January 21, 2021, the Argentinian authorities terminated the antidumping investigation on imports of the subject good from China without the imposition of definitive duties.[6] There are no other known antidumping or countervailing duty investigations or orders in third-country markets related to SVSEs.

[6] Global Trade Alert, "Argentina: Initiation of antidumping investigation on imports of certain lawnmowers and weeding machines from China," https://www.globaltradealert.org/intervention/78429/anti-dumping/argentina-initiation-ofantidumping-investigation-on-imports-of-certain-lawnmowers-and-weeding-machines-from-china, retrieved February 5, 2021.

Information on nonsubject countries

As previously noted, GTA publishes data on global exports of engines, including those for subheadings 8407.90 (other engines), 8409.91 (parts for spark-ignition, internal combustion engines), 8424.30 (Steam or sand blasting machines and similar jet projecting machines), and 8433.11 (Lawn mowers with a horizontal rotating cutting device). However, these subheadings are huge categories that, in addition to products covered by the scope of these investigations, also include many products outside the scope of these investigations. Due to this data limitation, these data are not presented. EPA annual certification data for small nonroad spark-ignition engines list only two firms that manufacture EPA-certified vertical shaft engines from 99 to 224cc in nonsubject countries for model year 2019 and/or 2020: Honda (Japan) and Chongqing Dajiang Power Equipment Co., Ltd. (Vietnam).[7] The other major known exporters of SVSEs are Japan and Mexico, with Japan being the world's third largest exporter under 8407.90.[8] Japan's engine exports are categorized by horsepower, with the Japanese statistical reporting number that includes the majority of subject SVSEs totaling nearly $332 million in exports in 2019, $213 million of which were exported to the United States.[9] Note that this statistical reporting number includes a large number of out-of-scope engines.

[7] EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small NRSI Engine Certification Data (Model years: 2011 – Present), January 24, 2020, https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment, retrieved October 12, 2020.

[8] MTD postconference brief, p. 14; Toro postconference brief, p. 12; and Official exports statistics under HS subheading 8407.90 as reported by Japan Ministry of Finance in the Global Trade Atlas database, accessed February 13th, 2020. Petitioners noted during the hearing that, as 301 tariffs came into effect, there was a little bit of imports coming from Vietnam. Hearing transcript, p. 110 (Coad).

[9] Japanese statistical reporting number 8407.90.200 corresponds to, "spark-ignition reciprocating or rotary internal combustion piston engines with a rating of more than 3 horsepower," excluding engines for use in aircrafts, marine propulsion devices, or motor vehicles. Subject SVSEs are generate a gross power between 1.95 and 4.75kW, which corresponds to 2.35 and 6.37 horsepower. So most subject SVSEs would be classified here, but note that the statistical reporting number would include many nonsubject imports. Some subject SVSEs may also be exported under Japanese statistical reporting number 8407.90.100. Official exports statistics under HS subheading 8407.90.200 as reported by Japan Ministry of Finance in the Global Trade Atlas database, accessed December 11, 2020; Surina, Echo, "How to Choose the Right Lawnmower," accessed November 3, 2020, https://home.howstuffworks.com/how-to-choose-the-right-lawnmower4.htm.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
85 FR 16958, March 25, 2020	*Small Vertical Shaft Engines From China; Institution of Anti-Dumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	https://www.govinfo.gov/content/pkg/FR-2020-03-25/pdf/2020-06240.pdf
85 FR 20667, April 14, 2020	*Certain Vertical Shaft Engines Between 99cc and Up To 225cc, and Parts Thereof From the People's Republic of China: Initiation of Countervailing Duty Investigation*	https://www.govinfo.gov/content/pkg/FR-2020-04-14/pdf/2020-07863.pdf
85 FR 20670, April 14, 2020	*Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*	https://www.govinfo.gov/content/pkg/FR-2020-04-14/pdf/2020-07864.pdf
85 FR 27243, May 7, 2020	*Small Vertical Shaft Engines From China*	https://www.govinfo.gov/content/pkg/FR-2020-05-07/pdf/2020-09792.pdf
85 FR 52086, August 24, 2020	*Certain Vertical Shaft Engines Between 99cc and up to 225cc, and Parts Thereof, From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Duty Determination*	https://www.govinfo.gov/content/pkg/FR-2020-08-24/pdf/2020-18529.pdf

Table continued on next page.

Citation	Title	Link
85 FR 66932, October 21, 2020	*Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof, From the People's Republic of China: Preliminary Affirmative Determination of Sales at Less Than Fair Value, and Preliminary Affirmative Determination of Critical Circumstances, in Part*	https://www.govinfo.gov/content/pkg/FR-2020-10-21/pdf/2020-23269.pdf
85 FR 68851, October 30, 2020	*Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof From the People's Republic of China: Preliminary Affirmative Determination of Critical Circumstances, in Part, in the Countervailing Duty Investigation*	https://www.govinfo.gov/content/pkg/FR-2020-10-30/pdf/2020-24135.pdf
85 FR 76103, November 27, 2020	*Small Vertical Shaft Engines From China; Scheduling of the Final Phase of Countervailing and Antidumping Duty Investigations*	https://www.govinfo.gov/content/pkg/FR-2020-11-27/pdf/2020-26147.pdf
86 FR 14071, March 12, 2021	*Certain Vertical Shaft Engines Between 99cc and Up To 225cc, and Parts Thereof From the People's Republic of China: Final Affirmative Countervailing Duty Determination*	https://www.govinfo.gov/content/pkg/FR-2021-03-12/pdf/2021-05185.pdf
86 FR 14077, March 12, 2021	*Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof, From the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances, in Part*	https://www.govinfo.gov/content/pkg/FR-2021-03-12/pdf/2021-05186.pdf

APPENDIX B

LIST OF HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared in the United States International Trade Commission's hearing via videoconference:

Subject: Small Vertical Shaft Engines from China

Inv. Nos.: 701-TA-643 and 731-TA-1493 (Final)

Date and Time: March 9, 2021 - 9:30 a.m.

CONGRESSIONAL APPEARANCE:

The Honorable Jason Smith, U.S. Representative, 8th District, Missouri

OPENING REMARKS:

Petitioner (**Stephen J. Orava**, King & Spalding LLP)
Respondents (**Alexander H. Schaefer**, Crowell & Moring, LLP)

In Support of the Imposition of
Antidumping and Countervailing Duty Orders:

King & Spalding LLP
Washington, DC
on behalf of

Briggs & Stratton, LLC

Stephen Andrews, Chief Executive Officer, Briggs & Stratton, LLC

Mark Schwertfeger, Chief Financial Officer, Briggs & Stratton, LLC

Jeffrey Coad, Vice President, Product Management & Marketing, Briggs & Stratton, LLC

William Harrison, Director, Division Controller, Briggs & Stratton, LLC

John Booher, Vice President, Legal, Compliance & Governmental Affairs, Briggs & Stratton, LLC

Dr. Seth T. Kaplan, Economist, International Economic Research LLC

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Travis Pope, Project Manager, Capital Trade, Inc.

Stephen J. Orava)
Stephen P. Vaughn) – OF COUNSEL
Clinton R. Long)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Crowell & Moring, LLP
Washington, DC
on behalf of

MTD Products Inc ("MTD")

Robert T. Moll, Chief Executive Officer, MTD

Edward Griffin, Director, Powertrain Sourcing and Strategy, MTD

Erik Krueger, Vice President of Research and Development, MTD

Steven Trumpler, Senior Vice President and General Manager,
Wheeled Products Division, MTD

Alexander H. Schaefer)
) – OF COUNSEL
Brian McGrath)

McDermott Will & Emery LLP
Hughes Hubbard & Reed LLP
Washington, DC
on behalf of

Loncin Motor Company, Ltd. ("Loncin")
Chongqing Zongshen Power Machinery Co., Ltd. ("Zongshen")

Dean Pinkert)
) – OF COUNSEL
Mingze Yu)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Hogan Lovells US LLP
Washington, DC
on behalf of

The Toro Company

Bill Buenz, Commodity Manager, Engines, The Toro Company

Dr. Mitchell Ginsburg, Economic Consultant

Jonathan T. Stoel)
) – OF COUNSEL
Nicholas R. Sparks)

REBUTTAL/CLOSING REMARKS:

Petitioner (**Stephen P. Vaughn**, King & Spalding LLP)
Respondents (**Alexander H. Schaefer**, Crowell & Moring, LLP; and **Jonathan T. Stoel**, Hogan Lovells US LLP)

-END-

APPENDIX C

SUMMARY DATA

Table C-1
SVSEs: Summary data concerning the U.S. total market, 2017-19, January to September 2019, and January to September 2020
(Quantity=units; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per unit; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to September		Comparison years			Jan-Sep
	2017	2018	2019	2019	2020	2017-19	2017-18	2018-19	2019-20
U.S. total market consumption quantity:									
Amount	***	***	***	***	***	▼***	▼***	▼***	▼***
Producers' share (fn1)	***	***	***	***	***	▼***	▼***	▼***	▲***
Importers' share (fn1):									
China	***	***	***	***	***	▼***	▲***	▼***	▼***
Nonsubject sources	***	***	***	***	***	▲***	▲***	▲***	▼***
All import sources	***	***	***	***	***	▲***	▲***	▲***	▼***
U.S. total market consumption value:									
Amount	***	***	***	***	***	▼***	▼***	▼***	▼***
Producers' share (fn1)	***	***	***	***	***	▼***	▼***	▼***	▲***
Importers' share (fn1):									
China	***	***	***	***	***	▼***	▲***	▼***	▼***
Nonsubject sources	***	***	***	***	***	▲***	▲***	▲***	▼***
All import sources	***	***	***	***	***	▲***	▲***	▲***	▼***
U.S. importers' U.S. shipments of imports from:									
China:									
Quantity	***	***	***	***	***	▼***	▲***	▼***	▼***
Value	***	***	***	***	***	▼***	▲***	▼***	▼***
Unit value	***	***	***	***	***	▼***	▲***	▼***	▼***
Ending inventory quantity	***	***	***	***	***	▲***	▲***	▼***	▲***
Nonsubject sources:									
Quantity	***	***	***	***	***	▲***	▲***	▲***	▼***
Value	***	***	***	***	***	▲***	▲***	▲***	▼***
Unit value	***	***	***	***	***	▲***	▲***	▲***	▼***
Ending inventory quantity	***	***	***	***	***	▲***	▲***	▼***	▼***
All import sources:									
Quantity	***	***	***	***	***	▲***	▲***	▼***	▼***
Value	***	***	***	***	***	▲***	▲***	▲***	▼***
Unit value	***	***	***	***	***	▲***	▲***	▲***	▼***
Ending inventory quantity	***	***	***	***	***	▲***	▲***	▼***	▲***
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	▼***
Production quantity	***	***	***	***	***	▼***	▼***	▼***	▼***
Capacity utilization (fn1)	***	***	***	***	***	▼***	▼***	▼***	▼***
U.S. shipments:									
Quantity	***	***	***	***	***	▼***	▼***	▼***	▼***
Value	***	***	***	***	***	▼***	▼***	▼***	▼***
Unit value	***	***	***	***	***	▼***	▼***	▼***	▼***
Export shipments:									
Quantity	***	***	***	***	***	▼***	▼***	▲***	▲***
Value	***	***	***	***	***	▼***	▼***	▲***	▼***
Unit value	***	***	***	***	***	▲***	▲***	▼***	▼***
Ending inventory quantity	***	***	***	***	***	▼***	▼***	▼***	▼***
Inventories/total shipments (fn1)	***	***	***	***	***	▼***	▼***	▼***	▼***
Production workers	***	***	***	***	***	▼***	▼***	▼***	▼***
Hours worked (1,000s)	***	***	***	***	***	▼***	▼***	▼***	▼***
Wages paid ($1,000)	***	***	***	***	***	▼***	▼***	▼***	▼***
Hourly wages (dollars per hour)	***	***	***	***	***	▲***	▼***	▲***	▲***
Productivity (units per 1,000 hours)	***	***	***	***	***	▲***	▲***	▼***	▼***
Unit labor costs	***	***	***	***	***	▲***	▼***	▲***	▲***

Table continued on next page.

Table C-1--Continued
SVSEs: Summary data concerning the U.S. total market, 2017-19, January to September 2019, and January to September 2020
(Quantity=units; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per unit; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to September		Comparison years			Jan-Sep
	2017	2018	2019	2019	2020	2017-19	2017-18	2018-19	2019-20
U.S. producers'--Continued:									
Net sales:									
Quantity	***	***	***	***	***	▼***	▼***	▼***	▼***
Value	***	***	***	***	***	▼***	▼***	▼***	▼***
Unit value	***	***	***	***	***	▼***	▼***	▼***	▼***
Cost of goods sold (COGS)	***	***	***	***	***	▼***	▼***	▼***	▼***
Gross profit or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
SG&A expenses	***	***	***	***	***	▼***	▼***	▼***	▼***
Operating income or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
Net income or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
Capital expenditures	***	***	***	***	***	▲***	▲***	▼***	▼***
Research and development expenses	***	***	***	***	***	▼***	▼***	▼***	▼***
Net assets	***	***	***	***	***	▼***	▼***	▼***	***
Unit COGS	***	***	***	***	***	▲***	▲***	▲***	▼***
Unit SG&A expenses	***	***	***	***	***	▼***	▼***	▲***	▲***
Unit operating income or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
Unit net income or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
COGS/sales (fn1)	***	***	***	***	***	▲***	▲***	▲***	▲***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	▼***	▼***	▼***	▼***
Net income or (loss)/sales (fn1)	***	***	***	***	***	▼***	▼***	▼***	▼***

Note.--Shares and ratios shown as "0.0" percent represent non-zero values less than "0.05" percent (if positive) and greater than "(0.05)" percent (if negative). Zeroes, null values, and undefined calculations are suppressed and shown as "---". Period changes preceded by a "▲" represent an increase, while period changes preceded by a "▼" represent a decrease.

fn1.--Reported data are in percent and period changes are in percentage points.
fn2.--Percent changes only calculated when both comparison values represent profits; The directional change in profitability provided when one or both comparison values represent a loss.

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

APPENDIX D

U.S. PRODUCERS' AND U.S. IMPORTERS' U.S. SHIPMENTS BY ENGINE BRANDING

Table D-1
SVSEs: U.S. producers' and U.S. importers' U.S. shipments of branded engines, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. producers' U.S. shipments from.--					
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	***	***	***	***	***
	Share of quantity (percent)				
U.S. producers' U.S. shipments.--					
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	100.0	100.0	100.0	100.0	100.0
	Ratio to overall apparent consumption (percent)				
U.S. producers' U.S. shipments.--					
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	***	***	***	***	***

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

Table D-2
SVSEs: U.S. producers' and U.S. importers' U.S. shipments of private label engines, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. producers' U.S. shipments from.--Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	***	***	***	***	***
	Share of quantity (percent)				
U.S. producers' U.S. shipments.--Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	100.0	100.0	100.0	100.0	100.0
	Ratio to overall apparent consumption (percent)				
U.S. producers' U.S. shipments.--Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	***	***	***	***	***

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

APPENDIX E

U.S. PRODUCERS' AND U.S. IMPORTERS' U.S. SHIPMENTS BY NOMINAL USEFUL LIFE RATING

Table E-1
SVSEs: U.S. producers' and U.S. importers' U.S. shipments of residential engines, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. producers' U.S. shipments from.--					
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	***	***	***	***	***
	Share of quantity (percent)				
U.S. producers' U.S. shipments.--					
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	100.0	100.0	100.0	100.0	100.0
	Ratio to overall apparent consumption (percent)				
U.S. producers' U.S. shipments.--					
Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	***	***	***	***	***

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

Table E-2
SVSEs: U.S. producers' and U.S. importers' U.S. shipments of extended-life residential (general) engines, 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. producers' U.S. shipments from.-- Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.-- China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	***	***	***	***	***
	Share of quantity (percent)				
U.S. producers' U.S. shipments.-- Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.-- China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	100.0	100.0	100.0	100.0	100.0
	Ratio to overall apparent consumption (percent)				
U.S. producers' U.S. shipments.-- Briggs & Stratton	***	***	***	***	***
Honda Power	***	***	***	***	***
All producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.-- China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Combined U.S. producers' and U.S. importers' U.S. shipments	***	***	***	***	***

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

APPENDIX F

APPARENT U.S. CONSUMPTION
(BASED ON U.S. IMPORTS)

Table F-1
SVSEs: Apparent U.S. consumption (based on U.S. imports), 2017-19, January to September 2019, and January to September 2020

Item	Calendar year			January to September	
	2017	2018	2019	2019	2020
	Quantity (units)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***
	Share of quantity (percent)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***
	Share of value (percent)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from.--					
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

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

Figure F-1
SVSEs: Apparent U.S. consumption (based on U.S. imports), 2017-19, January to September 2019, and January to September 2020

* * * * * * *

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