

# **FORGED UNDERCARRIAGE COMPONENTS FROM ITALY**

**Determination of the Commission in  
Investigation No. 701-TA-201  
(Preliminary) Under the Tariff Act of  
1930, Together with the Information  
Obtained in the Investigation**

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**Determination of the Commission in  
Investigation No. 731-TA-133  
(Preliminary) Under the Tariff Act of  
1930, Together with the Information  
Obtained in the Investigation**

# **UNITED STATES INTERNATIONAL TRADE COMMISSION**

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UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

Investigations Nos. 701-TA-201 (Preliminary) and  
731-TA-133 (Preliminary)

FORGED UNDERCARRIAGE COMPONENTS FROM ITALY

Determinations

On the basis of the record 1/ developed in countervailing duty investigation No. 701-TA-201 (Preliminary) on forged undercarriage components from Italy, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication of material injury 2/ by reason of imports of semifinished 3/ forged undercarriage links and rollers, provided for in items 664.08, 692.34, or 692.35 of the Tariff Schedules of the United States (TSUS), which are alleged to be subsidized by the Government of Italy. 4/

The Commission further determines that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, and that the establishment of an industry in the United States is not materially retarded, 5/ by reason of imports of semifinished forged undercarriage segments and finished forged undercarriage links, segments, and rollers, 6/ provided for in items 664.08, 692.34, or 692.35 of

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1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 C.F.R. § 207.2(i)).

2/ Commissioner Stern dissenting.

3/ For purposes of these investigations, the term "semifinished" means forged articles not assembled and not machined to final dimensions and tempered, whether or not otherwise processed.

4/ Commissioner Haggart determines that there is a reasonable indication that: (1) an industry is materially injured by reason of imports of forged undercarriage links; (2) an industry is materially injured by reason of imports of forged undercarriage segments; and (3) an industry is materially injured by reason of imports of forged undercarriage rollers from Italy.

5/ Commissioner Haggart dissenting.

6/ Commissioner Stern finds no reasonable indication of material injury or threat of material injury to an industry in the United States, or material retardation of the establishment of an industry in the United States, by reason of imports of semifinished or finished forged undercarriage components from Italy.

the Tariff Schedules of the United States (TSUS), which are alleged to be subsidized by the Government of Italy.

On the basis of the record developed in antidumping investigation No. 733-TA-133 (Preliminary) on forged undercarriage components from Italy, the Commission determines, pursuant to section 733(a) of the Act (19 U.S.C. § 1673b(a)), that there is a reasonable indication of material injury 7/ by reason of imports of semifinished forged undercarriage links and rollers, provided for in items 664.08, 692.34, or 692.35 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at less than fair value. 8/

The Commission further determines that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, and that the establishment of an industry in the United States is not materially retarded, 9/ by reason of imports of semifinished forged undercarriage segments and finished forged undercarriage links, segments, and rollers, 10/ provided for in items 664.08, 692.34, or 692.35 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at less than fair value.

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7/ Commissioner Stern dissenting.

8/ Commissioner Haggart determines that there is a reasonable indication that: (1) an industry is materially injured by reason of imports of forged undercarriage links; (2) an industry is materially injured by reason of imports of forged undercarriage segments; and (3) an industry is materially injured by reason of imports of forged undercarriage rollers from Italy.

9/ Commissioner Haggart dissenting.

10/ Commissioner Stern finds no reasonable indication of material injury or threat of material injury to an industry in the United States, or material retardation of the establishment of an industry in the United States, by reason of imports of semifinished or finished forged undercarriage components from Italy.

Background

On April 29, 1983, counsel for Jernberg Forgings Co., Lindell Drop Forge Co., Portec, Inc., Presrite Corp., Presrite of Jefferson, Inc., Walco Metal Forming Group, and Walker Forge Inc. filed a petition with the U.S.

International Trade Commission and with the Department of Commerce alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Italy of forged undercarriage components upon which bounties or grants are alleged to be paid and which are allegedly being sold at less than fair value. Accordingly, the Commission instituted preliminary investigations under sections 703(a) and 733(a), respectively, of the Act (19 U.S.C. §§ 1671b(a) and 1673b(a)).

Notice of the institution of the Commission's investigations and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on May 11, 1983 (48 F.R. 21211). The conference was held in Washington, D.C. on May 24, 1983, and all persons who requested the opportunity were permitted to appear in person or represented by counsel.



VIEWS OF CHAIRMAN ALFRED E. ECKES

On the basis of the record in investigation No. 731-TA-133 (Preliminary), I determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of semi-finished forged undercarriage links and rollers from Italy, which are allegedly sold at less than fair value. On the basis of the record in investigation No. 731-TA-133 (Preliminary), I determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of imports of semi-finished forged undercarriage segments or by reason of imports of finished or assembled forged undercarriage links, segments, and rollers from Italy, which are allegedly sold at less than fair value.

On the basis of the record in investigation No. 701-TA-201 (Preliminary), I determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of allegedly subsidized imports of semi-finished forged undercarriage links and rollers from Italy. On the basis of the record in investigation No. 701-TA-201 (Preliminary), I determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of allegedly subsidized imports of semi-finished forged undercarriage segments or by reason of allegedly subsidized imports of

finished or assembled forged undercarriage links, segments, and rollers from Italy. <sup>1/</sup>

Standards for determination

In preliminary antidumping and countervailing duty investigations, the Commission is directed by title VII of the Tariff Act of 1930 (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, <sup>2/</sup> or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise which are the subject of an investigation. <sup>3/</sup> In making its determinations, the Commission is required to consider, among other factors, (1) the volume of imports of the subject merchandise which is the subject of the investigation, (2) the effect of the imports of that merchandise on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products. <sup>4/</sup>

In making a determination as to whether there is a threat of material injury, the Commission considers, among other factors, (1) the rate of increase of the allegedly dumped imports into the United States market, (2) the capacity of the exporting country to generate exports, and (3) the

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<sup>1/</sup> As the petitioners have not alleged material retardation of an industry in either of these investigations, it is not an issue and will not be discussed further.

<sup>2/</sup> "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant." 19 U.S.C. § 1677(7)(A).

<sup>3/</sup> 19 U.S.C. § 1673b(a).

<sup>4/</sup> 19 U.S.C. § 1677(7)(B).

availability of other export markets. <sup>5/</sup> Findings of a reasonable indication of threat of material injury must be based on a showing that the likelihood of harm is real and imminent, and not based on mere supposition, speculation, or conjecture. <sup>6/</sup>

Domestic industry

The term "industry" is defined in section 771(4)(A) of the Act <sup>7/</sup> as consisting of--

[t]he domestic producers as a whole of the like product or those producers whose collective output of the like product constitute a major proportion of the total domestic production of that product.

The term "like product," in turn, is defined in section 771(10) <sup>8/</sup> as being--

a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation[.]

The imported products which are the subject of these investigations are forged undercarriage links, segments, and rollers, in both the semi-finished and finished state.

Forged undercarriage components are used for crawler-mounted machinery, such as earth-moving machinery, bulldozers, cranes, bucket loaders, and excavators. The undercarriage is that part of the vehicle which moves the

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<sup>5/</sup> Section 207.26 of the Commission's Rules (19 CFR § 207.26); H.R. Rep. 317, 96th Cong., 1st Sess., 46 (1979); Prestressed Concrete Steel Wire Strand from the United Kingdom, Inv. No. 731-TA-89 (Final), USITC Pub. 1343, 9 (1983); Stainless Steel Sheet and Strip from West Germany, Inv. No. 731-TA-92 (Preliminary), USITC Pub. 1252, 14-15, 14-15 (1982).

<sup>6/</sup> S. Rep. 249, 96th Cong., 1st Sess., 88-89 (1979); S. Rep. 1298, 93rd Cong., 2nd Sess., 180 (1974); Alberta Gas Chemicals, Inc., v. United States, 515 F. Supp. 780, 790 (USITC 1981).

<sup>7/</sup> 19 U.S.C. § 1667(4)(A).

<sup>8/</sup> 19 U.S.C. § 1677(10).

body of the machinery. Links are the connecting elements in the track chain. Segments (sometimes referred to as sprockets) are cogged sections that fit on the outside of a hub to form a sprocket-wheel to drive the track assembly. Rollers are the revolving cylinders which contact the track assembly. There appear to be no uses for these articles other than as components in undercarriages. It follows that links, segments, and rollers are distinct products with unlike physical shapes and with different characteristics and uses. Thus, there is no question in these investigations that segments, links, and rollers are unlike articles within the meaning of the statute.

As there are imports of all three forgings, we must look for at least three like products in the United States. There is no question in these investigations that there is domestic production of links, segments, and rollers, and that these are viewed as interchangeable with the corresponding imports at the same stage of production. I conclude that there are, therefore, three domestic products "like" the imports subject to these investigations.

Therefore, the significant question then becomes whether there is any basis for distinguishing between imports of the semi-finished and finished stages of production for the purposes of the like product analysis. If they are considered as one article, then there will be three like products (links, segments, and rollers). If they are considered as two different articles,



then we will have five like products (semi-finished and finished links, finished segments, and semi-finished and finished segments). <sup>9/</sup>

In these investigations, the petitioners have argued that the finished and semi-finished articles are both made by the same highly integrated and interdependent industry. They have asserted that a semi-finished article is merely a finished article at an earlier stage of production and that a semi-finished article has no alternative use except to be made into a finished article. <sup>10/</sup> Moreover, petitioners state that there are no clear distinctions between semi-finished and finished articles and that semi-finished articles compete directly with finished articles. <sup>11/</sup> Thus, they conclude that semi-finished and finished articles are part of the same industry.

As appealing as this argument may seem, it conflicts with the overwhelming weight of the Commission's traditional analyses of the "industry" question. In Hot-Rolled Stainless Steel Bar, Cold-Formed Stainless Steel Bar, and Stainless Steel Wire Rod from Spain, <sup>12/</sup> the Commission found that cold-formed stainless steel bar is unlike hot-rolled stainless steel bar because the former is the result of further processing of the latter and

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<sup>9/</sup> There are no imports of semi-finished segments during the period under investigation. Therefore, by statute, they are not considered in determining the like product for the purposes of these investigations.

<sup>10/</sup> Petitioners' postconference brief, p. 10.

<sup>11/</sup> Petitioners cite Lamb Meat from New Zealand, Inv. No. 701-TA-80 (Preliminary), USITC Pub. No. 1191 (1981), to support, in part, the consideration of semi-finished and finished forgings as one product. In that case, however, the Commission's opinion is based on the special legislative history surrounding agricultural products. S.Rep. 96-249, 96th Cong., 1st Sess., 88 (1979).

<sup>12/</sup> Invs. Nos. 701-TA-176, -177, and -178 (Final), USITC Pub. No. 1333 (1982).

because cold-formed bar has uses unavailable to hot-rolled. <sup>13/</sup> In several recent decisions entitled Fireplace Mesh Panels from Taiwan, <sup>14/</sup> the Commission found that the like product consisted of mesh panels, excluding from the definition rolls of fireplace mesh. Although there were several minor uses for rolls of mesh, the overwhelming use was as an input into the mesh panels. Finally, in Certain Flat-Rolled Carbon Steel Products from Brazil, <sup>15/</sup> the Commission found that coiled and cut-to-length steel are not one product.

[W]hile the coiled products share certain characteristics and end uses with plate, they are semi-finished materials that differ from plate in their coiled configuration and do not necessarily compete with plate until they are subjected to further processing. <sup>16/</sup>

We are faced with the identical question in the present investigations.

The record in these investigations reveals that there are several major distinctions between semi-finished and finished articles, including processing, costs, and their lack of substitutability. Semi-finished undercarriage parts must undergo extensive machining, heat-treating, hardening, and painting before they are considered to be "finished." <sup>17/</sup> This further processing adds significantly to the value of the semi-finished articles.

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<sup>13/</sup> Id., 5-6.

<sup>14/</sup> Inv. No. 701-TA-185 (Preliminary), USITC Pub. No. 1284 (1982); Inv. No. 731-TA-49 (Final), USITC Pub. No. 1250 (1982).

<sup>15/</sup> Inv. No. 731-TA-123 (Preliminary), USITC Pub. No. 1361 (1983).

<sup>16/</sup> Id., 5.

<sup>17/</sup> Report, pp. A-3-4.

Moreover, semi-finished and finished parts are not interchangeable. A manufacturer of crawler-tractor machinery or a tractor repair shop that has a requirement for finished parts may not use semi-finished forgings in lieu of the finished parts as original or replacement equipment.

These distinctions are further underscored by the fact that "finishing" by the petitioners would require additional capital investments in production and milling equipment, working capital, and employees for these operations. With the exception of Caterpillar (which produces both semi-finished link forgings and finished links), no other United States firm produces any of the articles subject to these investigations in both the semi-finished and finished forms. The semi-finished forgings produced by the petitioners are sold exclusively to the U.S. producers of crawler-mounted tractor machinery. The finished components which are produced by the tractor manufacturers are incorporated into the original equipment manufactured by these producers or sold through their related distributor organizations for use as replacement parts in the so-called after-market.

For the foregoing reasons, semi-finished and finished undercarriage forgings are not like articles. I therefore conclude that these investigations involve five different like products: finished segments, finished links, finished rollers, and semi-finished links, and semi-finished rollers.

Having defined the like product in these investigations, I must now turn to the definition of the domestic industry. The usual Commission practice is to define an industry on the basis of the like product which it has found. In these cases, however, it is more appropriate to find two industries; a

semi-finished forging industry and a finished forging industry. In the semi-finished industry, the same personnel, machinery, and similar production processes are used in the fabrication of the articles in question. While there is certainly some disparity in the range of products made by each petitioner, <sup>18/</sup> the similarities so far outweigh the differences that I conclude that there is only one industry. <sup>19/</sup>

For the same reasons, I conclude that there is one industry making finished undercarriage forgings. <sup>20/</sup>

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<sup>18/</sup> Report, pp. 10-14.

<sup>19/</sup> Several of the domestic producers do not make all three of the undercarriage components at issue which suggests a more precise industry analysis. However, several of the petitioners have not been able to provide the Commission with certain information broken out on a product-by-product basis, so that even if I had found three separate industries, they would have to be analyzed as one pursuant to section 771(4)(D) of the Act. 19 U.S.C. § 1677(4)(D).

<sup>20/</sup> Since there is at least one domestic producer who is likewise an importer of at least one of the products under investigation, I must consider whether "appropriate circumstances" for exclusion of "related party" exist under § 771(4)(B) of the Act. In the instant investigations, given the relatively small number of firms in each industry, I find that the exclusion of any one of them would greatly distort the resulting picture of the U.S. industry. See Certain Automated Fare Collection Equipment and Parts Thereof from France, Inv. No. 701-TA-200 (Preliminary), USITC Pub. No. 1323 (1982); Unlasted Leather Footwear from India, Inv. No. 701-TA-1 (Final), USITC Pub. No. 1045, 4-5 (1980); Television Receiving Sets from Japan, Inv. No. 751-TA-2, USITC Pub. No. 1153, p. 11 (1981); Motorcycle Batteries from Taiwan, Inv. No. 731-TA-42 (Preliminary), USITC Pub. No. 1157 (1981). In the event that I had determined to exclude such a domestic producer from consideration herein, I note that it would not have changed any of my conclusions. Should these cases return for final investigations, this issue can be explored more thoroughly.

Condition of the domestic semi-finished forgings industry <sup>21/</sup> <sup>22/</sup>

Semi-finished links. -- The data available to the Commission reveal serious declines in this industry's performance during the period under consideration. U.S. production of semi-finished links declined sharply from 1980 to 1982 and no production was reported in January-March 1983. The available data on capacity show no increases, while capacity utilization declined sharply over the period under consideration. <sup>23/</sup> U.S. producers' capacity remained totally unutilized in January-March 1983. U.S. producers' commercial shipments of semi-finished links declined precipitously from 1980 to 1982 and no shipments were reported in January-March 1983. <sup>24/</sup> The unit value of these shipments showed virtually no increase from 1981 to 1982. <sup>25/</sup>

Semi-finished rollers. -- U.S. production of semi-finished rollers declined sharply from 1980 to 1982 and then fell again in January-March 1983 relative to that for the corresponding period in 1982. <sup>26/</sup> Although U.S. producers' capacity increased from 2.4 million units in 1980 to 3.0 million units in 1982, or by 24 percent, capacity utilization remained at very low levels and declined over the period. It declined from 1980 to 1982 and then

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<sup>21/</sup> Much of the information with regard to the condition of the domestic industry is confidential because of the limited number of purchasers and producers of these articles, and, therefore, must be discussed in general terms.

<sup>22/</sup> In addition, an important factor affecting the condition of the domestic semi-finished forgings industry is that the workers at the largest U.S. customer for semi-finished components, Caterpillar, were on strike from October 1982 through April 1983. This resulted in a dramatic drop in the demand for semi-finished forgings during this period. Report, p. A-8.

<sup>23/</sup> Report, p. A-15.

<sup>24/</sup> Report, p. A-16.

<sup>25/</sup> Report, p. A-17.

<sup>26/</sup> Report, p. A-16.

dropped sharply from January-March 1982 to January-March 1983. U.S. producers' commercial shipments of semi-finished rollers declined from 1980 to 1982 and then fell sharply in January-March 1983 relative to those for the corresponding period in 1982. <sup>27/</sup> The unit value of these commercial shipments remained relatively constant from 1980 to 1982 and then fell by more than 20 percent in January-March 1983 relative to that for the corresponding period in 1982.

Semi-finished segments. -- U.S. production of semi-finished segments increased significantly from 1980 to 1981, but then declined sharply in 1982. <sup>28/</sup> There was no production reported in January-March 1983. There was a slight increase in U.S. producers' reported capacity. However, capacity utilization was minimal and declined during the period under consideration. Capacity utilization declined from 5 percent in 1980 to 2 percent in 1982. No capacity was utilized in January-March 1983. The trend of U.S. producers' commercial shipments followed that established by production. However, the average unit value of these shipments increased from 1980 to 1982.

All semi-finished components. -- Employment data were available only for the industry producing all semi-finished forged undercarriage components. These data uniformly show declining trends. Total employment declined by 24 percent from 1980 to 1982 and by 32 percent in January-March 1983 relative to the corresponding period in 1982. <sup>29/</sup> The number of production and related workers producing these articles declined by 29 percent from 1980 to 1982 and

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<sup>27/</sup> Report, p. A-18.

<sup>28/</sup> Id.

<sup>29/</sup> Report, p. A-19.

by 91 percent in January-March 1983 relative to that for the corresponding period in 1982.

The number of hours worked by production and related workers producing these articles as well as the wages paid to these workers and the total compensation paid to such workers declined by more than 50 percent from 1980 to 1982. Moreover, the average hourly compensation earned by these workers declined by 8 percent from 1981 to 1982.

Financial data were also available only for the industry producing all semi-finished forged undercarriage components. <sup>30/</sup> These data show a sharp decline in profitability since 1981 with particularly heavy losses appearing in the interim period ending March 31, 1983.

#### Condition of the finished forgings industry

Much of the data on domestically produced finished forged undercarriage components is confidential because, for the most part, only two firms reported data and because Caterpillar represents such a large portion of the industry. Thus, a detailed discussion of the condition of the domestic industry must be curtailed. The major indicators of injury, such as production, capacity utilization, and shipments all show sharp declines in the period under investigation. <sup>31/</sup> Meaningful data on producers' aggregate employment and profitability are not available. <sup>32/</sup>

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<sup>30/</sup> Report, p. A-21.

<sup>31/</sup> Report, pp. A-15-18.

<sup>32/</sup> Caterpillar, the largest U.S. producer, did not provide information on its employment or on its financial performance.

Reasonable Indication of Material Injury by Reason of Semi-finished Imports.

Semi-finished links. -- The exact figures with regard to U.S. imports of semi-finished links cannot be revealed because their confidential nature. <sup>33/</sup> However, imports of semi-finished links from Italy have increased both absolutely and relative to domestic consumption during the period under consideration. The weighted average price received by domestic producers declined significantly from January to September 1982. <sup>34/</sup> Comparisons of the quarterly prices Caterpillar paid for imported merchandise from Italy with those paid for domestically produced merchandise consistently resulted in margins of underselling. <sup>35/</sup> These margins ranged from 7 to 35 percent and were largest in the quarter immediately preceding the largest quarterly decline in the weighted average price of the domestically produced articles. <sup>36/</sup> Lost sales allegations concerning semi-finished links primarily involved sales to Caterpillar. Data provided by Caterpillar on its own consumption of semi-finished links indicate that the firm's purchases of imported merchandise displaced domestic production of the articles. <sup>37/</sup>

Semi-finished rollers. <sup>38/</sup> Imports of semi-finished rollers from Italy increased as a share of consumption from 1980 to 1982. <sup>39/</sup> There were

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<sup>33/</sup> They represent Caterpillar's purchases. Caterpillar has been the sole importer of these articles during the period under consideration. Report, pp. A-26 and A-28.

<sup>34/</sup> Report, p. A-32.

<sup>35/</sup> Report, pp. A-31-32.

<sup>36/</sup> Id.

<sup>37/</sup> Report, p. A-36.

<sup>38/</sup> Here again, Caterpillar is the sole importer of these articles, and thus much of this discussion must be limited to general trends.

<sup>39/</sup> Report, p. A-29.



impressive increases in the weighted average price received by domestic producers during January-June 1981, however prices showed little change in the following quarters. Comparisons of Caterpillar's prices for domestically produced articles with the firm's prices for imported merchandise from Italy consistently resulted in margins of underselling. These margins ranged from 6 to 14 percent and were largest during 1982. Here again, lost sales allegations primarily concerned Caterpillar. Data provided by Caterpillar would indicate that its purchases of merchandise from Italy displaced domestically produced articles.

Semi-finished segments. There were no imports of semi-finished segments during January 1980-March 1983. Thus, imports of these articles could not be a cause of injury to the domestic industry.

Reasonable indication of material injury by reason of finished imports

U.S. imports of finished forged undercarriage components declined sharply during 1980 to 1982. Imports of links declined by 58 percent, segments by 8 percent, and rollers by 63 percent. There were some increases in imports in January-March 1983 relative to the corresponding period of 1982. However, it is reasonable to assume that these increases were the indirect result of the Caterpillar strike, which stifled domestic shipments of finished articles, and thus, forced end users to purchase the imported product. As a share of apparent consumption, U.S. imports of the finished articles increased from 1980 to 1982. However in the case of links and rollers, these increases were small.

In these investigations, I have found two industries to exist. Therefore, under normal circumstances, I would assess the impact of imports on

each of these two industries as I have already done here. Nevertheless, the petitioners have argued that the production and sale of semi-finished forgings are affected by imports of finished and assembled forgings. Without deciding whether it is proper to assess the impact of imports on a different industry, I note that the only specific and substantial allegations of lost sales on finished and assembled undercarriage components were made by two of the petitioners -- firms that produce semi-finished forgings. <sup>40/</sup> However, the Commission's investigation has made it clear that none of the petitioners have ever produced commercial quantities of any of these articles. The purchasers of these products do not consider any of the petitioners to be qualified to produce finished or assembled components to their specifications. <sup>41/</sup> Finally, it is clear that the petitioners have never made any effort to sell finished or assembled products to the other market for these products, namely the independent distributors in the replacement parts market. <sup>42/</sup> Therefore, I can find no lost sales or lost revenues to petitioners by reason of finished or assembled components.

Producers of finished and assembled undercarriage components -- the OEM crawler equipment makers -- were also asked to supply lost sales and lost revenues information, but only two of them provided this information. These firms indicated that it is the dealer/distributors who are in direct competition with the imported articles in the replacement parts market.

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<sup>40/</sup> Report, pp. A-34 and A-38.

<sup>41/</sup> Id.

<sup>42/</sup> Conference transcript, pp. 110-11, 163-64.

## VIEWS OF COMMISSIONER PAULA STERN

On the basis of the record in Investigation No. 701-TA-201 (Preliminary), I determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of allegedly subsidized imports of semifinished or finished forged undercarriage components from Italy.

On the basis of the record in Investigation No. 731-TA-133 (Preliminary). I determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of imports of semifinished or finished forged undercarriage components from Italy, which are allegedly sold at less than fair value. 1/

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1/ Material retardation of an industry is not an issue in either of these investigations and will not be discussed further.

Standards for determination

In preliminary antidumping and countervailing duty investigations, the Commission is directed by Title VII of the Tariff Act of 1930 (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise that is the subject of an investigation. 2/ "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant." 3/ In making its determinations, the Commission is required to consider, among other factors, (1) the volume of imports of the subject merchandise which is the subject of the investigation, (2) the effect of the imports of that merchandise on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products. 4/

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2/ 19 U.S.C. §§1671b(a) and 1673b(a).

3/ 19 U.S.C. §1677(7)(A).

4/ 19 U.S.C. §1677(7)(B).

In making a determination as to whether there is a threat of material injury, the Commission considers, among other factors, (1) the rate of increase of the allegedly dumped or subsidized imports into the United States market, (2) the capacity of the exporting country to generate exports, and (3) the availability of other export markets. 5/ Findings of a reasonable indication of threat of material injury must be based on a showing that the likelihood of harm is real and imminent, and not based on mere supposition, speculation, or conjecture. 6/

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5/ Section 207.26 of the Commission's Rules (19 CFR §207.26); H.R. Rep. 317, 96th Cong., 1st Sess., 46 (1979); Prestressed Concrete Steel Wire Strand from the United Kingdom, Inv. No. 731-TA-89 (Final), USITC Pub. 1343, 9 (1983); Stainless Steel Sheet and Strip from West Germany, Inv. No. 731-TA-92 (Preliminary), USITC Pub. 1252, 14-15 (1982).

6/ S. Rep. 249, 96th Cong., 1st Sess., 88-89 (1979); S. Rep. 1298, 93rd Cong., 2d Sess., 180 (1974); Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780, 790 (USCIT 1981).

In preliminary cases the Commission is required to base its decision on the "best information available" at the time. 7/ Both the House and Senate Reports on the Act are instructive on what is expected in reaching preliminary determinations. Each of these reports recognizes the unusual strictures placed upon the Commission in investigating and deciding on a petition within 45 days and, furthermore, each exhorts the Commission to make every effort to strive for a thorough investigation. The Senate Report observes that,

[w]hile the Committee recognizes that the ITC cannot conduct a full-scale investigation in 45 days, it expects the Commission to make every effort to conduct a thorough inquiry during that period. The nature of the inquiry may vary from case to case depending on the nature of the information available and the complexity of the issues. 8/ (emphasis added)

The House Report observes that,

[t]he time limit in the bill for an ITC preliminary determination, although longer than that under present law, is still quite brief. It is therefore intended that the ITC will investigate the allegations in the petition in as thorough a manner as possible using the information available within that time period, and will provide interested parties a reasonable opportunity to present their views. 9/ (emphasis added)

7/ Sections 703(a) and 733(a), Trade Act of 1979, 19 U.S.C. §§1671(b) and 1673(b). See Countertop Microwave Ovens, Inv. No. 731-TA-4(P) at 5-6; Supplemental Views of the Commission with Regard to the Importation of Components and Parts of Rail Passenger Cars, Additional Views of Vice Chairman Michael J. Calhoun and Commissioner Paula Stern, at 17-20 (March 23, 1981).

8/ S. R. No. 96-249, 96th Cong., 1st Sess., 66 (1979).

9/ H. R. No. 96-317, 96th Cong., 1st Sess., 61 (1979).

Thus, the Congress seems to have intended for us to conduct preliminary investigations so as to reasonably approach thoroughness, rather than establishing thoroughness as a standard in itself. The standard of thoroughness can only be satisfied in final determinations.

Moreover, despite the fact that we are to conduct an investigation, the statutory scheme envisions an important role for petitioners. First, petitioners must provide information in their petition supporting their complaint. In this connection, the House Report observes that,

the petition must be accompanied by information supporting those allegations which is reasonably available to the petitioner. 10/

Second, petitioners must not only supply information, they have a burden of coming forward. The Senate Report is clear:

The burden of proof under section 733(a) (and 703(a)) would be on the petitioner. 11/

To build its record, the Commission, depends upon information submitted by the industries that it investigates. In this investigation the firm representing the major proportion of total domestic production is not a petitioner. But this firm is part of the domestic industry on whom we depend for the necessary information. Although the Commission

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10/ Id. at 60.

11/ S. R.; supra, at 66.

has subpoena power, 19 U.S.C. 1333, it must necessarily rely on voluntary compliance in order for requests for information from many firms to be processed in less than 45 days, as required by law. This is especially true when the information needed to support a determination is in the control of those who stand to gain from that determination.

The domestic industry has ample opportunity to present the Commission with the information the Commission requires to support a determination, through briefs, oral arguments in conferences, questionnaire responses, and/or during the course of field trip interviews. If the domestic industry chooses not to provide the Commission with information, the Commission should not be forced to attempt to enforce subpoenae in addition to conducting a preliminary investigation of material injury within a 45-day period. In those instances where there are not adequate facts on the record to determine an issue related to injury, it is logical for the Commission to draw adverse inferences from the domestic industry's failure to provide adequate support for the determination petitioned for.

It is Congress's intent that the time limits under the entire statutory scheme, not just regarding preliminary investigations, are absolute:



[A]ll . . . time limits under Title VII of the Tariff Act, (are) to be met in all cases . . . . Preferably, determinations will be made before the last day permitted by law. (emphasis added) 12/

The investigative time periods contained in the bill are stated in terms of the maximum time available to the Authority and the ITC to make their determinations. The Committee intends that these time periods be treated as maximum time periods, and that they not become the general rule. It is expected that wherever any of the determinations required under the bill can be made in a shorter period, they will be so made. 13/ (emphasis added)

The Congress did not authorize the Commission to extend statutory deadlines. Nor does the Commission have the power to avoid reaching a determination. Accordingly, the Commission must make an affirmative or a negative determination within the time limits of each of the investigations under Title VII. If there is a lack of information in the record to justify an affirmative determination, the determination must necessarily be negative.

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12/ S. R.; supra at 63.

13/ H. R.; supra at 62.

### Domestic Industry

The term "industry" is defined in section 771(4)(A) of the Act, 19 U.S.C. 1677(4)(A), as consisting of --

(t)he domestic producers as a whole of the like product or those producers whose collective output of the like product constitute a major proportion of the total domestic production of that product.

The term "like product," in turn, is defined in section 771(10), 19 U.S.C. 1677(10), as being --

a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.

In order to determine whether a domestic industry is materially injured, the statute directs the Commission to identify the imported products. Once they are identified, the investigation focuses on identifying the domestic producers of those products. This scheme for the identification of a domestic industry is modeled after similar provisions in the 1979 version of the International Antidumping Code 14/ and the 1979 version of the Subsidies Code. 15/

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14/ Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, reprinted in H.R. Doc. No. 153, 96th Cong., 1st Sess. (1979)

15/ Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade, reprinted in H.R. Doc. No. 153, 96th Cong., 1st Sess. (1979)

Although the exact wording of Title VII differs from that of the international agreements it implements, its purpose was to narrow the discretion which had been exercised by the Commission under predecessor legislation, particularly the Antidumping Act of 1921 and the countervailing duty provisions of the Tariff Act of 1930 16/ Therefore, the expansion beyond "identical" in section 771(10) 17/ contemplates only minor variations in characteristics and uses. 18/ With this in mind, I turn to the facts of these investigations.

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16/ 19 U.S.C. 1303(e). S. R. 96-149, 96th Cong., 1st Sess., 90-91 (1979).

17/ 19 U.S.C. 1677(10).

18/ For a more detailed exposition of my views on the question of our discretion to determine the like product and industry in Title VII investigations and how this discretion differs from prior statutes and the codes, see Certain Rail Passenger Cars and Parts Thereof from Canada, Inv. No. 701-TA-182 (Preliminary), USITC Pub. No. 1277 (1982).

The imported products which are the subject of these investigations are forged undercarriage components, in both the semifinished and finished state. Forged undercarriage components are used for crawler-mounted machinery, such as earth-moving machinery, bulldozers, cranes, bucket-loaders, and excavators. The undercarriage is that part of the vehicle which moves the body of the machinery. Links are the connecting elements in the track chain. Segments (sometimes referred to as sprockets) are cogged sections that fit on the outside of a hub to form a sprocket-wheel to drive the track assembly. Rollers are the revolving cylinders which contact the track assembly. There appear to be no other uses for these articles.

The significant question in these investigations is whether, in the semifinished and finished stages of production, the imported forgings constitute one article or two. The petitioners argue that there is a single like product -- forged undercarriage components -- and therefore a single domestic industry producing such components. They claim the highly interdependent and integrated nature of the industry results in their being injured by imports from Italy of finished and assembled forgings as well as semifinished forgings.

There are several flaws in this reasoning. First, the statute refers to a product which is "like, or in the absence of like, most similar in characteristics and uses" with the article subject to investigation. Here, the statutory test for like product is met because there are products produced in the United States substantially identical to the imported articles. Thus, I do not need to reach the question of "most similar in characteristics and uses." Petitioners' forgings simply are not like the imported finished forgings, even though their technology may permit them to produce beyond the "rough" forging state. A significant amount of machining and heat-treating is required to convert rough forgings into a finished state, ready for assembly. 19/

While these products may share certain characteristics and uses, they differ in their physical appearance and cannot compete directly with each other. In these cases, semifinished forgings do share some of the same characteristics with finished and assembled components. However, a substantial amount of processing involving very significant capital and labor expenditures is required to bring the items to a comparable level in terms of their saleability. These finishing operations are quite significant, as it appears that they add more than fifty percent of the final value to the article. 20/

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19/ Report, pp. A-3-4.

20/ Ibid.

Thus, finished forgings may be installed in equipment, while semifinished forgings may be dedicated only to further processing. A semifinished forging cannot be used for the same purposes as a finished forging. For example, independent distributors, who constitute a large and increasing share of the after-market for the assembled components, could do nothing with the semifinished forgings. They can only use the assembled components which are available to them from the domestic tractor manufacturers and foreign producers.

The petitioners have apparently never produced finished forgings -- or, if they have, it has been in inconsequential quantities for test purposes. Original equipment manufacturers and independent distributors either purchase finished forgings or purchase semifinished forgings and finish them in their own facilities. Therefore, even though a semifinished undercarriage forging may have no other economic use than to be transformed into a finished and assembled undercarriage component, the finished and semifinished states of these components form two separate like products, not one. It follows that the production of links, segments, and rollers, at either the semifinished or the finished state, constitutes separate product lines.

This conclusion conforms to Commission precedent. In Hot-Rolled Stainless Steel Bar, Cold-Formed Stainless Steel Bar, and Stainless Steel Wire Rod from Spain, 21/ the Commission found that cold-formed stainless steel bar is unlike hot-rolled stainless steel bar because the former is the result of further processing of the latter and because cold-formed bar has uses unavailable to hot-rolled. 22/ In several recent decisions entitled Fireplace Mesh Panels from Taiwan, 23/ the Commission found that the like product consisted of mesh panels, excluding from the definition rolls of fireplace mesh. Although there were several minor uses for rolls of mesh, the overwhelming use was as an input into the mesh panels. In Certain Flat-Rolled Carbon Steel Products from Brazil 24/ a very recent preliminary investigation, the Commission found that coiled and cut-to-length steel are not one product:

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21/ Inv. Nos. 701-TA-176, 177 and 178 (Final), USITC Pub. No. 1333 (1982).

22/ Id. at 5-6.

23/ Inv. No. 701-TA-185 (Preliminary), USITC Pub. No. 1284 (1982); Inv. No. 731-TA-49 (Final), USITC Pub. No. 1250 (1982).

24/ Inv. No. 731-TA-123 (Preliminary), USITC Pub. No. 1361 (1983). See also Views of Commissioner Stern, Id. at 8.

(W)hile the coiled products share certain characteristics and end uses with plate, they are semifinished materials that differ from plate in their coiled configuration and do not necessarily compete with plate until they are subjected to further processing. 25/

We are faced with a similar situation in the present investigations.

Finally, although it may be argued that Lamb Meat from New Zealand, 26/ , supports the view that semifinished and finished forgings constitute one article, Lamb is unpersuasive. In that investigation, the Commission's opinion was based on legislative history applicable only to agricultural products. 27/ The present cases do not involve agricultural goods, and any reliance on Lamb is misplaced.

Having defined the like product in these investigations, I now turn to the definition of the domestic industry. Based on the above like product analysis, it is appropriate to find two industries: a semifinished undercarriage component industry and a finished (including assembled) undercarriage component industry. In the semifinished industry, the same personnel and equipment (with some minor modifications) are used to produce the articles in question through similar processes. While there is

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25/ Id. at 5.

26/ Inv. No. 701-TA-80 (Preliminary), USITC Pub. No. 1191 (1981); see also Dissenting Views of Chairman Bill Alberger and Commissioner Paula Stern, id. at 19-20.

27/ S. Rep. 96-149, 96th Cong., 1st Sess., 88 (1979).



certainly some disparity in the range of products made by each petitioner, 28/ the similarities so far outweigh the differences that I conclude that there is only one industry. I note that even though several of the domestic producers do not make all three of the undercarriage components at issue, this fact would make no difference here. Several of the petitioners have not been able to provide us with certain information broken out on a product-by-product basis, so that even if I had found three separate industries, they would have to be analyzed as one under section 771(4)(D) of the Act. 29/ For the same reasons, I conclude that there is but one industry making finished undercarriage components.

Since there is at least one major domestic producer who is likewise an importer of at least one of the products under investigation, I must consider whether "appropriate circumstances" for exclusion of "related parties" exist under 771(4)(B) of the Act. Although this is not always an easy question, in these investigations, given the relatively small

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28/ Report at pp A-9-14.

29/ 19 U.S.C. 1677(4)(D).

number of firms in each industry and the importance of that single producer/importer, I find that the exclusion of this producer would greatly distort the resulting picture of the U.S. industry. 30/

#### Condition of the Domestic "Semifinished" Industry

In discussing the state of the domestic industry and the causal nexus between the imports and the industry's state of health, I am severely restricted by the confidential nature of almost all of the information of record in the investigations. Therefore, of necessity, this analysis will speak in generalities and refer basically to trends.

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30/ See Certain Automated Fare Collection Equipment and Parts Thereof from France, Inv. No. 701-TA-200 (Preliminary), USITC Pub. No. 1323 (1982); Unlasted Leather Footwear Uppers from India, Inv. No. 701-TA-1 (Final), USITC Pub. No. 1045, 4-5 (1980); Television Receiving Sets from Japan, Inv. No. 751-TA-2, USITC Pub. No. 1153, p 11 (1981); Motorcycle Batteries from Taiwan, Inv. No. 731-TA-42 (Preliminary), USITC Pub. No. 1157 (1981).

Although the data available to the Commission reveal serious declines in the industry's performance with respect to links, the predominant producer, sole importer, and largest purchaser of these articles -- Caterpillar -- failed to supply the Commission with data on its financial experience with respect to semifinished articles. One must assume that the firm, in choosing whether to produce these articles in-house -- in the U.S. or in one of its foreign subsidiaries -- or to import the articles from other suppliers in Italy or to purchase them domestically, was able to determine what would be the best alternative financially and chose to adopt that alternative. Caterpillar's production of semifinished links dwarfs that of all other producers. Thus, Caterpillar virtually constitutes the industry, and any injury that may have resulted from importing the semifinished articles from Italy would be self-inflicted. However, I believe that Caterpillar has chosen to import semifinished links because it was to its benefit, and hence, that no material injury has resulted from Caterpillar's purchases.

The available data on semifinished rollers indicate declines in the industry's performance with respect to this product line. 31/ However, the financial data presented by

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31/ Report at A-16, A-18, A-19.

the domestic industry producing semifinished articles were not convincing as an indicator of injury. Despite a dramatic decline in demand and increasing market penetration by imports from Italy, the net operating profit earned on semifinished forged undercarriage components increased sharply from 1980 to 1981, by 61 percent. Profits declined in 1982, but the profitability of these firms (as measured by the ratio of operating profit to net sales), remained virtually unchanged from 1980 to 1982. Moreover, the profit levels attained on the production of the semifinished articles were notably higher than those for the establishment as a whole and higher than other comparable industries (e.g., iron and steel forgings or construction equipment) in 1981 and 1982. The heavy losses reported in January-March 1983 can be attributed to the strike at Caterpillar which virtually shut down the industry from October 1982 through April 1983. One can also assume that the strike also had some negative effect on the profitability figures during 1982. 32/

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32/ Report at pp A-21-23.

There were also indications that the industry's performance with respect to semifinished segments declined during the period under consideration. However, given the fact that there were no imports of semifinished segments from Italy, such indications of injury could not be attributed to imports.

No Reasonable Indication of Material Injury  
by Reason of Imports -- "Semifinished" Industry

Caterpillar is the sole importer of semifinished links from Italy. They are also, by far, the largest domestic producer of the articles and purchaser of the domestic product. Thus, as was previously noted, Caterpillar's imports of semifinished links are increasing, but this increase reflects an internal corporate decision with respect to the appropriate mix of in-house production, domestic procurement, and imports. Because Caterpillar accounts for the vast majority of domestic production of these articles, it would be extremely difficult to demonstrate injury to the industry without a showing of injury to Caterpillar.

Caterpillar is also the sole importer of semifinished rollers. Thus, maintenance of confidentiality requires that much of the discussion be limited to general trends. In absolute terms, imports of semifinished rollers declined significantly from 1980 to 1982. As a share of apparent

consumption, imports of semifinished rollers increased modestly from 1980 to 1981 and declined in 1982. The weighted average prices reported by domestic producers showed a healthy increase over the period under consideration, with the largest increases occurring in 1981 when the market penetration of imports from Italy was greatest. Lost sales allegations primarily concerned Caterpillar. However, data provided by Caterpillar does not indicate that imports were displacing domestically-produced merchandise in 1982. Thus, there is no indication of a relationship between imports from Italy and the decline in profitability reported for domestic producers in 1982.

As noted above, there were no imports of semifinished segments from Italy during January 1980-March 1983. And, thus, there could not be a negative impact on the industry.

Caterpillar is the only producer currently importing semifinished forged undercarriage components and has been the sole importer of such articles during the period under consideration. Caterpillar's only supplier in Italy is IMES, which in turn exports semifinished articles only to the United States and only to Caterpillar. Information presented to the Commission by Caterpillar indicates that it is unlikely that the firm will increase its imports of semifinished articles from Italy. 33/

Condition of the Domestic "Finished" Industry

Much of the data on domestically produced forged undercarriage components that are assembled are confidential because, for the most part, only one or two firms reported any data and because Caterpillar represents such a large portion of this industry. Thus, the discussion of the condition of the domestic industry must be curtailed. The typical indicators of injury in terms of declines in production, capacity utilization and shipments are positive. 34/

However, meaningful data on U.S. producers' employment and profitability are not available since data from producers accounting for a substantial share of domestic production are not available. The failure of domestic producers, Caterpillar, in particular, to provide the Commission with these data leads to the conclusion that they would not reveal injury by reason of imports from Italy. Otherwise, these firms should have made sure we received them.

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34/ Report at A-15-19.

No Reasonable Indication of Material Injury  
by Reason of Imports -- "Finished" Industry 35/

U.S. imports of finished and assembled forged undercarriage components declined sharply during the period 1980 to 1982. Imports of links declined by 58 percent, segments by 8 percent, and rollers by 63 percent. While there were some increases in imports for January-March 1983 relative to the corresponding period in 1982, it is reasonable to assume that these were caused by the Caterpillar strike and simply filled a void. As a share of apparent consumption, U S. imports of the finished articles increased. However, in the case of links and rollers, these increases were small and insignificant, especially in the context of the overall decline for demand for these articles.

At the behest of petitioners, the Commission did not solicit pricing data on finished components, but only on semifinished forgings. What little data are available to the Commission on finished components are vague and unuseable. While comprehensive pricing data is not necessarily the key to my determination, the lack of such data in conjunction with the lack of other relevant data on injury to the domestic industry producing finished articles leads one to a negative conclusion on injury by reason of imports.

35/ There is also a question in the proceedings as to whether the petitioners can bring a case before the Commission involving finished undercarriage parts when, in fact, they do not produce such articles and do not speak for firms that do. Although petitioners tried to correct this deficiency by having the International Union-United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW) become a co-petitioner in these proceedings, such request from the UAW was not received in a timely manner. The request was not received until after the Commission had held its public conference on the investigations and after the Department of Commerce had instituted its investigations concerning less than fair value sales and subsidized imports. Since the domestic industry producing finished undercarriage parts has failed to provide the requisite data on injury that would enable me to make an affirmative determination in these investigations, it is not necessary to resolve this issue.



There were a few allegations of sales lost to finished and assembled components imported from Italy. However, most of these allegations were made by domestic producers of semifinished forgings and concerned Caterpillar and Deere. Representatives of these firms stated that although they had solicited some price quotations from petitioners' firms, these were not for actual requirements but only for evaluating purposes. Petitioning firms have never been suppliers of finished or assembled components. Several fragmentary reports of lost sales were also provided by Deere. However, these represented sales lost at the dealer level and amounted to a very small dollar volume.

Absent meaningful aggregate data on profitability of domestic producers' operations on finished and assembled components, absent comparable pricing data, absent strong support for the allegations of lost sales and price suppression, it is impossible to conclude that the increase in the market share of imports from Italy were a cause of any injury to domestic producers of the finished articles.

Information submitted by Berco and Italtractor, Italian exporters of the finished forgings, cannot be discussed in detail as it was submitted in confidence. However, these data present no indication that Berco or Italtractor are likely to increase the share of their shipments destined for export to the United States.

Data on U.S. importers' inventories show that there are significant inventories of links, rollers, and segments imported from Italy. However, the inventory levels were not substantially higher than those maintained by the domestic producers of finished forged undercarriage components. Moreover, the quantity of imported merchandise held in inventory has generally declined over the period, and despite the decline in demand for these products, relative inventory levels have also generally declined.

VIEWS OF COMMISSIONER VERONICA A. HAGGART

In these preliminary investigations, I determine that there is a reasonable indication that the three domestic industries composed of producers of semifinished and finished forged undercarriage links, semifinished and finished forged undercarriage segments, and semifinished and finished forged undercarriage rollers are materially injured by reason of imports of the subject forged undercarriage components which are allegedly subsidized by the Government of Italy and allegedly sold at less than fair value (LTFV). 1/

In a preliminary investigation, the statute requires the Commission to determine whether a reasonable indication of material injury or threat thereof exists. 2/ Thus, as the Commission has previously concluded:

[I]f a petitioner in its pleadings or the Commission in its investigation raises sufficient legal issues or develops sufficient factual information to support a reasonable indication of material injury or threat thereof, then the investigation should be continued. 3/

In conducting a preliminary 45-day investigation, the Commission is not charged with undertaking an abbreviated version of a final investigation; nor must all the information developed in a final investigation be present. The Senate Committee on Finance addressed the nature of a Commission preliminary investigation:

While the committee recognizes that the ITC cannot conduct a full-scale investigation in 45 days, it expects the Commission to make every effort to conduct a thorough inquiry during that period. The nature of the inquiry may vary from case to case depending on the nature of the information available and the complexity of the issues. (Emphasis added). 4/

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1/ Material retardation of the establishment of an industry was not alleged by the petitioners in these investigations and will not be discussed further. 43

2/ 19 U.S.C. § 1671b(a).

3/ Certain Rail Passenger Cars and Parts Thereof from Canada, Inv. No. 701-TA-182 (Preliminary), USITC Pub. No. 1277(August 1982) at 3. See also H.R. Rep. No. 96-317, 96th Cong., 1st Sess., 52 (1979).

4/ S. Rep. No. 96-249, 96th Cong., 1st Sess., 49 (1979).

### Domestic Industry

As an initial matter, the statutory framework under which the Commission conducts Title VII investigations requires the Commission to define the domestic industry against which to assess the impact of imports. Section 771(4)(A) of the Tariff Act of 1930 defines the domestic industry as "the domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the domestic production of that product." 5/ "Like product", in turn, is defined in section 771(10) 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. . .". 6/

The scope of the Commission's investigation involves "forged undercarriage components" as currently classified under items 664.08, 692.34, and 692.35 of the Tariff Schedules of the United States. The imported forged undercarriage components subject to these investigations are links, segments, and rollers. These particular components are used as parts in the undercarriages of crawler tractors, bulldozers, and other crawler-mounted machinery. 7/ These forged undercarriage components are imported into the United States in semifinished, finished, or assembled forms. 8/

There are ten domestic producers of semifinished forged undercarriage components, including Caterpillar Tractor Co. (Caterpillar), which is the only domestic producer of semifinished articles that finishes and

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5/ 19 U.S.C. § 1677(4)(A).

6/ 19 U.S.C. § 1677(10).

7/ Report at A-2-3. Each of the subject components are distinguishable parts of the undercarriage.

8/ There are five producers of forged undercarriage components in Italy: Berco, IMES, Italtractor, Mechtrack, and Simmel, S.p.A. IMES is the only exporter of significant quantities of semifinished components. Berco, Italtractor, and Simmel export primarily finished assemblies which include the finished forged undercarriage components. According to testimony presented at the preliminary conference, Mechtrack has recently begun exporting small quantities of semifinished components. Report at A-15.

assembles finished components. 9/ Seven of the ten firms which produce semi-finished components are petitioners in these investigations. 10/ There are four domestic producers of finished and assembled forged undercarriage components in the United States. All four of the firms are original equipment manufacturers (OEMs) which also import various forged undercarriage components from Italy. 11/

Each of the three domestically produced finished forged undercarriage components (links, segments, and rollers) has the same characteristics as the corresponding imported finished undercarriage components. 12/ In addition, each of the domestically produced semifinished components

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9/ Of the ten firms producing semifinished components, seven produce rollers, three produce segments, and three produce links. Certain of the petitioners have asserted that they are capable of manufacturing finished components, either within their own facilities or through the use of subcontractors. However, domestic purchasers of finished components do not consider the petitioners currently capable of producing finished or assembled components.

Each of the manufacturing steps, from initial shearing of the raw steel to final incorporation into an assembly, takes the product closer to its end use as a component of an undercarriage. Further, certain developments in technology may blur the distinctions between a rough-forged component and a finished component. Report at A-3, 4, and 8.

10/ On May 25, 1983, the Commission received a letter from the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (U.A.W.), stating that the Union is an "interested party" pursuant to § 771(9) of the Act. 19 U.S.C. § 1677(9). The U.A.W. requested to become a "co-petitioner" in these investigations. The U.A.W. represents the workers at Caterpillar's facilities in which semifinished, finished, and assembled components are produced. The Commission approved the U.A.W.'s request to become a party to the proceeding, but denied their request to become a co-petitioner. Although the U.A.W.'s request was made well into the course of these investigations, sufficient data were developed to permit an analysis of the impact of imports from Italy on producers of finished components for purposes of these preliminary investigations.

11/ The four firms are Caterpillar Tractor Co., Deere & Co., J.I. Case, Inc., and Terex Corp. Since each of these firms is an importer of the allegedly subsidized or dumped merchandise, an issue is raised as to whether they should be excluded from the domestic industry under the "related parties" provision of the statute. 19 U.S.C. § 1677(4)(B). In these preliminary investigations, I have not excluded any domestic producer as a related party.

12/ Hereinafter the term "finished" refers to both "finished" components and "assembled" components.

also has the same characteristics as the corresponding imported semifinished components. 13/ The three types of components are physically distinct non-interchangeable articles which are ultimately used as parts of undercarriages of crawler-type equipment. 14/ Therefore, I have considered them as three separate products. Accordingly, I have determined that there is a sufficient basis for finding, at the preliminary stage of these investigations, that each of the three domestically produced components is "like" the corresponding imported components.

The key issue in these investigations is whether the petitioners, who are manufacturers of semifinished components, are producers of an article "like" the imported finished components. Based on the analysis which follows, I determine that domestically produced semifinished components should be considered "like" the imported finished components. Consequently, for the purpose of these preliminary investigations, I find three domestic industries composed of the domestic producers of semifinished and finished links, semifinished and finished segments, and semifinished and finished rollers. 15/

The petitioners have presented the following arguments to support their contention that producers of semifinished forged undercarriage components are part of the domestic industry producing forged undercarriage

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13/ Hereinafter the term "semifinished" refers to both "rough" and "semi-finished" forgings.

14/ Report at A-1-3.

15/ The Senate Finance Committee in discussing the reasons for the like product provision cautioned: "The requirement that a product be 'like' the imported articles should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and the 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 imports under investigation." S. Rep. 96-249, 96th Cong., 1st Sess. 90-91 (1979). (Emphasis added.) <sup>46</sup>

components "like" the semifinished and finished forged undercarriage components imported from Italy: 16/

1. The forged undercarriage components industry is a highly interdependent and integrated industry comprised of manufacturers which produce semifinished components and/or finished and assembled components.
2. Production of forged undercarriage components is "made-to-order". Once production begins, the forging is dedicated to a single end use, i.e., to become a specific finished component of an undercarriage. Consequently, there is no separate and distinct market for the semifinished component other than the OEM market. OEMs purchase the semifinished components for either incorporation as part of original equipment or for sale in the aftermarket as finished components. 17/ Thus, there is direct competition between domestically produced semifinished components and imports of semifinished and finished components.
3. Because of the competition in the aftermarket between the dealer/distributors of the OEM's finished components and the independent distributors of imported finished components, domestic manufacturers of semifinished components are required

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16/ See generally Petitioners' Post-Conference Brief at pp. 9-18.

17/ The market for forged undercarriage components consists of two segments, OEMs and distributors. Semifinished forgings are sold exclusively to OEMs, whereas finished and assembled items are sold to both OEMs and independent distributors. According to estimates, 40 percent of the domestically produced finished components are used in the manufacture of original equipment and 60 percent are destined for the aftermarket. Aftermarket sales of forged undercarriage components are very important and highly competitive because the original components wear out quickly and must be replaced often. Report at A-6-7.

to price the semifinished components at prices derived from the price charged by distributors of finished components from Italy. 18/

4. The semifinished forged components comprise the majority of the value added in producing finished or assembled components.

Respondents, in turn, have argued that the seven petitioners are not domestic producers of a product "like" the imported finished components for the following reasons: 19/

1. A finished component is used as part of the undercarriage, whereas a semifinished component cannot be used as such because it requires further machining and heat treating before it reaches the finished stage. 20/ Thus, semifinished components do not have the same uses as finished components.

2. The semifinished components differ substantially from finished components in such characteristics as shape, hardness, and finish.

3. The finished components are sold in different markets than the markets where the semifinished components are sold, i.e., different channels of distribution are involved. 21/

4. The amount of value added to a semifinished component to produce a finished or assembled component is substantial and,

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18/ During the course of these preliminary investigations, petitioners frequently referred to Caterpillar's "target price" system. See discussion of pricing at p. 57, infra.

19/ See generally the Post-Conference Briefs of the various respondents.

20/ The Commission's report contains a detailed description of the manufacturing process involved. Report at A-3-4. See also note 9, supra.

21/ See note 17, supra.



consequently semifinished components cannot be considered "like" the imported finished and assembled components.

Although the "characteristics" of the imported finished articles and domestically produced semifinished articles may differ to a certain degree, 22/ both the finished imported articles and domestically produced semifinished articles will eventually have the same end use application, i.e., as components of undercarriages. Consequently, there is no independent use for the semifinished components. The record developed during the course of these preliminary investigations provides support for the conclusion that there is a significant degree of interdependence between producers of semifinished components and producers of finished and assembled components. Further, imports of finished and assembled components do impact the producers of semifinished components.

Thus, these investigations present the question of how the Commission should consider manufacturers of semifinished articles which have no independent end use other than to be incorporated into an article which directly competes with the allegedly subsidized or dumped imported finished articles. In addition, the question is presented as to how the "like" product provision of the statute should be applied when finished imports impact domestic producers who manufacture an article at an earlier stage of production.

These issues present the Commission with complex mixed questions of law and fact involving the definition of the "like product" and the scope of

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22/ The parties are in disagreement as to what percent of the value of each of the finished components or assemblies is represented by the semifinished component. The best available information indicates that the semifinished component represents a significant portion of the value of the finished components or assemblies. Report at A-3-4.

the domestic industry. A mechanical "like product" and domestic industry analysis should not be employed where it may lead to the anomaly of defining a domestic industry in such a manner as to disregard the impact of certain imports on one segment of a highly interdependent industry, a result which Congress has indicated should be avoided. 23/ Sound policy reasons dictate that these investigations should not be terminated at this stage of the proceedings when the Commission has not yet had the opportunity to fully explore the underlying facts which must be relied upon to formulate legal conclusions concerning the proper scope of the domestic industry. Based on the foregoing, I have concluded that there are three "like products", i.e., links, segments, and rollers, and I have defined the domestic industries accordingly. 24/

#### Condition of the Industries

The question of material injury in these preliminary investigations cannot be addressed in the context of our traditional analytical framework. The available data concerning production, shipments, capacity, capacity utilization, employment, and profitability have been segregated on a semifinished and finished basis. In addition, certain data have been broken down

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23/ See note 15, supra.

24/ My definitions of the relevant domestic industries and the appropriate like products are based on the best information available. These preliminary determinations, as is the case in any preliminary investigation, do not preclude the possibility of redefining the like products or the domestic industries in any final investigation. See discussion at p. 43, supra.

on a product-by-product (links, segments, and rollers) basis. However, separate data on employment and the financial condition of the domestic producers are not available on a product-by-product basis. Therefore, the three industries will be discussed on a product-by-product basis where the data are available and on a product line basis (i.e., all forged undercarriage components) where the data are not available on a product-by-product basis. 25/ 26/ Although the data have been presented in this manner, the information available indicates that the producers of each of the subject forged undercarriage components have been materially injured by reason of imports from Italy.

Domestic production of semifinished links declined sharply during the period of investigation. 27/ 28/ Production of finished links followed

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25/ Since most of the data contained in the Commission's report is confidential, the data will be discussed in general terms.

26/ Authority for a product line analysis is found in section 771(4) of the Act which states:

The effect of subsidized or dumped imports shall be assessed in relation to the United States production of a like product if available data permit the separate identification of production in terms of such criteria as the production process or the producer's profits. If the domestic production of the like product has no separate identity in terms of such criteria, then the effect of the subsidized or dumped imports shall be assessed by the examination of the production of the narrowest group or range of products, which includes a like product, for which the necessary information can be provided.  
19 U.S.C. § 1677(4)(D).

27/ Nine producers, which accounted for an estimated 98 percent of domestic production of semifinished undercarriage components, supplied the Commission with data on production of semifinished articles. Report at A-9.

28/ There was no domestic production of semifinished links during the first quarter of 1983. Report at A-15. Caterpillar, the predominant domestic purchaser of semifinished components and major producer of finished components, was on strike during the period October 1982 through April 1983. Thus, data for <sup>51</sup> the last quarter of 1982 and the first quarter of 1983 must be considered accordingly, and I have not relied upon data for the first quarter of 1983 in making my determinations.

the same trend as production of semifinished links, showing a steadily declining trend during the period of investigation. 29/ U.S. producers' capacity to produce semifinished links remained constant during the period of investigation. 30/ 31/ Although capacity remained constant, the capacity utilization of the reporting firms declined during the period of investigation. U.S. producers' utilization of capacity to produce finished links decreased significantly during the same period. 32/

Domestic production of semifinished segments increased between 1980 and 1981, and then declined significantly in 1982. Domestic production of finished segments declined steadily throughout the period of investigation. 33/ Domestic capacity to produce semifinished and finished segments increased slightly during the period 1980-82. Capacity utilization declined during the period for both the producers of finished and semifinished segments. 34/

The data for U.S. production of semifinished and finished rollers show a declining trend during the period 1980-82. 35/ U.S. producers' reported capacity to produce semifinished rollers increased during the period 1980-82. Capacity utilization declined during the period of

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29/ Report at A-15.

30/ Capacity to produce semifinished links, as well as other semifinished components may be overstated and, consequently capacity utilization may be understated. Nevertheless, the available data are useful in analyzing trends.

31/ Caterpillar did not report its capacity to produce semifinished links. Therefore, Caterpillar's data on production was not used in calculating capacity and capacity utilization of semifinished links. Report at A-15.

32/ Report at A-16. The U.S. producers' capacity to produce finished links is confidential and cannot be referred to even in general terms.

33/ Report at A-15.

34/ Id.

35/ Id. at A-16.

investigation. The available data indicate that the decline in capacity utilization between 1980 and 1982 was primarily the result of severe declines in production. Reported capacity to produce finished rollers increased slightly during the period 1980-82. During the same period, capacity utilization declined significantly. 36/

The average employment in the U.S. industry producing semifinished and finished forged undercarriage components declined during the period of investigation. 37/ Employment of production and related workers producing semifinished components declined by 29 percent between 1980 and 1982. The average employment in U.S. establishments producing finished forged undercarriage components followed the same trend as that found in the semifinished portions of the industries. 38/

The Commission received profit-and-loss data from eight producers on their operations producing semifinished components and on the establishments within which such components are produced. 39/ Aggregate net sales of the reporting firms declined from \$39.6 million in 1980 to \$20.7 million in 1982, or by 48 percent. The ratio of operating profits to net sales increased from 4.6 percent in 1980 to 10.0 percent in 1981. In 1982, however, the ratio of operating profit to net sales declined to 4.3 percent. Two firms reported operating losses in 1982 compared with one firm in 1980 and 1981. The Commission received profit-and-loss data from only

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36/ Report at A-16.

37/ As indicated previously, data on employment and the financial condition of the three industries will be discussed on a product-line basis.

38/ The decline in employment for both the production of semifinished and finished components was greater, in both cases, than the decline found for total employment for all products. Report at A-19.

39/ The reporting producers accounted for all known commercial shipments of domestically produced articles in 1982. Report at A-21. <sup>53</sup>

one producer of finished undercarriage components. The financial performance of this producer deteriorated during the period 1980-82. 40/

The totality of the data the Commission has been able to compile during the course of these preliminary investigations demonstrates that the producers of forged undercarriage components experienced difficulties in 1982. 41/ Thus, I have found that each of the three domestic industries is materially injured.

Reasonable indication of material injury by reason of imports from Italy.

These investigations present difficult factual questions concerning the causal relationship between the subject imports from Italy and the condition of the three domestic industries I have found to exist. Based on the record developed in these preliminary investigations, imports of the subject articles impact the domestic producers in a number of different ways. For example, OEMs, which produce semifinished and/or finished components, are in competition with distributors of finished component

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40/ Report at A-23-24.

41/ Caterpillar has not supplied the Commission with all the information requested during these preliminary investigations. In Certain Tapered Roller Bearings and Parts Thereof from Japan, the Federal Republic of Germany, and Italy, Invs. Nos. 731-TA-120, 121, and 122 (Preliminary), USITC Pub. No. 1351, (March 1983) at 5, note 13, the Commission (Chairman Eckes, Commissioner Stern concurring with regard to the domestic industry) appears to have relied upon the data supplied by the petitioner in assessing the condition of the domestic industry even though the largest domestic producer did not supply the information requested by the Commission. See also Certain Fresh Potatoes from Canada, Inv. No. 731-TA-124 (Preliminary) USITC Pub. No. 1364 (March 1983) (Views of Commissioner Stern) at 15.

The lack of certain data should not be the basis for terminating these preliminary investigations. More complete information regarding the condition of all the members of the domestic industry can be sought in any final investigations. 54

imports in the aftermarket. Generally, the OEMs sell replacement parts through their dealer/distributors, while imported finished components are sold only through independent parts distributors or service shops. Thus, the competition in the aftermarket is between dealerships for sales to end users. The available data indicate that aftermarket sales of finished components are very price competitive. 42/ Further, the best information available indicates that the prices of finished components in the aftermarket also have a impact on the prices the semifinished producers receive for their sales to OEMs. 43/ In addition to the above, prices of semifinished imports have a direct impact on semifinished producers who must rely exclusively on their sales to OEMs who also purchase imports of semifinished components. All of these factors have to be kept in mind when assessing the impact of imports on domestic producers.

Imports of semifinished links from Italy increased significantly between 1980 and 1982, both in absolute terms and as a share of apparent consumption. 44/ Although the volume of imports of finished links from Italy decreased during the period 1980-82, these imports, as a share of apparent consumption, decreased between 1980 and 1981, and then increased in 1982. 45/

There were no imports of semifinished segments from Italy during the period of investigation. Although imports of finished segments in absolute terms declined somewhat during the period 1980-82, the market

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42/ Report at A-7 and A-38-39.

43/ Id. at A-38.

44/ Import data was compiled on a semifinished and finished basis and will be discussed accordingly.

45/ Report at A-27-28.

penetration of finished segments from Italy increased markedly during the same period. 46/

Available data on imports of semifinished rollers show that the absolute level of imports increased between 1980 and 1981, and then decreased in 1982. However, these imports, as a share of apparent consumption, increased between 1980 and 1982 by approximately 4 percentage points. Although imports of finished rollers from Italy declined during the period 1980-82, the market penetration of these imports also increased during the period of investigation. 47/

Thus, with the exception of semifinished segments, the available data indicate that imports of the subject merchandise increased their market share during 1982. During the same period, as the following analysis indicates, domestic producers either maintained market share at suppressed or depressed prices or lost market share to lower priced imports from Italy.

The Commission was able to make a direct comparison of delivered prices between imported and domestically produced semifinished links and rollers sold to Caterpillar. 48/ The available data indicate that in all cases where price comparisons were made, the imported semifinished links and rollers from Italy undersold the domestic product. Margins of underselling for the specific type of link compared ranged from 7 to 35 percent during

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46/ Report at A-27, 29.

47/ Id.

48/ This company is the only major importer of semifinished products from Italy. Report at A-31.



1981 and 1982. 49/ With respect to semifinished rollers, the margins of underselling by imports from Italy ranged from 6 percent to 14 percent. 50/

Although no price information was obtained on sales of finished components, information was developed which indicates that imports of finished components from Italy have suppressed or depressed the prices of the domestic producers of finished components. In describing the impact of Italian imports on its prices, a Deere & Co. (Deere) spokesman indicated that within the last year the company had made across-the-board reductions in its finished component prices to its dealers in order to match the prices offered by Berco. 51/ Furthermore, Caterpillar indicated that its prices have only increased minimally since January 1, 1981. 52/

Certain information developed during the course of these preliminary investigations also indicates that independent distributors of Italian components have increased their share of the aftermarket at the expense of distributors of domestically produced finished components. 53/ Since quality does not appear to be at issue, it is reasonable to conclude that this increase has occurred through price competition. 54/ Declines in

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49/ Report at A-31.

50/ Id. Margins could not be computed on either product for two quarters (October-December 1982 and January-March 1983) because no purchases were reported from domestic producers. However, purchase prices were reported for the specified imported item.

51/ Deere supplied the Commission with a list of price changes which shows substantial price cuts for certain items. Report at A-39.

52/ Report at A-39.

53/ For example, during the period of investigation, the market penetration of imports of finished segments from Italy increased significantly. Since there is only a small domestic producer that imports finished segments from Italy, virtually all of the gain in market share must be accounted for by distributors of imports from Italy.

54/ Report at A-6-7, A-38-39.

domestic producers' sales to the aftermarket, in turn, have had an adverse impact on domestic producers as evidenced by the available data on employment and profitability.

Furthermore, information has been developed which indicates that the prices of finished imports have adversely affected the prices that the semifinished producers receive for their sales to OEMs. During the course of these preliminary investigations, frequent references were made to Caterpillar's "target price" system as the means by which imports impact the producers of semifinished components. According to the available information, the "target price" is the price Caterpillar believes it will have to get in order to compete with other suppliers, e.g. Berco, of finished components in the aftermarket. Thus, in order to arrive at its target prices, Caterpillar "backs up" from Berco's price for completely assembled components. According to petitioners, current "target prices" have been below their per piece cost of steel required to make the semifinished parts. 55/

The Commission obtained information on lost sales which indicates that the total value of Caterpillar's purchases of forged undercarriage components from domestic sources declined, especially in 1982, while the value of imports from Italy rose. 56/ With respect to semifinished links and semifinished rollers, there was an increase in the share of Caterpillar's internal consumption accounted for by imports from Italy while the share held by domestic suppliers declined. 57/

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55/ Transcript of preliminary conference, pp. 16, 45-48, 67, and 85-86.

56/ Report at A-35.

57/ Id. at A-36-37.

Further, information was developed which provides additional evidence of the impact of imports from Italy on both producers of semifinished and finished components. Fiat-Allis, an OEM, was a purchaser of semifinished links from a domestic producer in 1981. Fiat-Allis finished and assembled the domestically produced semifinished links internally. However, in 1981, Fiat-Allis shut down its finishing and assembly operations and began importing assembled components from Italy. Apparently, it was less costly to buy assembled imported components rather than to purchase semifinished components and finish them in-house. 58/ As a result of this decision, the domestic producers of semifinished links lost a customer and the domestic labor and productive resources employed by Fiat-Allis to produce finished links have been adversely affected by imports. This example provides an excellent indication of the interdependence within the industry.

Sufficient data and information have been developed which support the conclusion that there is a reasonable indication that domestic producers of finished and semifinished forged undercarriage components have suffered material injury by reason of finished and semifinished imports from Italy which are allegedly sold at LTFV and subsidized. To conclude otherwise based on the information available at this preliminary stage would constitute a failure to integrate the economic realities of the relevant marketplace with the requirements of the statute by ignoring the high degree of interdependence which has been demonstrated to exist in the production and marketing of the domestically produced forged undercarriage components.

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58/ Report at A-32.



## INFORMATION OBTAINED IN THE INVESTIGATIONS

## Introduction

On April 29, 1983, a petition was filed by counsel on behalf of Jernberg Forgings Co., Lindell Drop Forge Co., Portec, Inc., Presrite Corp., Presrite of Jefferson, Inc., Walco Metal Forming Group, and Walker Forge Inc., with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Italy of forged components for the undercarriage of crawler-mounted machinery, provided for in items 664.08, 692.34, or 692.35 of the Tariff Schedules of the United States (TSUS), upon which bounties or grants are alleged to be paid and which are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, the Commission instituted preliminary investigations Nos. 701-TA-201 and 731-TA-133 under sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)), respectively, to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise.

Notice of the institution of the Commission's investigations and of the public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on May 11, 1983 (48 F.R. 21211). 1/ The conference was held in Washington, D.C. on May 24, 1983. 2/ The Commission's briefing and votes were held on June 6, 1983. The Commission must make its determinations in these investigations within 45 days after the date of filing of the petition, or by June 13, 1983.

## The Product

Description and uses

Crawler-mounted machinery includes machines such as tractors, bulldozers, cranes, bucket loaders, and excavators. These machines are used principally for earthmoving operations in the construction of roads, dams, and airports. They are also used in mining operations. A crawler-mounted machine is presented in figure 1. The undercarriage is the part of the machine which moves the vehicle. The undercarriage is shown separately in figure 2. The particular components of concern in these investigations are the forged components, i.e., the links, segments, and rollers. The links (fig. 3) are the connecting elements in the track chain. They are interconnected through the use of pins and bushings. Segments (fig. 4) are the cogged sections that fit onto the outside of a hub forming a sprocket wheel which drives the track

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1/ A copy of the Commission's notice of institution of preliminary investigations is presented in app. A. Copies of the Department of Commerce's notices of investigations is presented in app. B.

2/ A copy of the list of witnesses appearing at the conference is presented in app. C.

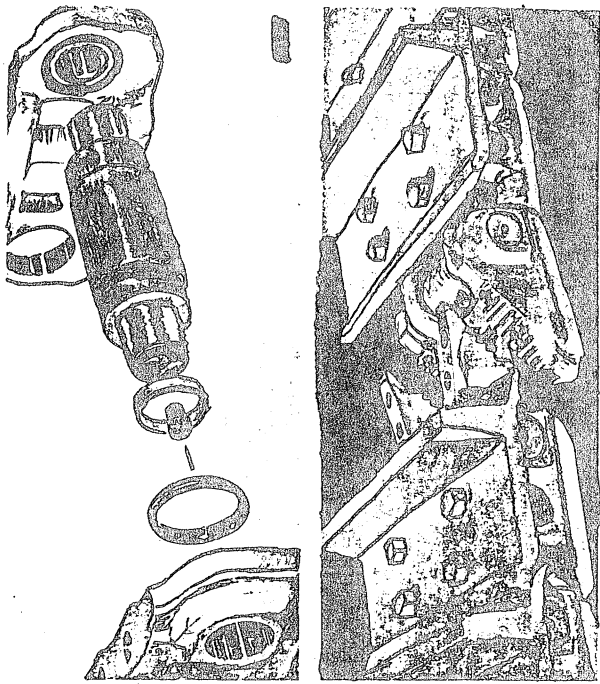


Figure 2 (left).--The undercarriage of a crawler-mounted machine

Figure 3 (right and below).--Link assemblies

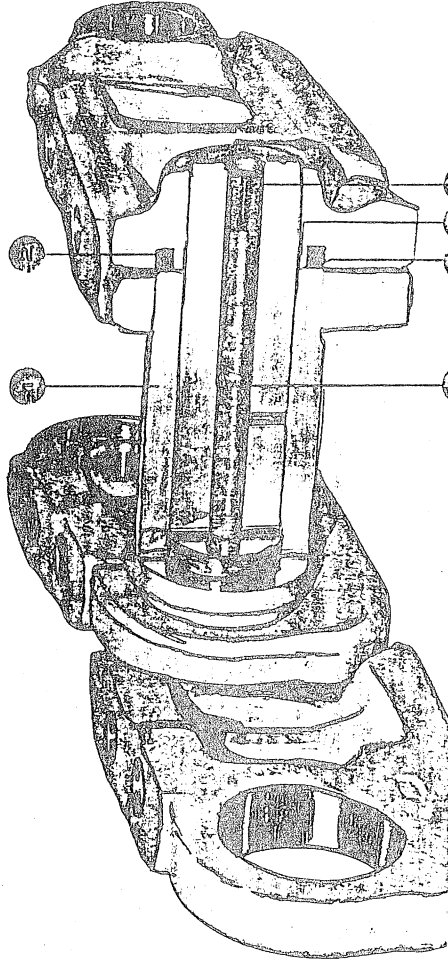
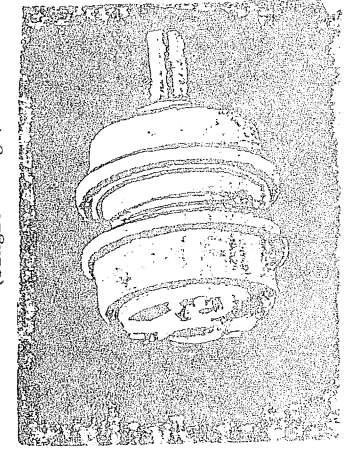


Figure 1 (above).--A crawler-mounted machine

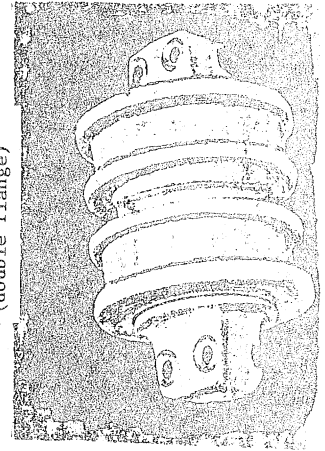
Figure 4 (below).--A sprocket wheel with forged segments



Figure 5 (below).--Roller assemblies



(double flange)



assembly. Not all manufacturers use forged segments; some prefer to use a casting for the sprocket section. Rollers (fig. 5) are the revolving cylinders which contact the track assembly of the machine. Rollers are most often forged as two pieces (roller halves) and welded together in the center. The roller halves can have either one or two flanges.

All these components are sold as rough or semifinished forgings, finished forgings ready for final assembly, and as assembled units, i.e., as track chains, sprocket wheels, or roller assemblies (complete with the shaft, seals, and lubricants and ready to mount on the tractor).

### Manufacturing process

The forgers of these products use steel bar, usually carbon or alloy steel containing boron, of varying lengths and widths to produce links, segments, and rollers. The steel is often purchased from the customer (the tractor manufacturer) on a buy-back basis. In the forging operation, a chemical analysis is first performed to assure that the material meets the required specifications. The steel bars are then sheared to length by a mechanical or hydraulic shear and heated to a plastic state in an electric induction or gas furnace.

Mechanical presses are used to forge the hot steel into a link, which is trimmed by a hydraulic trim press while still hot. It is then cooled and cleaned by shot blast. Finishing operations for the link begin with heat treating to bring the article to full hardness. The edge that contacts the track is further hardened through induction heating. The link is then drilled and bored. The links are coupled with pins and bushings to form the track chain. After assembly, the track chain is cleaned and painted.

A representative of Jernberg discussed the inputs on a price quote for a D8 link. In this quote, the value of the semifinished link was estimated to represent 80 percent of the value of a finished link. 1/ Petitioners estimate that 83 percent of the value of the finished link is represented by the rough forging and that 51 percent of the value of the track chain is represented by the rough forging. 2/ Berco estimates that the forging represents 30 to 40 percent of the assembled value 3/ and Italtractor estimated that \* \* \* of the value of its track chain assemblies is represented by the rough forging. 4/ Only one firm, Caterpillar Tractor Co., imports semifinished links. The remainder of the links are imported as finished pieces or in chain or track assemblies (chain with track shoes bolted onto it). It is estimated that less than 10 percent of these finished and assembled imports are entered as finished pieces.

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1/ See transcript of the conference, p. 47.

2/ See postconference brief of Jernberg Forgings Co., et al., p. 17.

3/ See postconference brief on behalf of Berco S.p.A., p. 2.

4/ See confidential submission by Coudert Brothers on behalf of Italtractor, May 26, 1983.

For segments, the hot billet is shaped by placing it in a stationary bottom die and hammering it with a movable upper die. The excess metal is trimmed, and the segment is brought to a closer tolerance by a hot padding press. The segment is then cooled and cleaned. Finishing operations include coining the sides, heat treating, and cutting operations to make the sides flat and parallel. Some producers machine the teeth to specification, and some induction harden the surface of the teeth. Holes are then drilled to allow assembly. Assembly requires that the segments be placed on a rim on a hub and then be bolted in place.

Petitioners estimate that 75 percent of the value of the finished component is represented by the rough forging. 1/ Italtractor \* \* \*. 2/ There are no imports of semifinished segments from Italy. Segments are imported from Italy either as finished pieces, in segment groups, or as assemblies. It is estimated that less than 10 percent of these finished and assembled segments are imported as finished pieces.

For the production of rollers, the hot billet passes into a flanging or mechanical press where it is flattened by an upsetter and formed by blocking and finishing dies. The roller is trimmed of excess materials by a hydraulic trim press, cooled, cleaned by shot blast, and inspected for quality.

There are presently two methods used in the United States for forging rollers: the traditional method, which requires an extensive amount of machining, especially for double-flange rollers, and the newer, patent-pending Radonco process, which produces a one-piece, two- or four-flange roller. The Radonco method was introduced by Presrite Corp., one of the petitioners, in 1980 and has significantly reduced production and labor costs and press time, as well as eliminated the need for additional trimming and machining operations. Only Presrite Corp. and a related firm, Presrite of Jefferson, Inc., employ the Radonco method.

The finishing operations on a roller are quite extensive. They begin with turning and boring operations. The outer diameter, flange, and seal 3/ are then faced. The roller is turned again and the welding diameter tested 3/. The roller is heat-treated and the flange induction hardened. The roller halves are welded together. 3/ The shaft is rebroached and the seal refaced. The retainer holes are drilled and tapped. The roller shell is then ready to be assembled. The roller assembly involves lubricating the roller and adding the shaft, seals, and seal retainers.

Petitioners estimate that 52 to 58 percent of the value of the assembly is represented by the rough forging. 4/ Italtractor estimates that the forging represents \* \* \* of the assembled value. 5/ Only one firm imports semifinished rollers; the remainder of the rollers are imported either as finished roller shells or as assemblies. It is estimated that less than 10 percent of these finished and assembled rollers are imported as finished, but unassembled roller shells.

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1/ See postconference brief of Jernberg Forgings Co., et al., p. 17.

2/ See confidential submission by Coudert Brothers on behalf of Italtractor, May 26, 1983.

3/ When working with two roller halves.

4/ See postconference brief of Jernberg Forgings Co., et al., p. 17.

5/ See confidential submission by Coudert Brothers on behalf of Italtractor, May 26, 1983.



### U.S. tariff treatment

Links, segments, and rollers which are used in crawler-mounted machinery are dutiable under items 664.08, 692.34, and 692.35 of the TSUS. Item 664.08 includes construction and related machinery and parts thereof not specifically provided for elsewhere. Item 692.34 covers tractors suitable for agricultural use, and parts thereof. Item 692.35 includes other tractors and their parts not specifically provided for elsewhere.

The current column 1 rate of duty is 3.8 percent ad valorem for articles entered under TSUS item 664.08 and 3.9 percent ad valorem for those entered under item 692.35. 1/ The current rates are the fourth reduction in a series of staged duty reductions negotiated during the Tokyo round of the Multilateral Trade Negotiations (MTN). The rate of duty prior to January 1, 1981, was 5 percent ad valorem for item 664.08 and 5.1 percent ad valorem for item 692.35. The current rates are scheduled to be reduced annually to 2.5 percent ad valorem for item 664.08 and to 2.2 percent ad valorem for item 692.35, effective on January 1, 1987. Articles from all sources entered under item 692.34 are duty free.

The column 2 rates of duty for items 664.08 and 692.35 are 35 and 27.5 percent ad valorem, respectively. 2/ Articles imported from all designated beneficiary countries and entered under items 664.08 and 692.35 are eligible for duty-free treatment under the Generalized System of Preferences (GSP). 3/ The rate of duty for imports from least developed developing countries (LDDC's) is 2.5 percent ad valorem for item 664.08 and 2.2 percent ad valorem for item 692.35. 4/ As far as it can be determined, there are no significant imports of the items covered by these investigations from designated beneficiary countries under the GSP or from any LDDC's.

### Nature and Extent of Alleged Subsidies and Sales at LTFV

#### Subsidies

The petitioners present an extensive list of countervailable subsidies from which they believe the four Italian producers, Berco, S.p.A.; Italtractor ITM, S.p.A.; and Industria Meccanica e Stampaggio S.p.A. (IMES) benefit. This list includes substantial equity contributions from the Government, subsidized financing in the form of loans granted through special credit institutions at

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1/ The col. 1 rates of duty are most-favored-nation rates and are applicable to imports from all countries except those Communist countries enumerated in general headnote 3(f) of the TSUS.

2/ Col. 2 rates of duty apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

3/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888, of Nov. 24, 1974, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

4/ LDDC rates are preferential rates (reflecting the full U.S. MTN concession rate for a particular item without staging) applicable to products of those LDDC's designated in general headnote 3(d) of the TSUS.

preferential rates and terms, and various tax rebate and incentive programs. The foreign producers also are allegedly able to obtain capital grants, export insurance and guarantees at below-market rates, and preferential pricing on the steel used in the manufacture of exported products. In addition, the petitioners feel that the producers benefit from subsidized export financing programs as well as regional development programs in Italy. Petitioners believe that the amount of these countervailable subsidies exceeds 45 percent ad valorem.

#### Sales at LTFV

The petitioners present separate information on each of the foreign producers' sales at LTFV. For Berco, the petitioners compare a price obtained from an export price list, net of discounts and inland freight, with a list price, net of discounts, for sales within Italy for a specific size of a finished link, segment, and roller. The results of the comparisons were dumping margins ranging from 5 to 14 percent. Similarly, for Italtractor, the petitioners also compared list prices, net of discounts and inland freight, for a specific size of link, segment, and roller. The resulting dumping margins ranged from 3 to 9 percent. For IMES, the petitioners used the price for export to West Germany of rollers (since the petitioners believe that virtually no sales of this product are made in Italy). The price was adjusted for machining and welding and compared with the U.S. price for the same roller. The comparison resulted in a 23-percent dumping margin. IMES' price in Italy for a certain size segment was 3 percent lower than its U.S. price according to the petitioners' calculations.

However, the petitioners contend that the foreign producers are selling below their cost of production and that Commerce must therefore use a constructed value to determine the extent of LTFV sales. The petitioners compared their own constructed value with the U.S. prices of each of the foreign producers and obtained a 52-percent dumping margin on IMES's sales of links, an 89-percent margin on Berco's sales of rollers, and a 59-percent dumping margin on Italtractor's sales of segments.

#### U.S. Market

#### Channels of distribution

The market for forged undercarriage components comprises two segments, the tractor manufacturers (original-equipment manufacturers or OEM's) and the independent distributors. Typically, the OEM's buy either rough forgings, which must be machined, heat-treated, and assembled before use, or finished assemblies for use in the manufacture of the undercarriage for crawler-mounted machinery or for sale by their distributors as spare parts. It has been estimated that 40 percent of these components are used in the manufacture of original equipment and that 60 percent are destined for sale as replacement parts in the aftermarket. <sup>1/</sup> The independent distributors purchase finished components only for the servicing of crawler-mounted machinery in the aftermarket.

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<sup>1/</sup> See transcript of the conference, p. 29.

Aftermarket sales of undercarriage components are very important and highly competitive for both the OEM's and the independent distributors. Undercarriage components are subject to constant stress and friction when the crawler-mounted machinery is in operation. They wear out quickly and must be replaced often. The average service life of the undercarriage parts in question is about 2,000 hours. 1/ Thus, they become the basis for trade and maintaining customer relations with the tractor buyer. The Associated Independent Distributors estimates that sales of undercarriage components (including some components such as track shoes not covered by these investigations) account for at least 66 percent of the revenue of its members. 2/ Other industry sources agree that as much as 50 percent of the value of the tractor is paid to replace the undercarriage components over the life of the tractor. 3/

The fact that these components are high-wear items means that if a distributor can offer competitive prices on undercarriage components, he can successfully draw in customers for regular maintenance work and service. This high-wear factor also has an important influence on the OEM's. They also need to keep the price of undercarriage components competitive in order to keep the cost of the tractor and the cost of servicing it competitive with other manufacturers. In addition, they must keep their distributors competitive in the undercarriage market so that they can make sales of other, higher priced equipment and parts.

Semifinished forged undercarriage components are sold exclusively to OEM's, which finish and assemble them into parts ready for mounting on a tractor. Finished components and assembled parts ready for mounting are sold to both OEM's and independent distributors. Since domestic producers of semifinished parts sell only to OEM's, demand for their products depends on sales of new machinery and sales of spare parts in the aftermarket by OEM's.

#### Factors affecting demand

The most important factor affecting demand for forged undercarriage components is the use of crawler-mounted machinery. Demand for this type of vehicle is influenced primarily by construction activity, land preparation, and the state of the economy. In recent years, the decline in construction activity coupled with high interest rates has sharply curtailed the market for forged undercarriage components. Sales of construction equipment declined by 47 percent in constant dollar terms from 1980 to 1982. 4/ In addition, total private construction put in place declined by 12 percent (in constant dollar terms), 5/ and total public construction declined by 18 percent. 6/

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1/ Ibid., pp. 53-54.

2/ See letter to Ms. Miriam A. Bishop of May 19, 1983.

3/ See transcript of the conference, pp. 65-66.

4/ See U.S. Bureau of the Census, "Construction Machinery," Current Industrial Reports, February 1983.

5/ See U.S. Department of Commerce, Bureau of Industrial Economics, "Construction Review: a Bi-Monthly Industry Review," March-April 1983, table C-6, p. 35. Values were adjusted using a producer price index in table E-2, p. 42.

6/ Ibid., table D-1, p. 45.

Another very important factor was that the workers at the largest U.S. customer for semifinished forged undercarriage components, Caterpillar, were on strike from October 1982 through April 1983. This caused a dramatic drop in the demand for semifinished forgings.

#### Apparent consumption

Finished articles. 1/--Because finished forged undercarriage components contain the semifinished articles, demand for the finished products is the governing force for the industry. Demand for the finished products in the U.S. market can be approximated by data on apparent U.S. consumption. The available data on apparent U.S. consumption of the finished components are presented in table 1. Apparent U.S. consumption of these articles represents the total of the use of these components in the manufacture of original equipment plus sales to OEM's domestic distributors plus importers' shipments. The resulting data are somewhat removed from actual demand by the end user.

The available data on apparent consumption of finished links show a decline from \* \* \* in 1980 to \* \* \* in 1982, or by 61 percent. Apparent consumption then declined by 41 percent in January-March 1983 relative to that for the corresponding period of 1982. Apparent U.S. consumption of finished segments declined from \* \* \* in 1980 to \* \* \* in 1982, or by 47 percent, and then dropped by 82 percent in January-March 1983 relative to the corresponding period of 1982. Apparent consumption of finished rollers declined from \* \* \* in 1980 to \* \* \* in 1982, or by 54 percent. Consumption then dropped by 68 percent in January-March 1983 relative to that for the corresponding period of 1983.

Semifinished articles.--All the semifinished articles produced and sold in this country are eventually used by the OEM's in the manufacture of finished undercarriage components. Thus, apparent consumption of the semifinished products is actually an approximation of the demand by OEM's for these articles for further processing in their own finishing and assembling operations. Apparent consumption of semifinished forged undercarriage components is presented in table 2. Apparent U.S. consumption of semifinished links declined from \* \* \* . \* \* \* . There was no domestic consumption of semifinished forged segments in January-March 1983. Apparent U.S. consumption of semifinished rollers declined from \* \* \* . Apparent consumption then \* \* \* in January-March 1983 relative to that for the corresponding period in 1982.

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1/ In this section and in the following sections, the term "finished" refers to those articles which are finished pieces in addition to those parts which are incorporated into track chain, segment assemblies, or roller assemblies, unless otherwise noted.

Table 1.--Finished forged undercarriage components: U.S. producers' domestic shipments, U.S. importers' domestic shipments, and apparent consumption, by types, 1980-82, January-March 1982, and January-March 1983

(In thousands of units)			
Type and period	U.S. producers' shipments	U.S. importers' shipments	Apparent consumption
Links:			
1980-----	***	2,997	***
1981-----	***	1,859	***
1982-----	***	1,328	***
January-March--			
1982-----	***	461	***
1983-----	***	400	***
Segments:			
1980-----	***	90	***
1981-----	***	81	***
1982-----	***	78	***
January-March--			
1982-----	***	19	***
1983-----	***	16	***
Rollers:			
1980-----	***	360	***
1981-----	***	297	***
1982-----	***	191	***
January-March--			
1982-----	***	59	***
1983-----	***	59	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

### The Domestic Industry

#### U.S. producers

Semifinished articles.--There are 10 known forgers of semifinished undercarriage components in the United States. Of these, only Caterpillar finishes and assembles its product. The remaining firms produce and ship only semifinished forgings. These firms are the Forge Division of Eaton Corp., Jernberg Forgings Co., Lindell Drop Forge Co., Portec, Inc., Presrite Corp., Presrite of Jefferson, Inc., Pittsburgh Forging, Walco Metalforming Group, and Walker Forge Inc. Seven of these firms are petitioners in these investigations and one firm supports the petition. Not all of the firms produce all three of the forged components under consideration. Nine of the 10 known domestic forgers supplied the Commission with data on their production of semifinished articles (table 3). It is estimated that these firms account for over 98 percent of domestic production of the semifinished undercarriage forgings that are the subject of these investigations. <sup>1/</sup> A brief description of each of these firms follows.

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<sup>1/</sup> See countervailing duty petition, p. 24.

Table 2.--Semifinished forged undercarriage components: U.S. producers' domestic shipments, U.S. importers' domestic shipments, and apparent consumption, by types, 1980-82, January-March 1982, and January-March 1983

\* \* \* \* \*

Caterpillar Tractor Co., located in Peoria, Ill., forges only links and uses all of its production in house. The Forge Division of Eaton Corp. is located in Ohio. It produces only roller forgings, \* \* \*. Lindell Drop Forge is located in Lansing, Mich. It began producing rollers in small quantities in 1976. Lindell installed \* \* \* in 1979 and began producing rollers in large quantities in 1981. It produces rollers for crawler models \* \* \*.

Jernberg, located in Chicago, Ill., produces link, segment, and roller forgings as well as gears for transmissions, wheel spindles and hubs, and railroad couplings. Parts manufactured by Jernberg are used on crawler models \* \* \*.

Portec is located in Canton, Ohio, and produces forged parts for the construction, oil, agricultural, and mining industries. Portec has been producing two-piece welded rollers for OEM's since 1979. It produces primarily for crawler tractor models \* \* \*.

Presrite Corp., of Cleveland, Ohio, produces forgings for the trucking, oil hardware, mining, and construction industries. Presrite has been manufacturing segments and rollers for OEM's since 1981. Presrite of Jefferson (Ohio) was founded in 1980 to manufacture one-piece, forged-to-size, multiple-flanged rollers using its patent-pending Radonco process. Presrite of Jefferson produces only rollers, and these account for \* \* \* of its sales. It produces rollers for crawler models \* \* \*.

Table 3.--Forged undercarriage components: U.S. production of semifinished and finished articles, by types, 1980-82, January-March 1982, and January-March 1983

Item and firm	1980	1981	1982	January-March--		
				1982	1983	
Semifinished links						
Production:						
Caterpillar						
1,000 units--:	***	***	***	***	***	
Jernberg-----do----	***	***	***	***	***	
Federal Forge---do----	***	***	***	***	***	
Transue & Williams						
1,000 units--:	***	***	***	***	***	
Total-----do----	***	***	***	***	***	
Percentage distribution						
of quantity:						
Caterpillar--percent--:	***	***	***	***	***	
Jernberg-----do----	***	***	***	***	***	
Federal Forge---do----	***	***	***	***	***	
Transue & Williams						
percent--:	***	***	***	***	***	
Total-----do----	100.0	100.0	100.0	100.0	-	
Finished links						
Production:						
J. I. Case						
1,000 units--:	***	***	***	***	***	
Caterpillar						
1,000 units--:	***	***	***	***	***	
Deere & Co-----do----	***	***	***	***	***	
Terex Corp-----do----	***	***	***	***	***	
Total-----do----	***	***	***	***	***	
Percentage distribution						
of quantity:						
J. I. Case---percent--:	***	***	***	***	***	
Caterpillar-----do----	***	***	***	***	***	
Deere & Co-----do----	***	***	***	***	***	
Terex Corp-----do----	***	***	***	***	***	
Total-----do----	100.0	100.0	100.0	100.0	100.0	
Semifinished segments						
Production:						
Jernberg						
1,000 units--:	***	***	***	***	***	
Presrite Corp---do----	***	***	***	***	***	
Federal Forge---do----	***	***	***	***	***	
Walker Forge---do----	***	***	***	***	***	
Total-----do----	***	***	***	***	***	

See footnotes at end of table.

Table 3.--Forged undercarriage components: U.S. production of semifinished and finished articles, by types and by firms, 1980-82, January-March 1982, and January-March 1983--Continued

Item and firm	1980	1981	1982	January-March--	
				1982	1983
Semifinished segments--Continued					
Percentage distribution of quantity:					
Jernberg----percent--	***	***	***	***	***
Presrite Corp---do----	***	***	***	***	***
Federal Forge---do----	***	***	***	***	***
Walker Forge---do----	***	***	***	***	***
Total-----do----	100.0	100.0	100.0	100.0	-
Finished segments					
Production:					
Caterpillar					
1,000 units--	***	***	***	***	***
Percentage distribution of quantity:					
Caterpillar--percent--	100.0	100.0	100.0	100.0	-
Semifinished rollers					
Production:					
Eaton Corp					
1,000 units--	***	***	***	***	***
Federal Forge---do----	***	***	***	***	***
Jernberg-----do----	***	***	***	***	***
Lindell-----do----	***	***	***	***	***
Portec-----do----	***	***	***	***	***
Presrite Corp---do----	***	***	***	***	***
Presrite of Jefferson					
1,000 units--	***	***	***	***	***
Transue & Williams					
1,000 units--	***	***	***	***	***
Total-----do----	***	***	***	***	***
Percentage distribution of quantity:					
Eaton Corp---percent--	***	***	***	***	***
Federal Forge---do----	***	***	***	***	***
Jernberg-----do----	***	***	***	***	***
Lindell-----do----	***	***	***	***	***
Portec-----do----	***	***	***	***	***
Presrite Corp---do----	***	***	***	***	***
Presrite of Jefferson					
percent--	***	***	***	***	***
Transue & Williams					
percent--	***	***	***	***	***
Total-----do----	100.0	100.0	100.0	100.0	100.0



Table 3.--Forged undercarriage components: U.S. production of semifinished and finished articles, by types and by firms, 1980-82, January-March 1982, and January-March 1983--Continued

Item and firm	1980	1981	1982	January-March--	
				1982	1983
Finished rollers					
Production:					
J. I. Case					
1,000 units--:	***	***	***	***	***
Caterpillar					
1,000 units--:	***	***	***	***	***
Deere & Co-----do----	***	***	***	***	***
Terex Corp-----do----	***	***	***	***	***
Total-----do----	***	***	***	***	***
Percentage distribution :					
of quantity:					
J. I. Case---percent--:	***	***	***	***	***
Caterpillar-----do----	***	***	***	***	***
Deere & Co-----do----	***	***	***	***	***
Terex Corp-----do----	***	***	***	***	***
Total-----do----	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Walco Metal Forming Group began producing the articles in question in 1977 at the behest of Caterpillar and has two divisions which produce forged undercarriage components, Federal Forge and Transue & Williams, both located in Lansing, Mich. Walco produces connecting rods, crankshafts, valve lifters, and a number of other forgings. Federal Forge produces links, segments, and rollers. Transue & Williams produces only links and rollers. Links are produced for crawler models \* \* \* . Links accounted for approximately \* \* \* of Walco's total sales during 1982. Walco reported that nearly 60 percent of the links it produces are sold by OEM's as replacement parts, with the remainder being used as parts for original equipment.

Walker Forge, located in Racine, Wis., has been producing undercarriage parts since 1969. Walker Forge produces only segments for crawler models \* \* \* . Approximately \* \* \* of Walker's segments are sold by OEM's in the replacement market, the remainder are used as parts for new crawler-mounted machinery.

Finished articles.--Four firms produce finished forged undercarriage components in the United States. They are all OEM's and are also importers of the products from Italy. These firms are J. I. Case, Inc., Caterpillar Tractor Co., Deere & Co., and Terex. Case purchases domestically produced, semifinished links and rollers and then finishes and assembles them for use in

tractors and for sale to their distributors. Case also imports finished and assembled links, segments, and rollers from Italy and other countries for the same purposes. Caterpillar forges its own links; purchases domestically produced, semifinished links, segments, and rollers; and imports semifinished links and rollers from Italy. Caterpillar also imports some semifinished segments from countries other than Italy. Caterpillar then finishes and assembles all of these for use in manufacturing Caterpillar tractors and supplying Caterpillar's independent dealers.

Deere purchases only domestically produced, semifinished links and rollers for its smaller, utility line of crawler tractors. Deere finishes and assembles these parts for use in the manufacture of undercarriages and supplies the parts to its distributors. Deere imports finished and assembled links and rollers from Italy and other countries for its larger vehicles. Virtually all the imports are brought in as assemblies. Terex also purchases domestically produced, semifinished links and rollers and imports finished and assembled links and rollers from Italy.

There are no independent domestic producers 1/ of finished or assembled forged undercarriage components. There were several such producers until the early 1970's. Two of these, Pettibone Westrac and Letts Industries, are currently active in the market as importers. Thus, independent parts distributors must either purchase imported undercarriage components or obtain their requirements from OEM's at retail prices. 2/

#### U.S. importers

The net import file maintained by the U.S. Customs Service identified 73 importers of the products classified in the "other" tractor parts "basket" category during the period September 1981-September 1982. The Commission's staff conducted a survey of these importers in order to identify firms that import links, segments, and rollers. Forty-one firms, located primarily in the Mid-west were identified as importers of the products under investigation.

U.S. importers of forged undercarriage components are mostly independent distributors. The exception to this are the OEM's. Nearly all links, segments, and rollers imported by independent distributors are sold in the aftermarket as assemblies, chains, or groups. Individual piece sales constitute a very minor proportion of the distributors' sales.

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1/ An independent producer is one that does not produce tractors or crawler-mounted machinery.

2/ See letter submitted by Associated Independent Distributors dated May 19, 1983. <sup>A-16</sup>

### The Foreign Producers

There are at least four major foreign producers of forged undercarriage parts--Berco and Italtractor in Italy, Intertrack in the Federal Republic of Germany, and Kamatsu in Japan. There are also three other producers of forged undercarriage components in Italy, IMES, Mechtrack, and Simmel S.p.A. IMES is the only producer in Italy that has exported significant quantities of semifinished products to the United States. Supposedly, Mechtrack has only recently begun to export small quantities of the semifinished material. <sup>1/</sup> Berco, Italtractor, and Simmel export primarily finished assemblies, chains, and groups to the United States.

### The Question of Material Injury or Threat Thereof

#### U.S. production, capacity, and capacity utilization

Links.--U.S. production of semifinished links declined sharply over the period under consideration. It declined from \* \* \* (table 3). While Caterpillar did not report its capacity to forge links, the remaining U.S. producers' capacity to produce semifinished links remained constant over the period (table 4). The available data on U.S. producers' capacity utilization show that it remained at extremely low levels and declined over the period. Capacity utilization declined from \* \* \* . U.S. producers' capacity remained totally unutilized in January-March 1983.

Total U.S. production of finished links is presented in table 3. These figures show a steadily declining trend during the period under consideration. U.S. production declined from \* \* \* . It declined further, by \* \* \* in January-March 1983 compared with production for the corresponding period in 1982.

Only Caterpillar and Deere provided the Commission with data on their capacity to produce finished links. These data show \* \* \* . Reported capacity \* \* \* . \* \* \* . The capacity utilization of these two producers \* \* \* . \* \* \* .

Segments.--U.S. production of semifinished segments increased from \* \* \* . However, production then dropped to \* \* \* . There was no reported production of semifinished segments in January-March 1983. U.S. producers' capacity to produce semifinished segments increased slightly over the period under consideration. Capacity increased from \* \* \* . \* \* \* . Capacity utilization for semifinished segment production was minimal over the period under consideration and declined. It declined from 5 percent in 1980 to 2 percent in 1982. U.S. capacity was totally unutilized in January-March 1983.

U.S. production of finished segments \* \* \* . There was no production of finished segments in January-March 1983 because the workers at Caterpillar were on strike. \* \* \* . Caterpillar's capacity utilization \* \* \* .

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<sup>1/</sup> See transcript of the conference, p. 149.

Table 4.--Forged undercarriage components: U.S. production, capacity, and capacity utilization, for semifinished and finished articles, by types of components, 1980-82, January-March 1982, and January-March 1983

\* \* \* \* \*

Rollers.--U.S. production of semifinished rollers declined sharply over the period under consideration. It declined from \* \* \* . Production then dropped to \* \* \* in January-March 1983, representing a decline of \* \* \* from that for the corresponding period in 1982. U.S. producers' reported capacity to produce semifinished rollers increased significantly over the period. It increased from 2.4 million units in 1980 to 3.0 million in 1982, or by 24 percent. Capacity increased by an additional 5 percent in January-March 1983 relative to that for the corresponding period of 1982. The capacity utilization of U.S. producers remained at very low levels and declined over all. It declined from \* \* \* in 1980 to \* \* \* in 1982 and then dropped from \* \* \* in January-March 1982 to \* \* \* in January-March 1983.

The best available data on U.S. production of finished rollers are presented in table 3. These figures show a declining trend for the period under consideration. U.S. production of finished rollers declined from \* \* \* . It then dropped from \* \* \* . Reported capacity to produce finished rollers \* \* \* . Responding U.S. producers' capacity utilization \* \* \* .

#### U.S. producers' commercial shipments

Links.--U.S. producers' shipments of semifinished links declined precipitously over the period under consideration. The quantity of shipments declined from \* \* \* (table 5). There were no shipments of semifinished links in January-March 1983. The unit value of semifinished links increased by \* \* \* . There were no exports of semifinished links reported during the period under consideration.

Table 5.--Forged undercarriage components: U.S. producers' commercial shipments of semifinished and finished articles, by types, 1980-82, January-March 1982, and January-March 1983

\* \* \* \* \*

U.S. producers' commercial shipments of finished links \* \* \* . \* \* \* .  
The unit value of U.S. producers' commercial shipments of finished links  
\* \* \* . Exports of finished links were significant only for \* \* \* . \* \* \*  
(table 6). U.S. producers' exports of finished links \* \* \* . \* \* \* . The  
unit value of exports \* \* \* . \* \* \* .

Table 6.--Finished forged undercarriage components: U.S. exports of responding firms, by types, 1980-82, November 1981-April 1982, and November 1982-April 1983

\* \* \* \* \*

Segments.--U.S. producers' commercial shipments of semifinished segments increased from \* \* \* . No semifinished segments were shipped in January-March 1983. The unit value of U.S. producers' shipments increased from \* \* \* . There were no exports of semifinished segments during the period under consideration.

The U.S. producer's (Caterpillar's) commercial shipments of finished segments \* \* \* . The unit value of these shipments \* \* \* . Caterpillar's exports of finished segments \* \* \* . The unit values of these exports were \* \* \* .

Rollers.--U.S. producers' commercial shipments of semifinished rollers declined from \* \* \* . They then dropped by \* \* \* in January-March 1983 relative to that for the corresponding period of 1982. The unit value of semifinished rollers declined slightly, from \* \* \* in 1980 to \* \* \* in 1982. However, in January-March 1983, the unit value of each roller sold dropped to \* \* \* . There were no exports of semifinished rollers reported for the period under consideration.

U.S. producers' commercial shipments of finished rollers \* \* \* . \* \* \* . The unit value of finished rollers generally \* \* \* . \* \* \* . Exports of finished rollers were noteworthy and \* \* \* . However, the unit value of these exports \* \* \* .

#### U.S. producers' inventories

U.S. producers of semifinished forged undercarriage components reported that they consider these items custom products and, for the most part, only produce them upon receipt of an order. Little if any merchandise is maintained in inventory. The available data on U.S. producers' inventories of the semifinished products are presented in table 7.

Table 7.--Forged undercarriage components: U.S. producers' inventories of semifinished and finished articles, by types, Dec. 31 of 1980-82, Mar. 30, 1982, and Mar. 30, 1983

\* \* \* \* \*

U.S. producers of finished forged undercarriage components reported significant inventories of these products. Reported end-of-period inventories of links \* \* \* . \* \* \* . As a percentage of U.S. producers' total shipments, yearend inventories \* \* \* . Inventories held as of April 30 \* \* \* .

The quantity of finished segments held in inventory \* \* \* . \* \* \* . No quarterly data on inventories are available. As a percentage of total shipments, yearend inventories \* \* \* .

Similarly, U.S. producers' yearend inventories of finished rollers \* \* \* . The quantity of inventories held as of April 30 \* \* \* . As a percentage of total shipments, yearend inventories \* \* \* .

#### U.S. producers' employment and wages

Semifinished articles.--Average employment in U.S. establishments producing semifinished forged undercarriage components generally declined over the period under consideration. Total employment declined by 24 percent from 1980 to 1982 and then declined by 32 percent in January-March 1983 relative to that for the corresponding period in 1982 (table 8). All but two firms' workers are unionized. The workers are represented by five different unions--United Auto Workers; United Steel Workers of America; the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers; the International Association of Machinists and Aerospace Workers; and the International Die Sinkers' Conference. The average number of all production and related workers employed in such establishments followed a trend similar to that for total employment, declining by 28 percent from 1980 to 1982 and by 31 percent in January-March 1983 relative to that for the corresponding period in 1982. The average number of production and related workers employed in the production of semifinished forged undercarriage components declined by 29 percent from 1980 to 1982, but then fell by 91 percent in January-March 1983 relative to that for the corresponding period in 1982.

The number of hours worked by production and related workers producing these products declined by 54 percent from 1980 to 1982 and then dwindled to virtually none in January-March 1983. Hourly wages paid to such workers followed a similar trend, declining by 52 percent from 1980 to 1982 and dropping by 98 percent in January-March 1983 relative to those for the corresponding period in 1982. Total compensation paid to these workers followed the same trend, while their average hourly compensation increased from \$14 in 1980 to \$16 in 1981, or by 14 percent. However, in 1982, the average hourly rate of compensation declined to \$14, or by 8 percent. The small data base for January-March 1983 resulted in a distortion of the average hourly rate of compensation for the period.

Finished articles.--Average employment in U.S. establishments producing finished forged undercarriage components \* \* \* . \* \* \* . The workers in Caterpillar's and Deere's establishments are represented by the United Auto Workers. The average number of all production and related workers employed in such establishments \* \* \* . The average number of production and related workers employed in the production of finished forged undercarriage components \* \* \* .

Table 8.--Average number of employees, total and production and related workers, in responding U.S. establishments producing semifinished and finished forged undercarriage components and hours worked by, hourly wages paid to, total compensation earned by, and average hourly compensation of production and related workers producing these articles, 1980-82, January-March 1982, and January-March 1983

Item	1980	1981	1982	January-March--		
				1982	1983	
	Semifinished articles					
Average number of employees:						
All persons-----	2,083	2,217	1,580	1,770	1,203	
Production and related workers producing---						
All products-----	1,690	1,686	1,223	1,362	937	
Forged undercarriage components-----	192	182	136	206	19	
Hours worked by production and related workers producing forged undercarriage components						
1,000 hours--	358	271	165	79	1	
Hourly wages paid to production and related workers producing forged undercarriage components						
1,000 dollars--	3,808	3,289	1,810	914	20	
Total compensation earned by production and related workers producing forged undercarriage components						
1,000 dollars--	4,892	4,232	2,379	1,189	21	
Average hourly compensation of production and related workers producing forged undercarriage components						
per hour--	\$13.66	\$15.62	\$14.41	\$15.05	\$21.00	
	Finished articles <u>1/</u>					
Average number of employees:						
All persons-----	***	***	***	***	***	
Production and related workers producing---						
All products-----	***	***	***	***	***	
Forged undercarriage components-----	***	***	***	***	***	

See footnote at end of table.



Table 8.--Average number of employees, total and production and related workers, in responding U.S. establishments producing semifinished and finished forged undercarriage components and hours worked by, hourly wages paid to, total compensation earned by, and average hourly compensation of production and related workers producing these articles, 1980-82, January-March 1982, and January-March 1983--Continued

Item	1980	1981	1982	January-March--	
				1982	1983
Finished articles--Continued					
Hours worked by production and related workers producing forged undercarriage components					
1,000 hours--	***	***	***	***	***
Hourly wages paid to production and related workers producing forged undercarriage components					
1,000 dollars--	***	***	***	***	***
Total compensation earned by production and related workers producing forged undercarriage components					
1,000 dollars--	***	***	***	***	***
Average hourly compensation of production and related workers producing forged undercarriage components					
per hour--	***	***	***	***	***

1/ Data presented are for Deere & Co.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The number of hours worked by production and related workers producing these products \* \* \* . Hourly wages paid to such workers \* \* \* . Total compensation paid to these workers \* \* \* . The average rate of compensation \* \* \* .

#### Financial experience of U.S. producers

Semifinished articles.--Income-and-loss data on U.S. producers' operations producing semifinished forged undercarriage components and on the establishments within which such components are produced were received from 23 eight producers, which accounted for all reported shipments of domestically produced articles in 1982. These data are presented in table 9. Transue & Williams, a forge division of Walco Metal Forming Group, reported data for only 6 months in 1981 because of a change in its accounting year. Hence, 1981 data are somewhat understated.

Table 9.--Income-and-loss experience of 8 U.S. producers of semifinished undercarriage forgings, by types of operations, accounting years 1980-82, and interim periods ending Mar. 31, 1982, and Mar. 31, 1983 <sup>1/</sup>

Item	1980	1981	1982	Interim period ending March 31--	
				1982	1983
Operations on undercarriage forgings					
Net sales-----1,000 dollars--	39,562	29,629	20,659	14,244	***
Cost of goods sold-----do----	36,282	25,218	18,121	12,895	***
Gross profit or (loss)-----do----	3,280	4,411	2,538	1,349	***
General, selling, and administra-					
tive expenses----1,000 dollars--	1,443	1,447	1,646	640	***
Operating income or (loss)--do----	1,837	2,964	892	709	***
Depreciation and amortization					
1,000 dollars--	1,123	1,618	1,932	773	***
Cash flow or (deficit) from					
operations-----1,000 dollars--	2,960	4,582	2,824	1,482	***
Ratio of operating profit to net					
sales-----percent--	4.6	10.0	4.3	5.0	***
Number of firms reporting					
operating loss-----	1	1	2	2	***
Overall operations of reporting establishments					
Net sales-----1,000 dollars--	229,113	236,686	167,964	82,206	43,627
Cost of goods sold-----do----	202,300	205,882	156,376	74,396	44,844
Gross profit or (loss)-----do----	26,813	30,804	11,588	7,810	(1,217)
General, selling, and administra-					
tive expenses----1,000 dollars--	13,145	13,412	13,459	5,314	5,291
Operating income or (loss)--do----	13,668	17,392	(1,871)	2,496	(6,508)
Depreciation and amortization					
1,000 dollars--	5,588	6,379	7,531	2,637	2,712
Cash flow or (deficit) from					
operations-----1,000 dollars--	19,256	23,771	5,660	5,133	(3,796)
Ratio of operating profit to					
net sales-----percent--	6.0	7.3	(1.1)	3.0	(14.9)
Number of firms reporting oper-					
ating loss-----	2	2	5	2	4
Ratio of undercarriage forgings					
sales to establishment sales					
percent--	17.3	12.5	12.3	17.3	1.9

<sup>1/</sup> The accounting year for 4 producers ended December 31. The accounting year for each of the other 4 producers ended between February 28 and September 30.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Aggregate net sales of forged undercarriage components declined from \$39.6 million in 1980 to \$20.7 million in 1982, or by 48 percent. During the interim period ending in March, total net sales dropped precipitously from \$14.2 million in 1982 to \* \* \* in 1983, or by \* \* \* . The primary reason for the sharp drop in net sales during the interim period in 1983 was the strike at Caterpillar Tractor Co., the major customer of the reporting firms. Six out of eight producers reported absolutely no activity on these products during this period.

Aggregate operating profit increased sharply, from \$1.8 million, representing 4.6 percent of net sales, in 1980 to \$3.0 million, representing 10.0 percent of net sales, in 1981 despite declining sales. Profits declined to \$892,000, equivalent to 4.3 percent of net sales, in 1982. During the interim period ending in March 1983, only two firms, \* \* \* reported any activity on undercarriage forgings. \* \* \* .

Cash flow generated from U.S. producers' operations on semifinished forged undercarriage components increased from \$3.0 million in 1980 to \$4.6 million in 1981 and then declined to \$2.8 million in 1982. Two firms reported \* \* \* . This compares with a cash flow of \$1.5 million for the interim period of 1982.

Sales of semifinished articles accounted for 17 percent of establishment sales in 1980, declined to 12 percent in 1982, and dropped to less than \* \* \* in the interim period ending March 1983. The trends for total establishment net sales and operating profit ratios are similar to those for undercarriage forgings during 1980-82. However, during the interim period ending March 1983, net sales of undercarriage forgings declined much more rapidly due to the strike at Caterpillar than those of overall establishment operations. The operating profitability (as a percent of net sales) declined more severely for overall establishment operations than for undercarriage forgings in 1982.

Finished articles.--Deere & Co., which finishes and assembles forged undercarriage components supplied by domestic producers, provided income and loss data only on its operations on domestically produced finished undercarriage forgings. These data are presented in table 10.

Table 10.--Income-and-loss experience of Deere & Co. on its production of domestically produced finished forged undercarriage components, accounting years 1980-82 and interim periods ending Apr. 30, 1982, and Apr. 30, 1983

\* \* \* \* \*

Net sales of undercarriage forgings for Deere & Co. consist of domestic shipments and exports of forged undercarriage components, as well as its intracompany consumption of such components used in manufacturing crawler-type tractors. Domestic shipments and exports of forged undercarriage components, as a share of total net sales, \* \* \* . The intracompany consumption of such components, as a share of total net sales, \* \* \* .

Net sales of Deere & Co.'s forged undercarriage components \* \* \* .  
\* \* \* . Deere & Co. reported \* \* \* .

### Threat of material injury

Semifinished articles.--The Commission has typically considered such factors as the capacity of the foreign producers to increase imports and U.S. importers' inventories when evaluating the threat of material injury. IMES is the only producer in Italy that Caterpillar reported as a supplier of semifinished forged undercarriage components. The following data on IMES' production and capacity for 1980-82 were supplied by counsel for the firm: 1/

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Production----1,000 metric tons--	***	***	***
Capacity-----1,000 metric tons--	***	***	***
Capacity utilization---percent--	***	***	***

IMES reportedly exports semifinished forgings only to the United States. IMES Trading Co., a wholly owned subsidiary of IMES, maintains a warehouse in Peoria, Ill., in order to service Caterpillar. \* \* \* . \* \* \* .

Finished articles.--Data on production, capacity, total exports, and exports to the United States were supplied by Berco for 1982 as follows: 2/

	<u>1982</u>
Production-----1,000 metric tons--	***
Capacity <u>1/</u> -----1,000 metric tons--	***
Capacity utilization---percent--	***
Total exports--1,000 metric tons--	***
Exports to U.S. market:	
Quantity-----1,000 metric tons--	***
Percent of total exports-----	***

1/ Based on \* \* \* operation.

Italtractor provided the Commission with data on its capacity, capacity utilization, and the value of its shipments of the subject articles within Italy, to the United States, to Europe, and to other countries. Some of the A-26 figures pertaining to these data are summarized in table 11.

1/ See confidential telex to Wm. Fry, Director of Investigations, submitted by J. H. Lundquist on behalf of IMES. Capacity data are based on \* \* \* operation.

2/ See letter to Mr. Kenneth R. Mason from John R. Rahm of May 20, 1982.

Table 11.--Selected data on Italtractor's operations on forged undercarriage components, 1980-82, January-March 1982, and January-March 1983

Item	1980	1981	1982	January-March--	
				1982	1983
Capacity utilization--percent--	***	***	***	***	***
Share of total value of exports to the U.S. market represented by the articles in question-----percent--	***	***	***	***	***
Share of total value of all shipments represented by--					
Exports to the United States-----percent--	***	***	***	***	***
Exports to all other countries-----percent--	***	***	***	***	***

Source: Confidential submission by Coudert Brothers on behalf of Italtractor, May 26, 1983.

The available data on U.S. importers' inventories of finished forged undercarriage components from Italy are presented in table 12. These data show a decline in yearend inventories of links, from 665,000 units in 1980 to 332,000 in 1982, or by 50 percent. Inventories held as of March 31 increased from 231,000 in 1982 to 329,000 in 1983, or by 42 percent. As a percentage of U.S. importers' shipments of imported merchandise from Italy, yearend inventories increased from 40 percent in 1980 to 59 percent in 1982 and end-of-period inventories for January-March increased from 35 percent in 1982 to 43 percent in 1983 (on an annualized basis).

U.S. importers' inventories of imported segments from Italy declined from 56,000 units in 1980 to 18,000 in 1982, or by 68 percent. Inventories held as of March 31 increased somewhat, from 14,000 units in 1982 to 16,000 in 1983, or by 14 percent. As a percentage of importers' shipments of imported merchandise from Italy, yearend inventories declined from 175 percent in 1980 to 46 percent in 1982, while end-of-period inventories for January-March increased from 35 percent in 1982 to 59 percent in 1983 (on an annualized basis).

U.S. importers' yearend inventories of imported rollers from Italy declined from 111,000 units in 1980 to 44,000 in 1982, or by 60 percent. Inventories held as of March 31 increased from 31,000 in 1982 to 41,000 in 1983, or by 32 percent. As a percentage of importers' shipments of imported merchandise from Italy, yearend inventories declined from 57 percent in 1980 to 51 percent in 1982, while end-of-period inventories for January-March increased from 41 percent in 1982 to 43 percent in 1983 (on an annualized basis).

Table 12.--Finished forged undercarriage components: U.S. importers' inventories, by types, Dec. 31 of 1980-82, Mar. 31, 1982, and Mar. 31, 1983

Item	As of Dec. 31--			As of Mar.31--	
	1980	1981	1982	1982	1983
Links:					
Inventories---1,000 units--:	665	440	332	231	329
Ratio of inventories to shipments-----percent--:	40.3	55.1	59.0	<u>1/</u> 35.0	<u>1/</u> 43.3
Segments:					
Inventories---1,000 units--:	56	53	18	14	16
Ratio of inventories to shipments-----percent--:	175.0	165.6	46.2	<u>1/</u> 35.0	<u>1/</u> 58.5
Rollers:					
Inventories---1,000 units--:	111	95	44	31	41
Ratio of inventories to shipments-----percent--:	56.6	67.9	51.2	<u>1/</u> 40.8	<u>1/</u> 42.7

1/ Annualized.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--Ratios are end-of-period inventories to shipments in 1980-82, January-March 1982, and January-March 1983.

#### Consideration of the Causal Relationship Between the Allegedly Subsidized and LTFV Imports From Italy and the Alleged Injury

##### U.S. imports

Semifinished articles.--Semifinished forged undercarriage components were imported from three countries during the period under consideration--Italy, \* \* \*. Only one firm, Caterpillar, is known to import these articles. The available data on this firm's imports are presented in table 13.

Imports of semifinished links from Italy \* \* \*. No links were imported in January-March 1983 because of the strike at Caterpillar. Imports from countries other than Italy \* \* \*. Total imports of links \* \* \*.

There were no reported imports of semifinished segments from Italy during the period under consideration. Reported imports from \* \* \*.

Imports of semifinished rollers from Italy \* \* \*. No semifinished rollers were imported in January-March 1983 because of the strike. \* \* \*.

Finished articles.--The largest importers of finished forged undercarriage components from Italy during 1980 were the OEM's. However, since then, several of the OEM's have changed the source of their imports. The primary importers of the finished components currently are the independent distributors.

Table 13.--Forged undercarriage components: U.S. imports of semifinished and finished articles, by types and by specified sources, 1980-82, January-March 1982, and January-March 1983

Item and source	1980	1981	1982	January-March--	
				1982	1983
Semifinished articles					
Links:					
Italy---1,000 units--	***	***	***	***	***
All other countries					
1,000 units--	***	***	***	***	***
Total-----do----	***	***	***	***	***
Segments:					
Italy---1,000 units--	***	***	***	***	***
All other countries					
1,000 units--	***	***	***	***	***
Total-----do----	***	***	***	***	***
Rollers:					
Italy---1,000 units--	***	***	***	***	***
All other countries					
1,000 units--	***	***	***	***	***
Total-----do----	***	***	***	***	***
Finished articles					
Links:					
Italy---1,000 units--	2,321	1,063	976	232	307
All other countries					
1,000 units--	856	603	258	157	69
Total-----do----	3,177	1,666	1,234	389	376
Segments:					
Italy---1,000 units--	57	49	53	12	10
All other countries					
1,000 units--	21	34	5	1	0
Total-----do----	78	83	58	13	10
Rollers:					
Italy---1,000 units--	333	226	122	30	40
All other countries					
1,000 units--	47	49	18	11	5
Total-----do----	380	275	140	41	45

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. imports of links from Italy declined sharply, from 2.3 million units in 1980 to 976,000 in 1982, or by 58 percent. However, imports increased by 32 percent in January-March 1983 relative to those for the corresponding period in 1982. Imports of finished links from countries other than Italy declined throughout the period. These imports declined by 70 percent from 1980 to 1982 and by 56 percent in January-March 1983 relative to those for the

corresponding period in 1982. Total imports of finished links also declined throughout the period. They declined from 3.2 million units in 1980 to 1.2 million in 1982, or by 61 percent. A decline of 3 percent was posted for January-March 1983 relative to the corresponding period in 1982.

U.S. imports of segments from Italy generally declined over the period. Such imports declined from 57,000 units in 1980 to 53,000 in 1982, or by 7 percent, and declined by 17 percent in January-March 1983 relative to those for the corresponding period in 1982. Imports of segments from countries other than Italy increased somewhat from 1980 to 1981, but then dwindled to zero in January-March 1983. Total imports increased from 78,000 units in 1980 to 83,000 in 1981, but then fell by 30 percent, to 58,000 in 1982. Total imports declined by 23 percent again in January-March 1983 relative to those for the corresponding period in 1982.

Imports of rollers from Italy declined sharply, from 333,000 units in 1980 to 122,000 in 1982, or by 63 percent. However, imports from Italy increased by 33 percent in January-March 1983 relative to those for the corresponding period in 1982. Imports from countries other than Italy were relatively small and generally declined over the period under consideration. Total imports of rollers declined from 380,000 units in 1980 to 140,000 in 1982, or by 63 percent. Total imports then increased by 10 percent in January-March 1983 relative to the corresponding period in 1982.

#### Market penetration of imports

Semifinished articles.--Caterpillar's imports of semifinished forged undercarriage components generally increased as a share of U.S. consumption from 1980 to 1982. No imports were reported in 1983 because of the strike.

Imports of semifinished links from Italy \* \* \* (table 14). The share of imports of links from countries other than Italy \* \* \* . Total imports, as a share of consumption, \* \* \* .

There were no imports of semifinished segments from Italy during the period under consideration. Imports of segments from countries other than Italy \* \* \* . \* \* \* .

The share of apparent consumption accounted for by imports of semifinished rollers from Italy \* \* \* . However, the share of such imports \* \* \* . Imports of rollers from countries other than Italy \* \* \* . The share of apparent consumption accounted for by these imports \* \* \* . Total imports of semifinished rollers, as a share of apparent consumption, \* \* \* .

Finished articles.--The respective shares of apparent U.S. consumption accounted for by imports of finished undercarriage components from Italy increased somewhat from 1980 to 1982, but then increased sharply in January-March 1983. In this period, there were sharp increases in the market penetration by all products. However, this was primarily the result of the strike at Caterpillar which curtailed much of domestic producers' shipments and resulted in a sharp decline in apparent consumption.

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Imports of finished links from Italy increased from \* \* \* of apparent consumption in 1980 to \* \* \* in 1982. Their share increased from \* \* \* in January-March 1982 to \* \* \* in the corresponding period in 1983. Imports of



Table 14.--Forged undercarriage components: Market penetration of U.S. imports of semifinished and finished articles, by types and by specified sources, 1980-82, January-March 1982, and January-March 1983

\* \* \* \* \*

finished links from countries other than Italy also increased as a share of apparent consumption, from \* \* \* in 1980 to \* \* \* in 1982. The share of such imports increased by less than \* \* \* in January-March 1983 relative to the figure for the corresponding period in 1982. The share of apparent U.S. consumption represented by total imports of finished links increased from \* \* \* in 1980 to \* \* \* in 1982 and from \* \* \* in January-March 1982 to \* \* \* in the corresponding period in 1983.

The market penetration of imports of finished segments from Italy increased from \* \* \* in 1980 to \* \* \* in 1982 and from \* \* \* in January-March 1982 to \* \* \* in the corresponding period in 1983. The share of apparent consumption accounted for by imports of finished segments from countries other than Italy declined from \* \* \* in 1980 to \* \* \* in 1982 and then increased from \* \* \* in January-March 1982 to \* \* \* in the corresponding period in 1983. Total imports of segments, as a share of consumption, increased from \* \* \* in 1980 to \* \* \* in 1982 and accounted for all domestic consumption in January-March 1983.

The market penetration of U.S. imports of finished rollers from Italy increased from \* \* \* in 1980 to \* \* \* in 1982 and from \* \* \* in January-March 1982 to \* \* \* in the corresponding period of 1983. The share of apparent consumption accounted for by imports of finished rollers from countries other than Italy increased from \* \* \* in 1980 to \* \* \* in 1982 and from \* \* \* in January-March 1982 to \* \* \* in the corresponding period of 1983. Total imports of rollers, as a share of apparent consumption, increased from \* \* \* in 1980 to \* \* \* in 1982 and from \* \* \* in January-March 1982 to \* \* \* in the corresponding period of 1983.

## Prices

Introduction.--Sales of semifinished undercarriage components by domestic producers are made exclusively to OEM's. Prices of products sold to Caterpillar, which is by far the most important buyer in the market, are established on the basis of written price quotes. Caterpillar periodically requests price quotations on parts with certain specifications from all qualified suppliers (\* \* \* ). Caterpillar supplies an indication of expected requirements for the item for the coming period, but this is not a firm commitment to buy that amount. The quotations received are evaluated on the basis of price, with consideration also given to Caterpillar's annual supplier evaluations, which rate suppliers on quality and delivery performance. Caterpillar does not make a precise quantitative evaluation of how much these nonprice factors are "worth" in terms of justifying a premium price.

Once a quote is accepted, an "open order" is placed, which fixes prices for that item from that supplier until the next round of quotations. Actual production and shipment of the products by domestic producers of the undercarriage forgings are made only when a "release" is issued by Caterpillar for a specific number of parts for a specific delivery date, though a single release may authorize several shipments over a period of several months. Typical shipments range from \* \* \* units for links.

Caterpillar's usual policy is to \* \* \* .

Typical terms of sale by the domestic producers of the semifinished products in question are f.o.b. producer's plant, net 30 days, with freight paid by the purchaser. Caterpillar reports that the terms of sale applicable to its imports from IMES are \* \* \* . \* \* \* .

The petitioners in these investigations produce only semifinished products and requested that price information be collected for articles at the semifinished stage of processing. Price information was requested for three specific semifinished products, which were identified by the petitioners as being representative of products covered by the petition. Product specifications are in terms of the Caterpillar tractor model which that part would fit. Since the Caterpillar line sets the standard for other tractor makers, Caterpillar part classifications are the best--indeed the only--industrywide standard for describing a particular size of undercarriage component.

No price information was obtained on sales of finished or assembled undercarriage parts.

Price trends and margins of underselling.--Price information on semifinished parts indicated on the following page was solicited from all known domestic producers and purchasers of the products: 1/

---

1/ Price information was also sought from importers identified in the petition and from Customs data, but none reported any shipments or imports of semifinished products. Data on imports by Caterpillar from IMES were provided by Caterpillar, which imported the products directly. A-32

1. Semifinished D-9L size/class (or equivalent) links;
2. Sets of 8 semifinished D-5 size/class (or equivalent) segments;  
and
3. Semifinished D-8H size/class (or equivalent) rollers (2 halves  
per roller).

Prices were requested from producers for the largest shipment in each quarter from January 1981 to March 1983 to the two largest customers (based on total sales over the period covered.) Responses were received from all domestic sellers of the semifinished products, though typically prices were reported by each producer for only one of the specific products for which information was sought. Producers identified only Caterpillar and Deere as the first or second largest customer for the listed products. In most cases, Caterpillar was identified as the only customer.

Since Caterpillar was the only importer of the semifinished products from Italy, its information on prices paid to IMES provided in response to a purchaser's questionnaire constitutes the universe of import price data. Caterpillar also submitted prices-paid data on shipments from its largest domestic suppliers of the specified products. Since the Caterpillar data included freight charges to the Caterpillar receiving point, direct comparison of delivered prices for imports and domestic products was possible. These data were, therefore, used for computation of margins of underselling.

Table 15 compares prices paid for domestically produced, semifinished links and rollers with those paid for imports from Italy. <sup>1/</sup> Caterpillar reports that the Italian producer IMES has \* \* \* record of quality and delivery performance among Caterpillar's undercarriage forgings suppliers, \* \* \* . Margins of underselling for the specified link ranged from 7.2 to 34.7 percent during the period covered. On the specified roller, margins of underselling by imports from Italy \* \* \* from 6.1 percent \* \* \* to 13.6 percent \* \* \* . Margins could not be computed on either product for October 1982-March 1983, because no purchases from domestic producers of the specified items were reported.

Prices paid to Caterpillar's largest domestic supplier of the D-9L links increased by \* \* \* . \* \* \* . No sales by domestic producers of the specified links were reported for October 1982-March 1983, when the workers at Caterpillar were on strike.

Prices of imports from Italy of the specified links \* \* \* . \* \* \* . The overall change in prices was a decline of \* \* \* .

For semifinished D-8H rollers, prices paid by Caterpillar to its largest domestic supplier \* \* \* . Again, there were no purchases reported by Caterpillar of the specified part from the domestic supplier during October 1982-March 1983.

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<sup>1/</sup> No prices are shown for segments, since only one domestic producer provided data for this product and there were no imports of semifinished segments from Italy.

Table 15.--Semifinished forged undercarriage components: Prices paid by Caterpillar for specified links and rollers produced domestically and imported from Italy and margins of underselling, by quarters, January 1981-March 1983

\* \* \* \* \*

Prices of the specified rollers imported from Italy \* \* \* . In January-March 1983, however, they \* \* \* . The overall change in prices over the period covered was \* \* \* .

Table 16 shows prices-received data (f.o.b. plant) for the same products as reported by domestic producers (data are shown only through September 1982, because no data were reported for October 1982-March 1983). The data for links are in very close agreement with that reported by Caterpillar, and the range of prices reported is narrow. For rollers, however, the prices reported by producers are considerably lower than those reported by Caterpillar, even allowing for freight charges. Also, the range of reported prices is very wide. These data, however, confirm the general rising trend in prices of domestically produced rollers over the period.

Table 16.--Semifinished forged undercarriage components: U.S. producers' prices received for sales of specified links and rollers to crawler equipment OEM's, by quarters, January 1981-September 1982

\* \* \* \* \*

Exchange rates---As discussed above, \* \* \* . \* \* \* .

The following tabulation shows quarterly changes in the U.S. dollar cost of Italian lira during January 1980-March 1983: 1/

<u>Period</u>	<u>Index</u> (1980=100)
1980	100.0
Jan.-Mar-----	103.8
Apr.-June-----	100.6
July-Sept-----	101.5
Oct.-Dec-----	94.5
1981	75.3
Jan.-Mar-----	85.5
Apr.-June-----	75.5
July-Sept-----	70.5
Oct.-Dec-----	71.6
1982	63.3
Jan.-Mar-----	67.9
Apr.-June-----	64.9
July-Sept-----	61.5
Oct.-Dec-----	59.7
1983:	
Jan.-Mar-----	61.2

In the period for which prices on imports of undercarriage components from Italy are available--January 1981-March 1983--the lira fell by 28.4 percent. This decline in the value of the lira \* \* \* . In lira, the prices paid by Caterpillar for links imported from Italy \* \* \* . The prices paid by Caterpillar for imports of the specified rollers from Italy correspond to \* \* \* .

### Lost sales

Semifinished articles--A total of 26 allegations representing over \$43 million in lost sales of semifinished links, segments, and rollers during 1980-1982 were made by the petitioners. All but one of the allegations concerned sales to Caterpillar. The dollar volume of the allegations \* \* \* exceed the total value of imports from Italy of these products in this three-year period, which was \* \* \* . Several factors seem to contribute to this difference, as indicated in the specific cases described below.

A Caterpillar spokesman provided a general overview of that company's purchasing policies and practices with regard to forged undercarriage components. \* \* \* .

Caterpillar requests price quotations about once a year on most of the individual semifinished link, segment, and roller parts the company buys. There are approximately 80 separate part numbers and quotations involved. Since all qualified suppliers, domestic and foreign, are given an opportunity to quote on this business, all these requests for quotations represent competition between domestic producers and imports. Caterpillar reports that its Italian supplier of semifinished undercarriage components \* \* \* . \* \* \* .

Comprehensive information was obtained from Caterpillar (the only importer of semifinished undercarriage parts) on the total volume and value of its purchases of these products from domestic and foreign producers, and the volume of its in-house production of semifinished links. Figure 6 shows the total value of Caterpillar purchases of forged undercarriage parts from 1980 to 1982. The main trends shown are \* \* \* in the value of total purchases and of purchases from domestic producers, especially in 1982. There was a \* \* \* .

Links--Figures 7 and 8 show trends in the quantity and shares of total Caterpillar consumption (including internal production) of links in 1980-82. \* \* \* . \* \* \* .

The largest single allegation by a domestic producer of a lost sale was made by \* \* \* . \* \* \* .

\* \* \* \* \*

Figure 6.--Forged undercarriage components: Total value purchased  
by Caterpillar, 1980-82

\* \* \* \* \*

Figure 7.--Links: Total quantity of consumption by Caterpillar, 1980-82

\* \* \* \* \*

Figure 8.--Links: Share of total quantity of consumption by Caterpillar,  
1980-82

\* \* \* \* \*



Segments.--There was one allegation of a sale lost at Caterpillar of semifinished segments, but Caterpillar reported no imports from Italy of this product during the period.

Rollers.--Figures 9 and 10 show trends in the quantity and shares of total Caterpillar purchases of rollers for 1980 through 1982. Purchases from domestic producers \* \* \*. The number of rollers imported from Italy \* \* \*. The share of imports from Italy in Caterpillar purchases of rollers \* \* \*. The value of roller imports from Italy \* \* \*.

There were 17 allegations of lost sales of semifinished rollers, all on quotations made to Caterpillar. The alleged lost sales totaled over \* \* \*, with \* \* \* of this representing quotations made in 1982. \* \* \*.

Finished and assembled undercarriage components.--Two of the petitioners, \* \* \*, made allegations of lost sales totaling \* \* \* on finished or assembled products to Deere and Caterpillar. Products involved were track chain assemblies, i.e., link assemblies (\* \* \*), finished segments (\* \* \*), finished links (\* \* \*), and roller assemblies (\* \* \*).

Spokesmen for both Caterpillar and Deere said that they do not consider any domestic producer currently qualified to supply finished or assembled undercarriage components. Both did say that they had made inquiries into the prices that domestic firms might offer on these products, but these were made in the context of future production planning and were not solicitations of quotes for actual requirements.

Because of the nature of the replacement parts market for undercarriage components, it is difficult to identify sales that may have been lost by the crawler OEM's to competition from imported products. In general, the major OEM's sell replacement parts only through their dealer/distributors, whereas imported components are sold only through independent parts distributors or service shops. Competition for sales to individual end-users occurs only between the dealerships.

Caterpillar provided the following statement in response to a producer's questionnaire with regard to the question of lost sales of the finished and assembled undercarriage components that it produces and sells: "Caterpillar does not sell directly to end users but to independent dealers. The extent of their lost sales is not known by Caterpillar."

Deere provided several illustrative examples of alleged lost sales to Deere dealers. These were in the form of field reports of Deere product support staff. In one case, a Deere dealer in \* \* \* was reported to have bought a Berco track assembly from a nearby independent dealer because \* \* \*. Another case concerned a dealer in \* \* \* that was reported to have "ordered \* \* \*."

Figure 9.--Rollers: Total quantity of consumption by Caterpillar, 1980-82

\* \* \* \* \*

Figure 10.--Rollers: Share of total quantity of consumption by Caterpillar, 1980-82

\* \* \* \* \*

Lost revenue/price suppression

Two petitioners provided specific allegations of lost revenues due to competition from imports from Italy on sales of semifinished undercarriage components; two other petitioners provided general statements to the effect that they have been unable to raise prices for their products. Lost revenues of \* \* \* . \* \* \* .

In describing the effect of Italian import competition on their prices and revenues, the petitioners frequently refer to Caterpillar's so-called target price system as the mechanism by which price pressure is applied. 1/ A Caterpillar spokesman described this system as \* \* \* . \* \* \* . The petitioners allege that recently received target prices have been below the per-piece cost of the steel (\* \* \*) required to make the parts. 2/

Deere spokesmen stated that, in response to the competition its dealers were facing in the replacement market for undercarriage parts, Deere made across-the-board reductions in its finished and assembled undercarriage parts prices to its dealers on November 1, 1982. \* \* \* . They further stated that the goal in this reduction was to \* \* \* . A list of the November 1 price changes, which shows substantial price cuts ranging up to 50 percent for some of the more expensive items, was supplied by Deere. Deere provided no estimate of the revenue loss attributable to this price cut.

Caterpillar provided the following statement in response to a producer's questionnaire with regard to the question of lost revenues for the finished and assembled undercarriage components that it produces and sells:

"Since January 1, 1981, Caterpillar's published dealers net prices for all forged undercarriage components sold in the U.S. have \* \* \* ."

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1/ See transcript of the conference, pp. 16, 45-48, 67, and 85-86. A-41

2/ Ibid., p. 47.



[Investigations Nos. 701-TA-201 and 731-TA-133 (Preliminary)]

**Forged Undercarriage Components  
From Italy**

**AGENCY:** International Trade Commission.

**ACTION:** Institution of preliminary countervailing duty and antidumping investigations and scheduling of a conference to be held in connection with the investigations.

**SUMMARY:** The United States International Trade Commission hereby gives notice of the institution of a preliminary countervailing duty investigation and a preliminary antidumping investigation under sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a) and 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Italy of forged components for the undercarriage of crawler-type tractors, provided for in items 664.08, 692.34, or 692.35 of the Tariff Schedules of the United States, upon which bounties or grants are alleged to be paid and which are alleged to be sold in the United States at less than fair value.

**EFFECTIVE DATE:** April 29, 1983.

**FOR FURTHER INFORMATION CONTACT:** Ms. Mariam A. Bishop, Office of Investigations, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, telephone 202-523-0291.

**SUPPLEMENTARY INFORMATION:**

**Background.** These investigations are being instituted in response to a petition filed on April 29, 1983, on behalf of Jernberg Forgings Co., Lindell Drop Forge Co., Portec, Inc., Presrite Corp., Presrite of Jefferson, Inc., Walco Metal Forming Group, and Walker Forge, Inc., U.S. producers of forged undercarriage components. The Commission must make its determination in these investigations within 45 days after the date of the filing of the petition, or by June 13, 1983 (19 CFR 207.17).

**Participation.**—Persons wishing to participate in these investigations as parties must file an entry of appearance

APPENDIX A

NOTICE OF COMMISSION'S INSTITUTION OF PRELIMINARY INVESTIGATIONS

with the Secretary to the Commission, as provided for in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than seven (7) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the notice.

**Service of documents.**—The Secretary will compile a service list from the entries of appearance filed in the investigations. Any party submitting a document in connection with the investigations shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of the nonconfidential version of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)), as amended by 47 FR 33682, Aug. 4, 1982).

In addition to the foregoing, each document filed with the Commission in the course of these investigations must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certification of service will not be accepted by the Secretary.

**Written submissions.**—Any person may submit to the Commission on or before May 26, 1983, a written statement of information pertinent to the subject matter of these investigations (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

**Conference.**—The Director of Operations of the Commission has scheduled a conference in connection with these investigation for 9:30 a.m., on May 24, 1983, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the staff investigator, Ms. Miriam A. Bishop (202-523-0291), not later than May 19, 1983, to arrange for their appearance. Parties in support of the imposition of countervailing or

antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

**Public inspection.**—A copy of the petition and all written submissions, except for confidential business data, will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and B (19 CFR 207, as amended by 47 FR 33682, Aug. 4, 1982), and part 201, subparts A through E (19 CFR part 201, as amended by 47 FR 33682, Aug. 4, 1982). Further information concerning the conduct of the conference will be provided by Ms. Bishop.

This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: May 4, 1983.

Kenneth R. Mason,  
Secretary.

[FR Doc. 83-12864 Filed 5-10-83; 8:45 am]  
BILLING CODE 7020-02-M

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[Investigations Nos. 701-TA-201 and 731-TA-133 (Preliminary)]

**Forged Undercarriage Components From Italy; Clarification of Scope of Preliminary Countervailing Duty and Antidumping Investigations**

**AGENCY:** United States International Trade Commission.

**ACTION:** Clarification of the scope of the preliminary countervailing duty and antidumping investigations.

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**EFFECTIVE DATE:** May 13, 1983.

**SUMMARY:** The U.S. International Trade Commission hereby gives notice of clarification of the scope of its investigations to determine whether there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Italy of forged components for the undercarriages of crawler-mounted machinery, provided for in items 664.08, 692.34, or 692.35 of the Tariff Schedules of the United States, upon which bounties or grants are alleged to be paid and which are alleged

to be sold in the United States at less than fair value.

**FOR FURTHER INFORMATION CONTACT:** Ms. Mirian A. Bishop, Office of Investigation, U.S. International Trade Commission, telephone 202-523-0291.

This notice is published pursuant to § 207.12 of the Commission's Rule of Practice and Procedure (19 CFR 207.12).

By order of the Commission.

Issued: May 13, 1983.

**Kenneth R. Mason,**  
*Secretary.*

[FR Doc. 83-13378 Filed 5-17-83; 8 45 am]

BILLING CODE 7020-02-M

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APPENDIX B

NOTICES OF COMMERCE'S INSTITUTION OF PRELIMINARY INVESTIGATIONS

threatening to materially injure, a United States industry. The allegations of sales at less than fair value include an allegation that home market sales are being made at less than the cost of production in Italy. If the investigation proceeds normally, the ITC will make its preliminary determination on or before June 13, 1983, and we will make ours on or before October 6, 1983.

**EFFECTIVE DATE:** May 24, 1983.

**FOR FURTHER INFORMATION CONTACT:** Andrew Debicki, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 377-5403.

**SUPPLEMENTARY INFORMATION:**

**Petition**

On April 29, 1983, we received a petition filed by counsel on behalf of Jernberg Forgings Co., Lindell Drop Forge Co., Portec, Inc., Presrite Corporation, Presrite of Jefferson, Inc., Walco Metal Forming Group and Walker Forge, Inc. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports from Italy of forged undercarriage components are being, or are likely to be, sold in the United States at less than fair value within the meaning of Section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry.

The allegation of sales at less than fair value is supported by comparisons of United States prices based on published export price lists and discount schedules for sales of merchandise in the United States with published domestic price lists and discount schedules for sales made in Italy. In addition, the allegation of sales at less than fair value is further supported by comparing United States prices with prices for sales to third countries developed by the petitioners.

There is also an allegation of sales at less than the cost of production. The cost of production in Italy was based on petitioners' cost of production adjusted for differences in Italian wage rates and, where necessary, finishing costs.

**Initiation of Investigation**

Under Section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether a petition sets forth the allegations necessary for initiation of an antidumping investigation, and whether it contains

information reasonably available to the petitioner supporting the allegations. We have examined the petition on forged undercarriage components and found it meets these requirements.

Therefore, in accordance with section 732 of the Act, we are initiating an antidumping investigation to determine whether forged undercarriage components from Italy are being, or are likely to be, sold in the United States at less than fair value. If the investigation proceeds normally, we will make our preliminary determination by October 6, 1983.

**Scope of Investigation**

For purposes of this investigation, the term "forged undercarriage components" covers forged components for the undercarriages of crawler-mounted machinery as currently classifiable under items 664.08, 692.34 and 692.35 of the *Tariff Schedules of the United States Annotated (TSUSA)*.

**Notification of ITC**

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided that the ITC confirms it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

**Preliminary Determination by ITC**

The ITC will determine by June 13, 1983 whether there is a reasonable indication that imports of forged undercarriage components from Italy are materially injuring, or are threatening to materially injure, a United States industry. If its determination is negative, this investigation will terminate; otherwise, the investigation will continue according to statutory procedures.

Gary N. Horlick,  
Deputy Assistant Secretary for Import Administration.

May 18, 1983.

(FR Doc. 83-13926 Filed 5-23-83; 8:45 am)

BILLING CODE 3510-25-M

**Initiation of Antidumping Investigation; Forged Undercarriage Components From Italy**

**AGENCY:** International Trade Administration, Commerce

**ACTION:** Initiation of Antidumping Investigation

**SUMMARY:** On the basis of a petition filed with the United States Department of Commerce, we are initiating an antidumping investigation to determine whether forged undercarriage components from Italy are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether there is a reasonable indication that imports of forged undercarriage components from Italy are materially injuring, or are

**Initiation of Countervailing Duty Investigation; Forged Undercarriage Components From Italy**

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Initiation of countervailing duty investigation.

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether producers, manufacturers, or exporters in Italy of forged undercarriage components, as described in the "Scope of Investigation" section below, receive benefits which constitute subsidies within the meaning of the countervailing duty law. If our investigation proceeds normally, we will make our preliminary determination on or before July 25, 1983.

**EFFECTIVE DATE:** May 24, 1983.

**FOR FURTHER INFORMATION CONTACT:** Andrew Debicki, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, (202) 377-5403.

**SUPPLEMENTARY INFORMATION:**

**Petition**

On April 29, 1983, we received a petition from counsel for Jernberg Forgings Co., Lindell Drop Forge Co., Portec, Inc., Presrite Corporation, Presrite of Jefferson, Inc., Walco Metal Forming Group and Walker Forge, Inc., on behalf of the U.S. industry producing forged undercarriage components. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that producers, manufacturers, or exporters in Italy of forged undercarriage components directly or indirectly receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act).

Italy is a "country under the Agreement" within the meaning of section 701(b) of the Act. Title VII of the Act, therefore, applies to this investigation, and an injury determination is required.

**Initiation of Investigation**

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether a petition sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on forged undercarriage components and found it meets these requirements.

Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Italy of forged undercarriage components, as listed in

the "Scope of Investigation" section of this notice, receive subsidies. If our investigation proceeds normally, we will make our preliminary determination by July 25, 1983.

**Scope of the Investigation**

The products covered by this investigation are forged components for the undercarriages of crawler-mounted machinery. The merchandise is currently classified under item numbers 664.08, 692.34 and 692.35 of the *Tariff Schedules of the United States Annotated* (TSUSA).

**Allegation of Subsidies**

The petition alleges that producers, manufacturers, or exporters in Italy of forged undercarriage components receive the following benefits that constitute subsidies: government equity infusions inconsistent with commercial considerations, preferential financing through government involvement, excessive rebates of indirect taxes, capital grants under the Industrial Reconstruction and Reconversion Act, preferential export insurance, financing and guarantees, forging quality steel purchased at preferential prices and regional development incentives.

Gary N. Horlick,

*Deputy Assistant Secretary for Import Administration.*

May 18, 1983.

(FR Doc. 83-13922 Filed 5-23-83; 8:45 am)

BILLING CODE 3510-25-M

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APPENDIX C

CALENDAR OF THE PUBLIC CONFERENCE.

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 701-TA-201 and 731-TA-133 (Preliminary)

FORGED UNDERCARRIAGE COMPONENTS FROM ITALY

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigations at 9:30 a.m. on Tuesday, May 24, 1983, in the hearing room of the USITC Building, 701 E Street, N.W., Washington, D.C.

In support of the petition

Dow, Lohnes & Albertson )--Counsel  
Washington, D.C.  
and  
McIntyre & Crawford Co., L.P.A.)--Counsel  
Cleveland, Ohio  
on behalf of

Nelson Henry, Group Vice President  
Walco Metal Forming Group

Donald J. Diemer, President  
Mandhar Naga, Vice President  
Presrite Corporation

Eldon Wheeler, President  
Robert Walcott, Vice President, Marketing  
Jernberg Forgings Co.

Ralph Delio, President  
Presrite of Jefferson, Inc.

William Silverman )  
John Yost )--OF COUNSEL  
Robert W. McIntyre)

In opposition to the petition

Coudert Brothers--Counsel  
Washington, D.C.  
on behalf of

Italtractor ITM S.p.A.  
Italtractor America, Inc.

Humphrey De Candia, President  
Italtractor America, Inc.

Robert Rasmussen, President  
Industrial Parts Depot

Erle Bridgewater, President  
Gem Tractor Parts, Inc.

Robert J. Weber, President  
Machinery & Parts Corp.

Clifford Hayden, President  
Crawler Equipment Supply Co., Inc.

Sherman E. Katz)  
Mark D. Herlach)--OF COUNSEL  
Bruce C. Mee )

Barnes, Richardson & Colburn--Counsel  
Washington, D.C.  
on behalf of

Trek Division of Letts Industries

James O'Kelly)--OF COUNSEL

and

IMES, S.p.A.

Matthew T. McGrath)--OF COUNSEL

Busby, Rehm and Leonard--Counsel  
Washington, D.C.  
on behalf of

Berco, S.p.A.

Mark Varley  
Varley & Associates

John Rehm )  
Larry E. Klayman)--OF COUNSEL

