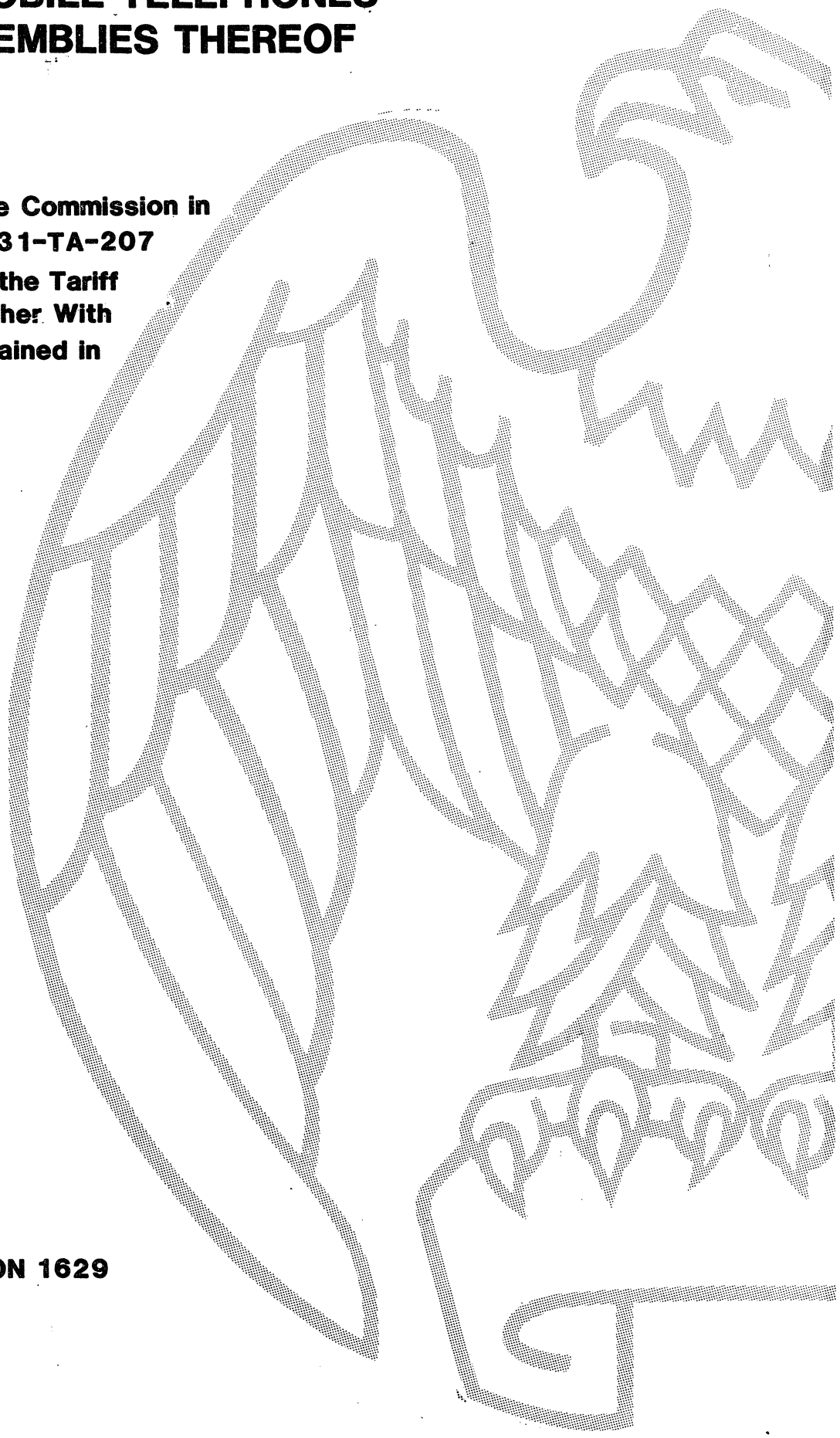
CELLULAR MOBILE TELEPHONES AND SUBASSEMBLIES THEREOF FROM JAPAN

Determination of the Commission in Investigation No. 731-TA-207 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

Investigation No. 731-TA-207 (Preliminary)

CELLULAR MOBILE TELEPHONES AND SUBASSEMBLIES THEREOF FROM JAPAN

Determination

On the basis of the record 1/ developed in this investigation, Chairwoman Stern and Commissioner Rohr determine, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. Section 1673(a)), that there is a reasonable indication that industries in the United States are materially injured or threatened with material injury by reason of imports from Japan of cellular mobile telephone transceivers and cellular mobile telephone control heads and subassemblies thereof, classified under item 685.29 of the Tariff Schedules of the United States (TSUS), 2/ which are allegedly being sold in the United States at less than fair value (LTFV) 3/

Commissioner Eckes and Commissioner Lodwick 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 from Japan of cellular mobile telephones and subassemblies thereof, classified under item 685.29 of the Tariff Schedules of the United States (TSUS), which are allegedly sold at less LTFV. 3/ 4/

Background

On November 5, 1984, counsel for Motorola, Inc., Schaumburg, Illinois, filed a petiton with the U.S. International Trade Commission and with the Department Commerce alleging that an industry in the United States is materially injured, or threatened with material injury, by reason of imports from Japan of cellular mobile telephones and subassemblies thereof which are

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1/ The "record" is defined in Section 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR Section 207.2(i)).

2/ Some of these items may be classified under TSUS item 685.23.

3/ Vice Chairman Liebeler dissenting.

4/ Commissioner Eckes finds that there is a reasonable indication of material injury to an industry in the United States and thus does not reach the isue of reasonable indication of threat of material injury.

allegedly being sold in the United States at LTFV. Accordingly, effective November 5, 1984, the Commission instituted a preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)).

Notice of the Commission's institution of the investigation and the public conference held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on November 15, 1984 (49 F.R. 45274). All interested parties were afforded the opportunity to present information to the Commission at the public conference which was held in Washington, DC, on November 28, 1984.

VIEWS OF CHAIRWOMAN STERN, COMMISSIONER ECKES, COMMISSIONER LODWICK, AND COMMISSIONER ROHR

Chairwoman Stern and Commissioner Rohr have determined that there is a reasonable indication that industries in the United States are materially injured or threatened with material injury, by reason of imports from Japan of cellular mobile telephone transceivers and cellular mobile telephone control units and subassemblies thereof, which are allegedly sold at less than fair value (LTFV). 1/

Commissioner Eckes and Commissioner Lodwick have determined 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 from Japan of cellular mobile telephones and subassemblies thereof, which are allegedly sold at less than fair value (LTFV). 2/

In making these preliminary determinations, we have analyzed the characteristics and uses of cellular mobile telephones and the subassemblies of these units. The like product issue in this investigation is complex and in the event of a final investigation, we will explore this issue further. For the purposes of this preliminary determination, Chairwoman Stern and Commissioner Rohr have found that there are two like products and two domestic industries. The like products are cellular mobile telephone transceivers and subassemblies of transceivers (transceivers) and cellular mobile telephone control units and subassemblies of control units (control units). The two

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1/ Having found a reasonable indication of material injury or threat of material injury, we do not reach the issue of material retardation of an industry in the United States.

2/ Commissioner Eckes finds that there is a reasonable indication of material injury to an industry in the United States and thus does not reach the issue of reasonable indiction of threat of material injury.

domestic industries are composed of the U.S. producers of transceivers and control units. Commissioner Eckes and Commissioner Lodwick have found that there is a single like product consisting of cellular mobile telephones (CMTs) and that the domestic industry is composed of the U.S. producers of CMTs. Our differing assessment of the like product and domestic industry issues, however, does not affect the outcome of this investigation, because the data on the condition of producers of transceivers and control units and causation of injury are similar.

The analysis of the condition of these industries examines the competitive situation in the U.S. market for transceivers and control units. Cellular mobile telephone service has only recently become available in the United States and the market for cellular system products has expanded rapidly as the Federal Communications Commission (FCC) approves cellular systems in various cities. The data indicate that despite the expected increases in production, shipments, capacity utilization and employment resulting from the expanding market, the financial condition of the domestic industries has apparently deteriorated. 3/

Imports have increased rapidly in response to the opening of the U.S. market and have captured a significant portion of domestic consumption of transceivers and control units. Moreover, there is some indication of price depression caused by imports and confirmed lost sales to imported products.

With regard to threat of material injury, the volume of imports is increasing on an accelerated basis. Inventories of both transceivers and

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3/ We have relied on the best information available at the time of the determination. See 19 U.S.C. § 1673b. We anticipate that additional information on trends in the market and the nature of various parties' activities in the United States will be available in the event of a final investigation.

control units are also increasing. Although precise information on Japanese capacity and production is unavailable at this time, there is some indication that Japanese producers have substantial capacity available for the production of transceivers and control units for cellular mobile telephones.

Background

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 constitutes a major proportion of the total domestic production of that product." 4/ The statute defines "like product" as "a product that is like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation." 5/ The imported merchandise which is the subject of this investigation are cellular mobile telephones and subassemblies of cellular mobile telephones (CMTs). 6/

In analyzing the question of like product, we have first considered whether the products produced in the United States are "like" the subject merchandise and then considered which products are most similar in characteristics and uses to the subject merchandise. We have examined factors such as physical appearance, capabilities of the products, channels of distribution, manufacturing processes, and customer perceptions of the articles.

Cellular mobile telephones (CMTs) are a form of two-way radio communication. CMTs are designed for use in motor vehicles and operate in

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4/ 19 U.S.C. § 1677(4)(A).
5/ 19 U.S.C. § 1677(10).
6/ 49 Fed. Reg. 47076 (1984). The Department of Commerce (Commerce) notice explicitly excludes cellular portable telephones which are pocket-size self-contained units from the scope of this investigation. Id. Chairwoman Stern and Commissioner Rohr view imports of CMTs as essentially imports of a transceiver and a control unit.

conjunction with cellular base systems. 7/ Cellular system capacity and technology distinguish CMT systems from mobile telephone systems that use a single large base station. 8/

Discussion regarding two domestic industries--transceivers and control units

Chairwoman Stern and Commissioner Rohr believe that a "complete" CMT is in part a marketing concept and that the separate manufacturing processes and sales of transceivers and control units indicate that transceivers and control units constitute two products that function together but are different. This is analogous to the relationship between the CMT and the cellular base station, for although both components are required for the operation of the system, they are distinct like products.

CMTs consist of two major parts: (1) the transceiver which performs the function of transmitting and receiving calls, and (2) the control unit which is used to dial, speak, and hear a call. 9/ Transceivers and control units, thus, have different functions in the cellular telephone system. Transceivers and control units are manufactured separately and with the exception of testing, are joined only upon installation in a motor vehicle. 10/ Various

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7/ Report of the Commission (Report) at A-2. Commerce has also excluded cellular base stations, cellular base station apparatus, and mobile telephones designed for operation on other non-cellular systems from the scope of this investigation. 49 Fed. Reg. 47077 (1984).

8/ Report at A-2. The products in this investigation are a part of the complete cellular system. Other components of the cellular system, such as transceivers for cell-site base stations, were the subject of a recent Commission investigation and are not included within the scope of this investigation. See Cell-Site Transceivers and Subassemblies Thereof from Japan, Inv. No. 731-TA-163 (Final), USITC Pub. No. 1618 (1984) for a detailed description of cellular transceiving systems and base stations.

9/ Report at A-3. Additional parts consist of an antenna attached to the transceiver and a multiwire cable connecting the transceiver and control unit. Id. Transceivers and control units consist of circuit modules, or subassemblies, which perform specific functions necessary for transceiver or control unit operation. Id. at A-4.

10/ Id. at A-3.

manufacturers' transceivers and control units are interchangeable to a limited extent. A caller can use a mixed unit to complete a cellular telephone call. 11/ Although various manufacturers' transceivers and control units may differ in specific capabilities, we determine that for the purposes of this preliminary investigation all transceivers and all control units are sufficiently similar in function to be considered like products.

Although transceivers and control units are usually sold together to end-users, some transceivers and control units are sold separately for replacement purposes. Indeed, the petitioner Motorola exports transceivers to Japan as separate units. 12/ The volume of transceivers manufactured and shipped differ substantially from the volume of control heads manufactured and shipped in the United States. 13/ CMT distributors recognize that transceivers and control units are distinct items and frequently order different volumes of transceivers and control units. 14/

11/ The transceiver and control unit must be manufactured to the same specifications in order to complete a call. Initially, most transceivers and control units sold or offered for sale in the United States conformed to (AMPS) specifications and thus could operate together. See Transcript of the Conference (Tr.) at 73-74. In addition, FCC regulations require that all CMTs sold in the United States have certain common functional specifications, such as operating voltage, transmitting power, receiving sensitivity, and frequency range. Report at A-2.

12/ Tr. at 76.

13/ Report at A-12, Table 4.

14/ With regard to the issue of subassemblies for transceivers and control units, we find that for the purposes of this preliminary investigation, subassemblies consisting of completed circuit boards that are dedicated for use in the respective unit are like that unit. Unlike transceivers and control units, there is no substantial commercial market for subassemblies. See Certain Steel Valves and Certain Parts Thereof From Japan, Inv. No. 731-TA-145 (Preliminary), USITC Pub. No. 1446 at 6 n.10 (1983) (parts of valves same like product as finished product to which dedicated). Moreover, at this time the Commission does not possess specific data relating to subassemblies. Thus, even if we found that subassemblies were not like transceivers or control units, the analysis of the condition of the domestic industries would remain the same.

Discussion regarding a single domestic industry--CMTs

After examining the characteristics and uses of CMTs and subassemblies thereof, Commissioner Eckes and Commissioner Lodwick conclude that there is a single like product consisting of complete CMTs and subassemblies of CMTs. CMT transceivers and control units are dedicated for use in a cellular system and constitute a single functional unit. A CMT transceiver will not operate without a CMT control unit. 15/ CMT transceivers and control units are most frequently sold together to end-users and cellular mobile telephone subscribers view the combination of the transceiver and control as a CMT. Thus, we find that in this preliminary investigation, the like product is complete CMTs and the domestic industry consists of U.S. producers of complete CMTs.

Domestic producers

With regard to the issue of which manufacturers are members of the domestic industry, the nature and extent of various parties' production activities in the United States are confidential business information. Thus, the Commission cannot discuss those activities in detail. The Commission has examined all of the available data regarding the condition of various participants in the two domestic industries in making our finding. In the event of a final investigation, additional information will be developed on this issue and we expect that some of the current activities may be made public.

Condition of the domestic industries

Transceivers were first produced for commercial sale in the United States in 1982. Since that time production, capacity, and capacity utilization have

15/ Report at A-2.

increased substantially as the FCC licensed additional cellular mobile telephone systems. U.S. production of transceivers increased to 62,472 units in January-September 1984. 16/ U.S. capacity to produce transceivers increased to an average for the period of 130,000 units in January-September and production capacity for transceivers is currently approximately 335,000 units. 17/ Domestic producers' capacity utilization rate increased to 47.7 percent in January-September 1984. Inventories have increased to approximately 21.1 percent of shipments for the January-September period. 18/

U.S. producers' shipments follow the same increasing trends as production. U.S. shipments of domestically produced transceivers increased during the period of the investigation to 51,442 units and exports of transceivers also increased substantially. 19/ Concomitant to this increase in production and shipments, domestic employment and hours worked have increased. 20/ Unit labor costs, however, decreased over the period of the investigation. 21/

Despite these positive indications of an expanding industry, the financial condition of domestic producers of transceivers and control units have deteriorated during this expansion. 22/ These difficulties are seen in

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16/ Id. at A-9. The majority of the information available on this issue is business confidential. Thus, we must limit our discussion to general trends and public information.
17/ Id. at A-10-11, Table 3.
18/ Id. at A-13, Table 5.
19/ Id. at A-10, A-12, Table 4.
20/ Id. at A-13-14, Table 6. Employment and unit labor costs were reported on an aggregate basis for transceivers and control units. Id.
21/ Id.
22/ Chairwoman Stern notes that there are important questions about allocation of expenditures which could not be resolved within the bounds of this preliminary investigation. Should it return for a final determination, this issue will be explored more fully.

the area of operating results. 23/ In addition, domestic producers' share of the transceiver market is declining. We find that the poor financial performance of the domestic transceiver industry during a period of market volume expansion sufficient to provide a reasonable indication of material injury to the domestic industries.

The condition of the domestic industry producing control units for CMTs is similar to the condition of the domestic transceiver industry. The number of cellular systems that have received FCC approval affects the demand for this product. Trends for domestic production, capacity, capacity utilization, and shipments are increasing over the period of the investigation.

U.S. production of control units increased to 51,415 units in January-September 1984 and capacity to produce control units increased to a period average of 94,000 units and reached an annual level of approximately 255,000 units. Capacity utilization climbed to 54.7 percent in January-September 1984. Shipments increased to 40,604 units during this period. 24/ At the same time, however, inventories also increased to approximately 10,143 units or 25.0 percent of January-September 1984 shipments. 25/

The primary indication that the domestic industry producing control units is the declining financial performance of the industry. 26/ We find that the degree of the domestic industry's financial problems considered in light of

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23/ Report at A-15-16.

24/ Id. at A-9-10. Employment and unit labor costs were reported on an aggregate basis for both transceivers and control units. Id. at A-13-14.

25/ Id. at A-13.

26/ Chairwoman Stern notes that there are important questions about allocation of expenditures which could not be resolved within the bounds of this preliminary investigation. Should it return for a final determination, this issue will be explored more fully.

market conditions provides a reasonable indication of material injury to the domestic industry producing control units for cellular mobile telephones.

Reasonable indication of material injury by reason of alleged LTFV imports

In determining whether there is a reasonable indication of material injury, section 771(7)(B) directs the Commission to consider among other factors: (1) the volume of imports of the products which are subject to investigation, (2) the effect of such imports on producers of like products in the United States, and (3) the impact of such imports on domestic producers of like products. 27/

In this investigation, Japan accounts for virtually all imports of transceivers and control units for CMTs. 28/ The level of imports is high and has been increasing at an accelerating rate. 29/ The absolute volume of imports of transceivers reached 80,837 units for January-September 1984. This represents a very substantial portion of domestic consumption of transceivers for this period.

Similarly, imports of control units have also grown dramatically during the period of this investigation. The absolute volume of imports of control units reached 96,143 units for the period of January-September 1984. This level of imports represents an even higher percentage of domestic consumption of control units for the period of January-September 1984 than in the case of transceivers. 30/

Intense competition with regard to pricing and non-price considerations characterize these two industries. During the initial stages of the

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27/ 19 U.S.C. § 1677(B).
28/ Report at A-18-19, Table 10.
29/ Id.
30/ Id.

development of the market for transceivers and control units, manufacturers made sales on the basis of bids. Purchasers recognized that there was intense competition with regard to these sales and required reverse price protection. This allowed purchasers to negotiate lower prices in the event that the supplier lowered prices in subsequent sales. 31/ A low price quoted by one manufacturer sets the price threshold for both future sales and to some extent existing contracts, thus, these markets are highly susceptible to price suppression.

Price erosion has accelerated as the market for these products has matured. Purchasers now accept bids over the telephone and order smaller quantities for immediate delivery. 32/ This insures maximum flexibility with regard to price.

The data collected on price trends indicate that prices have declined substantially during the period of this investigation. A Japanese producer has experienced the largest percentage decline in prices in comparisons of prices over the period of October-December 1983 to October-December 1984. 33/

Another characteristic of the market for transceivers and control units is the need for manufacturers to increase volume in order to bring costs down. The domestic industries have experienced this to some extent, however, the decline in price for transceivers and control units has eliminated any expected financial gains resulting from cost reductions. 34/ Thus, the domestic industries have suffered from the rapid decline in prices.

In addition to the evidence of increasing market penetration and price depression, the Commission was able to confirm some lost sales to Japanese

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31/ Id. at A-21-22.
32/ Id. at A-21.
33/ Id. at A-32.
34/ See discussion of condition of domestic industries, supra, at 9-11.

imports. Although the volume of these lost sales was less than alleged by the domestic industry, there are indications that price was a consideration in some of these lost sales. 35/

We determine that the evidence of increasing import penetration, price depression, and lost sales provide a reasonable indication of material injury to the domestic industries producing transceivers and control units by reason of imports of transceivers and control units from Japan.

Reasonable indication of threat of material injury by reason of imports

With regard to a reasonable indication of a threat of material injury, the Tariff Act of 1930, as amended by the Trade and Tariff Act of 1984, provides that the Commission is to consider among other relevant economic factors: (1) increases or existing unused capacity in the exporting country likely to result in a significant increase in imports, (2) any rapid increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level, (3) probability that imports will enter the United States at levels that will have a depressing or suppressing effect on domestic prices, (4) any substantial increase in inventories in the United States, (5) under utilized capacity in the exporting country, (6) any demonstrable adverse trends indicating that imports will be the cause of actual injury, and (7) the potential for product-shifting. In addition, any threat of material injury must be real and imminent and not merely speculative. 36/

We have based our finding on threat of material injury on the best information available at the time of the determination. This information

35/ Report at A-22-25. We expect that additional information on lost sales will be developed in the event of any final investigation.
36/ Pub. Law. 98-573, § 612 (to be codified at 19 U.S.C. § 1677(F)).

indicates that the level of imports is accelerating. 37/ In these young and rapidly expanding industries market share is particularly significant due to the importance of production experience to the achievement of cost reductions. Inventories of Japanese transceivers are at a level of 20.3 percent of imports for the period of January-September 1984. Inventories of Japanese control units are at a level of 18.0 percent of imports for that same period. 38/ Transceivers and/or control units are produced by at least 15 firms in Japan and 11 of these firms export to the United States. Specific data on production, capacity and total exports of these firms are not available in this preliminary investigation. 39/

As previously noted, prices are declining. Thus, all of the available data on the statutory factors provides a reasonable indication that imports of transceivers and subassemblies from Japan threaten material injury.

37/ Report at A-18-19, Table 10.
38/ Id. at A-17.
39/ Id. The potential for product-shifting from production of one of the like products subject to this investigation or a related product which is subject to a final antidumping or countervailing duty order is unclear at this time.

Views of Vice Chairman Liebeler

On the basis of the record in Investigation No. 731-TA-207 (Preliminary), Cellular Mobile Telephones and Subassemblies Thereof from Japan, I determine that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, and that there is no reasonable indication that the development of an industry in the United States is materially retarded, by reason of imports of cellular mobile telephones and subassemblies thereof from Japan.

Like Product and Industry

Section 771(10) of the Tariff Act of 1930[1] defines like product as a "product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." For purposes of this preliminary investigation, I have concluded that there are two like products: (1) control units and subassemblies thereof and (2) transceivers and subassemblies thereof. Respondents argue that subassemblies not found in packaged kits should be treated as a separate like product. However, unlike some semi-finished products which can be used outside of their respective final products, subassemblies appear to be exclusively

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1. 19 U.S.C. 1677 (1980).

respective final products, subassemblies appear to be exclusively used for control units and transceivers.

Several of the respondents analogize subassemblies and the final products to car parts and cars, asserting that carburetors are not like cars. At least one factor distinguishes the instant like product analysis. A car is not made up of only one type of part, i.e., all carburetors. Control units and transceivers, on the other hand, are comprised almost exclusively of subassemblies and therefore assembling them into control units and transceivers is relatively inexpensive. On the other hand, no individual class of automotive parts represents a very high proportion of the cost of an automobile.

Transceivers and control units are dissimilar in characteristics and uses. While a purchaser of a control unit might purchase the subassemblies which comprise the control unit, there is very little chance that a someone in search of a transceiver would be satisfied with owning a control unit. Transceivers and control units are complements, not substitutes. I will of course be open to further argument on this issue in the event of a final determination.

Section 771(4)(A) defines 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 total domestic production of that product."[2] I determine that there are two industries: (1) control units and subassemblies thereof and (2) transceivers and subassemblies thereof.

Material Injury

The legislative history of the Act indicates that the Commission should consider the developmental stage of the industry when evaluating claims of material injury.[3] The cellular mobile telephone (CMT) industry[4] is relatively new. Virtually all sales have taken place in 1984. Both domestic and foreign producers stand ready to serve a dynamic market. Start-up costs and research and development expenditures, however, have been accruing for the past several years however. A substantial foundation has been laid and the domestic industry is rapidly expanding. Thus there is no evidence of material retardation.

The CMT industry is an extremely young, technologically advanced industry for which many of the traditional injury criteria must fail. Large amounts of money have been spent in R&D and in general start-up costs. In an economically meaningful

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2. 19 U.S.C. 1677(4)(A) (1980).

3. S. Rep. No. 249, 96th Cong., 1st Sess. 88 (1979).

4. All references to the CMT industry are to be understood to reflect my determination that there are two industries.

sense, these expenditures will continue to have value for years. From a tax and accounting standpoint, however, it is both permissible and expected that these expenditures will be "written off" long before their economic value has been dissipated. Thus, the CMT industry can be expected to do poorly early in its development. Profit and loss statements for a young industry such as this are therefore even less indicative of the condition of the domestic industry than normal.

Price trends are an equally misleading indicator of injury. As recently witnessed in the calculator industry, and even more recently witnessed in the personal computer industry, prices drop rapidly as technologically advanced sectors. Similarly, a precipitous fall in price, one which in an older industry might signal disaster, is not indicative of material injury in an industry such as CMT.

In its report on the Trade Agreements Act of 1979, the Senate Finance Committee stated

> Neither the presence nor the absence of any factor listed in the bill can necessarily give decisive guidance with respect to whether an industry is materially injured, and the significance to be assigned to a particular factor is for the ITC to decide.

Financial indicators are inherently unreliable in a young industry. As for "real" numbers, such as output, capacity, shipments and employment, they too possess some innate biases. One would expect these numbers to trend upward over time as the industry matures. However, over the past year, output has dono

more than trend upward, it has exploded. Capacity has increased even more than production. Employment has also risen sharply. In a mature industry, these figures would be cause for joy. Even in the domestic CMT industry, the reaction to the growth by its major producer has been one of extreme pride.[5]

In Certain Amplifier Assemblies and Parts Thereof from Japan, Inv. No. 731-TA-48 (Final), USITC Pub. No. 1266 (1982), the Commission considered the plight of another relatively young, technologically advanced industry. Acknowledging that the standard injury analysis would be defective, the Commission focused its attention on three related factors: (1) the industry's ability to gain experience, (2) its ability to generate capital for R&D and (3) its ability to remain in the forefront of technological advancement.

The domestic industry passes these three tests with flying colors.[6] There is no indication that the domestic industry has fallen behind its foreign competitors in technology.

According to Motorola's petition, it has not achieved the same level of market share in the CMT industry that it had captured in the pre-cellular mobile phone industry.[7] Nor have

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5. See Motorola's SEC 10-Q for the 3rd quarter of 1984.

6. The confidentiality of the information collected by the Commission precludes disclosure of the basis for this conclusion.

7. Petition at 25.

Motorola's sales reached the "expected" level or prices been as high as Motorola would like. Motorola offers no reason as to why we should expect it to have the same market share in CMTs. I do not find the failure to meet expectations to constitute any credible evidence of material injury to a domestic injury.

I therefore determine that the domestic CMT industry is not materially injured.

Threat of Material Injury

The Tariff and Trade Act of 1984 added a new subsection concerning threat of material injury basically codifying existing Commission practice. Section 612(a)(2)(B) provides that an affirmative threat determination must be "made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

As indicated in the discussion of material injury, the domestic industry appears ready to tackle the challenge of imports in an expanding market.

The new Act also asks about "the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise" under investigation. Any imports, whether "fairly" or "unfairly" priced, will have a depressing effect on prices unless demand is infinitely elastic. The statute must require

more than this effect because otherwise the answer to the question would always be in the affirmative. In the case of CMT's, it has been demonstrated to my satisfaction that future imports will be sold at the price necessary to make them competitive in the U.S. market. At the most, this would be "technical dumping."[8]

Causation

The domestic industry is confronted with some degree of excess capacity at present. Prices are indeed declining while imports are increasing. Even if these events constituted evidence of material injury, the Commission still must determine that there is a reasonable indication that such injury was caused "by reason of" LTFV imports. I again cannot concur with my colleagues that such causation exists.

The legislative history instructs the Commission to find a "sufficient causal link" between any injury and the LTFV imports. Although the Commission is not permitted to weigh causes, it must "consider information which indicates that harm is caused by factors other than the subsidized imports.[9]

Behind any set of expectations concerning the financial well-being of a company or industry lay assumptions about the

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8. S. Rep. No. 1298, 93rd Cong. 2d Sess. 179 (1974).

9. S. Rep. No. 249, 96th Cong. 1st Sess. 58 (1979).

relevant supply and demand curves. Overly optimistic estimates concerning either curve can result in "injury" to an industry. Such injuries are not to be addressed under the anti-dumping laws.

In this particular industry, it appears that Motorola's projections concerning demand may have been on the rosy side. The demand for CMT's is a derived demand: the demand for monthly phone "service" determines the quantity of CMT's demanded. Until the total monthly service charge drops below $100, the demand for cellular mobile telephone service is both inelastic and small.[10] Correspondingly, the price of the CMT must be in the $1000 range before the quantity demanded reaches the level that Motorola expected.

Moreover, the demand for CMT service is directly related to the number of licenses granted to begin such service by the Federal Communications Commission (FCC). The rate at which the FCC has issued licenses has not been as fast as many in the industry had expected.

Even if Motorola were a monopolist in this industry, it would be faced with a similar scenario. A supply curve indicates the quantity of a product that a supplier will put on the market at any given price. An aggregate or industry supply curve is the

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10. See Testimony of John G. Reilly, ICF Inc. (December 3, 1984.)

sum of all firms' individual supply curves. Motorola is "unwilling" to lower its price to the level necessary to sell the quantity it expected. Conversely, Motorola is also "unwilling" to sell a lower volume at higher prices and sustain excess capacity. Because Motorola in reality does have a large share of the market, it may be able to influence the ultimate price and quantity of CMTs on the market. However, it cannot alter the characteristics of the demand curve and should adjust to its overestimate of demand. In the meantime, the CMT market operates like all others.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On November 5, 1984, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of Motorola Inc., Schaumburg, IL, alleging that imports of cellular mobile telephones and subassemblies thereof from Japan are being sold in the United States at less than fair value (LTFV) and that an industry in the United States is materially injured and threatened with material injury, and the establishment of an industry in the United States is materially retarded, by reason of such imports. 1/

Accordingly, effective November 5, 1984, the Commission instituted antidumping investigation No. 731-TA-207 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 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 is materially retarded, by reason of imports from Japan of cellular mobile telephones and subassemblies thereof, classified under item 685.29 of the Tariff Schedules of the United States (TSUS), 2/ which are alleged to be sold in the United States at LTFV.

Notice of the institution of the Commission's investigation and of a 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, DC, and by publishing the notice in the Federal Register on November 15, 1984, (49 F.R. 45274). 3/ The public conference was held in Washington, DC, on November 28, 1984, at which all interested parties were afforded the opportunity to present information for the Commission's consideration. 4/ The applicable statute directs the Commission to make its determination in this investigation within 45 days after the date of the filing of the petition, or by December 20, 1984. The Commission's briefing and vote was held on December 17, 1984.

Cellular mobile telephones and subassemblies thereof have not been the subject of any other investigation conducted by the Commission; however, on December 3, 1984, the Commission made a final affirmative determination in an antidumping investigation on cell-site transceivers (731-TA-163 (Final), Cell-Site Transceivers and Subassemblies Thereof from Japan), which are necessary for the operation of the subject product. The relationship between cellular mobile telephones and cell-site transceivers will be explained in later sections.

1/ The petition is supported by E.F. Johnson Co., Waseca, MN.

2/ Some of these items may be classified under TSUS item 685.23.

3/ A copy of the Commission's notice is presented in app. A. A copy of Commerce's notice of institution of its antidumping investigation is presented in app. B.

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

The Product

Description and uses

Cellular mobile telephones are wireless two-way electronic communication devices which are designed to be installed in motor vehicles and use motor-vehicle power sources. 1/ They connect the motor-vehicle driver or passenger with traditional wireline telephones, other cellular mobile telephones, and certain services activated by phone by means of a cellular transceiving system, i.e., a system of small transceiving (transmitting and receiving) base stations regularly distributed throughout a geographical area. Cellular transceiving systems and cellular mobile telephones are complementary: cellular mobile telephones will not function without cellular transceiving systems, and cellular transceiving systems are constructed exclusively for cellular mobile telephones.

The use of cellular transceiving systems primarily distinguishes cellular mobile telephones from conventional mobile telephones, which connect motor-vehicle drivers or passengers with wireline telephones by means of a single large transceiving base station. A technological improvement over the single base station, cellular transceiving systems allow more calls to be transmitted within a geographical area. Because more calls can be transmitted, more telephones can operate. Cellular transceiving systems can serve over 300 times the number of customers conventional mobile telephone systems can serve. As of September 30, 1984, 28 cellular transceiving systems were in service in 21 major metropolitan areas, with another 14 under construction. It is expected that the Federal Communications Commission (FCC) will award construction permits for at least another 30 systems by the end of 1985. In conformance with FCC regulations, all cellular mobile telephones sold in the United States are built to many of the same functional specifications, such as operating voltage, transmitting power, receiving sensitivity, and frequency range. This prevents cellular mobile telephones from interfering with other communication systems and insures the compatibility of any cellular mobile telephone with any cellular transceiving system. The operation of a cellular mobile telephone is not confined to any particular system. 2/

The ability to connect the motor-vehicle driver or passenger with wireline telephones primarily distinguishes cellular mobile telephones from citizens band (CB) radios and other wireless two-way communication devices designed to be installed in motor vehicles. Unlike cellular or conventional mobile telephones, moreover, these radios can neither transmit calls selectively to individual receivers nor transmit and receive calls simultaneously.

1/ Some cellular mobile telephones are designed so that they may be easily removed from the motor vehicle and transported on foot. These versions, commonly referred to as cellular transportable telephones, are somewhat smaller than the standard version and are provided with a plug-in battery and carrying case for transportable use.

2/ For a further discussion of cellular transceiving systems, see the Commission's report on inv. No. 731-TA-163 (Final), Cell-Site Transceivers and Subassemblies Thereof from Japan.

Cellular mobile telephones consist primarily of (1) a transceiver, a dictionary-sized box of electronic subassemblies, usually mounted in an automobile trunk or under the seat, which permits a call to be received and transmitted; and (2) a control unit, a handset, and cradle resembling a modern telephone, which permits the motor-vehicle driver or passenger to dial, speak, and hear the call. A special antenna is connected to the transceiver, and the transceiver and control unit are connected by a multiwire cable. The transceiver alone accounts for * * * percent of the cost of a cellular mobile telephone. Transceivers and control units are produced, imported, and often inventoried separately. In general, however, they are not sold to U.S. purchasers separately, except as replacement parts in large-volume sales. Large buyers will sometimes specify that extra transceivers and/or control units be included in the sale as a precautionary measure against defective units. Neither the transceiver nor the control unit has any commercial value apart from cellular telephone systems. There are no other uses for which they might be sold.

Transceivers and control units produced by different manufacturers are not identical. There are 20 makes and at least 30 models of cellular mobile telephones sold in the United States, with list prices ranging from less than $2,000 to more than $3,000. Transceivers in outward appearance and function are similar. Some are more compact than others, which allows for more flexibility in placement. Control units, however, are sold in a variety of configurations and incorporate a variety of features, both standard and optional. Some have all primary controls and indicators on the handset; others have them distributed between the handset and cradle. Common features include push-button, illuminated dialing; digital display of dialed numbers; memory dialing, which allows the user to store numbers and call them up at the touch of one or two buttons; status indicators, which alert the user that he/she is out of their home cellular system or out of any cellular system; last number recall, which allows the user, with the push of a button, to automatically dial the last number entered; and audio-volume controls. Common optional features include hands-free operation, which, through a microphone and speaker, allows the user to talk and listen without lifting the handset; extended memory capability; call timers, which measure and display the duration of calls; horn alerts, which activate the vehicle's horn if the user receives a call while away from the vehicle; electronic locks, which prevent unauthorized use of the phone; and color choice. The availability of features is not consistent. What is standard in one may be optional in another, or not available at all. An article published in Personal Communications Magazine, September 1984, which identifies and describes the major features of various makes and models, is reproduced in appendix D.

Because different features are incorporated into different control units and because the operation of these features must often be accessed by proprietary electronic codes through the transceiver, transceivers and control units of various manufacturers are not completely compatible. Certain features of one manufacturer's control unit may not be operable with another's transceiver. In general, however, transceivers and control units of different manufacturers can be connected with no adaptation and at least perform the basic function for which they are all designed, i.e., receiving and making a call.

Transceivers consist of circuit modules, or subassemblies, which compartmentalize certain functions common to every transceiver. Essentially integrated assemblages of smaller components such as resistors, capacitors, and integrated circuits, they are easily screwed or snapped into or out of the transceiver case. "Kits" of transceiver subassemblies are sometimes sold to U.S. purchasers for replacement purposes. Although all transceivers incorporate the same functions, they differ as to how they organize these functions into subassemblies. 1/ Depending on the manufacturer, a transceiver may consist of from * * * circuit modules. The configuration, arrangement, and components of subassemblies also differ. Thus, subassemblies for one manufacturer are rarely interchangeable with those of another.

At least two subassemblies, one for audio processing and one for signal processing, are commonly incorporated into the control unit. Like those for the transceiver, those of different manufacturers are rarely interchangeable. Neither subassemblies for the transceiver nor those for the control unit are sold for use in products other than cellular mobile telephones.

A newly introduced type of telephone which utilizes cellular transceiving systems, called the cellular portable telephone, incorporates the transceiver, control unit, and power source into a single portable housing. With weight and dimensions similar to a modern walkie-talkie, it may be easily stored and transported from place to place. Because of its small size and power constraints, however, it lacks many of the features common to cellular mobile telephones, and its capacity to receive and transmit calls is limited. There have been no imports of this item into the United States, and it is not included in the petitioner's complaint. 2/

U.S. tariff treatment

Because cellular mobile telephones are wireless, i.e., because they transmit and receive signals through the atmosphere rather than through a wire or cable, they are technically radios, not telephones. Accordingly, cellular mobile telephone transceivers, control units, and subassemblies are classified under item 685.29 of the TSUS, a residual classification for radiotelegraphic and radiotelephonic transmission and reception apparati and parts thereof. 3/ The column 1 (most-favored-nation) rate of duty for TSUS item 685.29, under which imports from Japan are dutiable, is 6 percent ad valorem. No reductions are scheduled. Imports under TSUS item 685.29 from designated beneficiary developing countries, other than Hong Kong, the Republic of Korea, and Taiwan, are eligible for duty-free treatment under the Generalized System of

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1/ The basic functions incorporated into one or more subassemblies include audio processing, signal processing (logic), frequency transmitting, frequency receiving, frequency comparing (synthesizing), duplexing (enabling sending and receiving at the same time), and power amplifying.

2/ Through October 1984, only Motorola offered these types of telephones for sale in the United States. NEC America, Inc., has recently introduced a version which it intends to import and sell commercially in 1985.

3/ The petitioner alleges that imports of the subject products may also have been classified under TSUS items 685.23 and 685.24. The Commission has found no evidence of the subject products being imported under any item other than 685.29.

Preferences; however, no designated GSP beneficiary countries are currently exporters of cellular mobile telephone transceivers, control units, or subassemblies to the United States.

Nature and Extent of Alleged Sales at LTFV

There is no information relating to the nature and extent of the alleged sales at LTFV other than the allegations of the petitioner, and the alleged LTFV margins calculated by the petitioner are limited to complete cellular mobile telephones. On the basis of home-market prices, or in some cases constructed prices, and selected large-volume sales or offers in the United States, Motorola calculated dumping margins for all nine Japanese manufacturers known to be selling the subject product in the United States. The alleged dumping margins range from 45 to 111 percent. 1/

U.S. Subassembly Producers

There are * * * known firms in the United States that manufacture subassemblies for cellular mobile telephone transceivers and/or control units: * * *. With the exception of those sold as replacement parts, most subassemblies manufactured by these firms are used proprietarily in the manufacture of transceivers and control units. A small volume is sold to foreign and/or other U.S. manufacturers.

U.S. Transceiver Producers

There are * * * firms in the United States that assemble cellular mobile telephone transceivers from subassemblies. * * *. Certain components of the subassemblies may be sourced outside of the United States. * * *.

U.S. Control Unit Producers

There are * * * firms in the United States that assemble control units from subassemblies. * * *.

U.S. Importers and Japanese Producers

There are * * * known firms in the United States which import cellular mobile telephone transceivers, control units, and/or subassemblies from Japan. Table 1 identifies each importer, the Japanese manufacturer(s) from which it purchases, and the type of item (transceiver, control unit, and/or subassemblies) it imports. * * *. Several of the importers identified in table 1 are related to Japanese cellular mobile telephone producers.

1/ Based on home-market prices: Matsushita (111-79 percent), NEC (108-94 percent), OKI (60 percent), Fujitsu (61 percent), Mitsubishi (89 percent), JRC (45 percent); based on constructed value: Hitachi (63 percent), Kokusai (78 percent), Toshiba (69 percent).

Table 1.--Cellular mobile telephone transceivers, control units, and subassemblies: U.S. importers, Japanese manufacturer from which importer purchases, and types of items imported, January 1981-September 1984

Importers	Japanese manufacturer from which importer purchases	Type of item imported for cellular mobile telephones 1/
*	*	*
*	*	*
*	*	*
*	*	*
*	*	*
*	*	*
*	*	*

1/ T=Transceiver; C=Control Unit; S=Subassemblies.

Source: Compiled from information developed by the U.S. International Trade Commission

In addition to the Japanese firms shown in table 1, four others--* * *--manufacture cellular mobile telephone transceivers, control units, and/or subassemblies. None, however, have exported these items to the United States.

Channels of Distribution and Sales Practices

Most cellular mobile telephones that are sold in the United States by U.S. producers and importers are made to order and sold to large distributors or operators of cellular transceiving systems, which in turn sell the phones to their system's subscribers. Most of the remainder are sold to automobile dealerships and retail outlets which sell to the public. The vast majority of subscribers are businesses and organizations. Very few phones have been sold for private use.

Operators and large distributors award sales contracts to U.S. producers and importers on a competitive basis after soliciting offers to supply a certain quantity of phones. The quantity contracted for may differ significantly from the quantity solicited for. The quantity and/or price of what is eventually shipped, moreover, may differ significantly from the quantity and/or price of what was contracted for. In general, sales contracts specify that a certain number of phones at a certain price (including transceiver, control unit, connector, and antenna) be delivered within a specified period of time. Payment is due at the time of delivery and only for the amount delivered. Depending on competitive prices for other available makes at the time of shipment, the buyer may renegotiate the sale. If the contract supplier refuses to reduce its prices accordingly, the buyer may cancel or take less of any remaining deliveries contracted for. For this reason the price offered by the winner of a contract is often of more concern to suppliers than the awarding of the contract, since the price sets a reference point for future contracts and may become the basis for renegotiating others. From 1981 through September 1984, there were approximately 34 procurements initiated in the United States for 1,000 or more cellular mobile telephones. The procurer, the month and year of the procurement's initiation, and the supplier(s) to which sales contracts were awarded are shown in table 2.

Table 2.--Procurements initiated for 1,000 or more cellular mobile telephones and winners of contracts, by procurers, and by months, January 1983-November 1984

Month and year procurement initiated	Procurer	Winners of contracts 1/
1983:		
February	* * *	* * *
March	* * *	* * *
September	* * *	* * *
September	* * *	* * *
September	* * *	* * *
September	* * *	* * *
September	* * *	* * *
November	* * *	* * *
November	* * *	* * *

See footnotes at end of table.

Table 2.--Procurements initiated for 1,000 or more cellular mobile telephones and winners of contracts, by procurers, and by months, January 1983-November 1984--Continued

Month and year procurement initiated	Procurer	Winners of contracts 1/
November	* * *	* * *
November	* * *	* * *
November	* * *	* * *
December	* * *	* * *
December	* * *	* * *
1984:		
January	* * *	* * *
January	* * *	* * *
January	* * *	* * *
February	* * *	* * *
February	* * *	* * *
March	* * *	* * *
March	* * *	* * *
March	* * *	* * *
May	* * *	* * *
May	* * *	* * *
May	* * *	* * *
June	* * *	* * *
June	* * *	* * *
June	* * *	* * *
June	* * *	* * *
June	* * *	* * *
July	* * *	* * *
July	* * *	* * *
August	* * *	* * *
November	* * *	* * *

1/ All contracts are subject to renegotiation.

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

Because sales of cellular mobile telephones are proximate to the construction of cellular transceiving systems, potential contracts are known in the industry several months in advance. Four U.S. producers of cellular mobile telephones or subassemblies thereof (Motorola, GE, E.F. Johnson, and Harris), two Japanese producers (NEC and Mitsubishi), and two large U.S. purchasers (AT&T Consumer Products Division, Parcipanni, NY; and Astronet Corp., Lake Mary, FL) also sell cellular transceiving systems. Contracts for cellular transceiving systems are awarded by FCC-approved licensees, which may or may not be the system operators. Despite their functional interrelationship, cellular mobile telephones and cellular transceiving systems have been sold separately. * * *

Consideration of Alleged Material Injury

With the exception of U.S. producers' financial performance and employment, for which data are available only on complete cellular mobile telephones, the following sections discuss transceivers and control units separately. Data for subassemblies are not available, except where noted.

U.S. production, capacity, and capacity utilization

Since 1982, the first year in which cellular mobile telephones were produced in the United States, production has increased exponentially. From * * * units in 1982, U.S. production of transceivers for cellular mobile telephones increased to * * * in 1983, and then from * * * units in January-September 1983 to 62,472 units in January-September 1984 (table 3). Similarly, U.S. production of control units increased from * * * units in 1982 to * * * units in 1983 and then from * * * units in January-September 1983 to 51,415 units in January-September 1984. * * *.

The growth in U.S. production reflects the growth in U.S. capacity. From * * * units in 1982, U.S. capacity to produce transceivers increased to * * * units in 1983, and to over 130,000 units in January-September 1984 (compared to * * * units in January-September 1983). Similarly, the capacity to produce control units increased from * * * units in 1982 to * * * units in 1983, and from * * * units in January-September 1983 to 94,000 units in January-September 1984. The capacity figures shown in table 3 represent an average of annual capacity at the beginning and end of each period. U.S. capacity is currently about 335,000 units annually for transceivers and about 255,000 units annually for control units. As a percentage of capacity, U.S. production of transceivers and control units increased from * * * percent in 1982 to 47.7 and 54.7 percent, respectively, in January-September 1984. * * *.

* * * * * * *.

U.S. producers' shipments and exports

The trend for U.S. producers' shipments parallels that for production (table 4). Shipments of U.S.-produced transceivers increased from * * * units, valued at * * *, in 1982 to 51,442 units, valued at $74.6 million, in

Table 3.--Cellular mobile telephone transceivers and control units: U.S. production, practical capacity, and capacity utilization, by firms, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Transceivers:					
Production:					
* * *----------units--	***	***	***	***	***
Total--------do----	***	***	***	***	62,472
Practical capacity:					
* * *----1/----units--	***	***	***	***	***
Total---------do----	***	***	***	***	131,000
Ratio of production to capacity					
* * *--------percent--	***	***	***	***	***
Average------do----	***	***	***	***	47.7
Control units:					
Production					
* * *----------units--	***	***	***	***	***
Total---------do----	***	***	***	***	51,415
Practical capacity					
* * *----------units--	***	***	***	***	***
Total----------------	***	***	***	***	94,000
Ratio of production to: capacity					
* * *--------percent--	***	***	***	***	***
Average-------do----	***	***	***	***	54.7

1/ * * *.

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

Table 4.--Cellular mobile telephone transceivers and control units: U.S. producers' domestic shipments and exports, by firms, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
	Quantity (units)				
Transceivers:					
Domestic shipments:					
* * *----------	***	***	***	***	***
Total----------	***	***	***	***	***
Export shipments:					
* * *----------	***	***	***	***	***
Total----------	***	***	***	***	***
Total----------	***	***	***	***	51,442
Control units:					
Domestic shipments:					
* * *----------	***	***	***	***	***
Total----------	***	***	***	***	***
Export shipments:					
* * *----------	***	***	***	***	***
Total----------	***	***	***	***	***
Total----------	***	***	***	***	40,604
	Value (1,000 dollars) 1/				
Transceivers:					
Domestic shipments:					
* * *----------	***	***	***	***	***
Total----------	***	***	***	***	***
Export shipments:					
* * *----------	***	***	***	***	***
Total----------	***	***	***	***	***
Total----------	***	***	***	***	74,604
Control units:					
Domestic shipments:					
* * *----------	***	***	***	***	***
Total----------	***	***	***	***	***
Export shipments:					
* * *----------	***	***	***	***	***
Total----------	***	***	***	***	***
Total----------	***	***	***	***	15,265

1/ Estimated.

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

January-September 1984. Concurrently, shipments of U.S.-produced control units increased from * * * units, valued at * * * in 1982 to 40,604 units, valued at $15.3 million in January-September 1984. During the period for which data were collected, exports accounted for * * * percent of transceiver shipments and * * * percent of control unit shipments.

Some subassemblies have been produced and sold separately, i.e., as replacement parts, in the United States; * * *.

Inventories

* * * (table 5). As of September 30, 1984, U.S. producers held in inventory 10,362 transceivers, or 21.1 percent of January-September shipments, and 10,143 control units, or 25.0 percent of January-September shipments.

Table 5.--Cellular mobile telephone transceivers and control units: U.S. producers' inventories, by firms, Dec. 31 of 1981-83, and Sept. 30, 1983, and Sept. 30, 1984

Item	Dec. 31--			Sept. 30--	
	1981	1982	1983	1983	1984
Transceivers:					
Inventories:					
* * *------units--	***	***	***	***	***
Total-------do----	***	***	***	***	10,362
Ratio of inventories to total shipments during the preceding period:					
* * *----percent--	***	***	***	***	***
Average-----do----	***	***	***	***	20.1
Control units:					
Inventories:					
* * *------units--	***	***	***	***	***
Total-------do----	***	***	***	***	10,143
Ratio of inventories to total shipments during the preceding period:					
* * *----percent--	***	***	***	***	***
Average-----do----	***	***	***	***	25.0

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

Employment

The average number of production and related workers producing cellular mobile telephones increased from * * * in 1981 to * * * in 1983 and from * * *

in January-September 1983 to 1,105 in January-September 1984 (table 6). The trend for hours worked by production and related workers is similar to that for average employment. The result was an increase in output from * * * units per 1,000 hours in 1982 to 39.3 units per 1,000 hours in January-September 1984. * * *.

Total compensation paid to production and related workers increased from * * * in 1981 to * * * in 1983, and from * * * in January-September 1983 to

Table 6.--Average number of production and related workers producing cellular mobile telephones in U.S. establishments, hours worked by such workers, and output, by firms, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Average number of production and related workers producing cellular mobile telephones in U.S. establishments:					
* * *-----number--	***	***	***	***	***
Total-------do----	***	***	***	***	1,105
Hours worked by production and related workers producing cellular mobile telephones in U.S. establishments:					
* * *					
1,000 hours--	***	***	***	***	***
Total-------do----	***	***	***	***	1,588
Output:					
* * *					
1,000 hours--	***	***	***	***	***
Average-----do----	***	***	***	***	5/ 39.3

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *.

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

$20.3 million in January-September 1984 (table 7). The average hourly compensation paid to those workers declined from * * * in 1981 to $12.80 in January-September 1984. Unit labor costs declined from over * * * in 1982 to

Table 7.--Total compensation paid to production and related workers producing cellular mobile telephones in U.S. establishments, hourly compensation, and unit labor costs, by firms, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Total compensation paid to production and related workers producing cellular mobile telephones:					
* * *					
1,000 dollars--:	***	***	***	***	***
Total-------do----:	***	***	***	***	20,329
Hourly compensation paid: to production and related workers producing cellular mobile telephones:					
* * * per hour					
per worker--:	***	***	***	***	***
Total-------do----:	***	***	***	***	$12.80
Unit labor cost:					
* * *----1/ per cellular mobile telephone---------:	***	***	***	***	***
Average-----do----:	***	***	***	***	5/ 325

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *.

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

* * * in 1983, and from * * * in January-September 1983 to $325 in January-September 1984.

Financial experience of U.S. producers

Income and loss data were received from two producers, Motorola and E.F. Johnson, on their U.S. operations producing cellular mobile telephones and subassemblies thereof. * * *.

1/ * * *.
2/ * * *.

Motorola.--Selected financial data on Motorola's operations are shown in table 8. * * *.

Table 8.--Selected financial data for Motorola on its U.S. operations producing cellular mobile telephones and subassemblies thereof, 1981-83, January-September 1983, and January-September 1984.

* * * * * * *

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

* * * * * * *

* * * * * * *

E.F. Johnson.--Selected financial data on E.F. Johnson's operations are shown in table 9. * * *.

Table 9.--Income-and-loss experience for E.F. Johnson on its operations producing cellular mobile telephones and subassemblies thereof, 1983 and January-September 1984

* * * * * * *

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

Research and development expenditures.--Motorola's and E.F. Johnson's research and development expenditures related to operations on cellular mobile telephones are shown in the following tabulation (in thousands of dollars):

				January-September--	
	1981	1982	1983	1983	1984
Motorola---------	***	***	***	***	***
E.F. Johnson-----	***	***	***	***	***
Total---------	***	***	***	***	***

* * * * * * *.

Capital expenditures.--Motorola's and E.F. Johnson's data related to their expenditures for buildings, machinery, and equipment used in the manufacture of cellular mobile telephones are shown in the following tabulation (in thousands of dollars):

				January-September--	
	1981	1982	1983	1983	1984
Motorola	***	***	***	***	***
E.F. Johnson	***	***	***	***	***
Total	***	***	***	***	***

* * * * * * *

Consideration of Alleged Threat of Material Injury

In the examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of imports, the capacity of producers in the exporting country to generate exports, the availability of export markets other than the United States, and U.S. importers' inventories. Import trends for cellular mobile telephone transceivers and control units are discussed in the following section. A discussion of importers' inventories and foreign capacity and exports, to the extent such information is available, is presented below.

Data received from U.S. importers, which account for nearly all imports from Japan, show that end-of-period inventories of Japanese-produced transceivers increased from * * * units in 1983 to 16,417 units, or 20.3 percent of imports, in January-September 1984. Inventories of control units were slightly higher. From * * * units in 1983, inventories of these items increased to 17,268 units, or 18.0 percent of imports, in January-September 1984.

Cellular mobile telephone transceivers and/or control units are produced by at least * * * firms in Japan, * * * of which export to the United States. The production, capacity, and total exports of these firms are currently unknown. In addition to the United States and Japan, northern Europe is a relatively large market for cellular mobile telephones. Other markets include Korea, Hong Kong, Canada, Spain, Israel, Saudi Arabia, Bahrain, Qatar, and the United Arab Emirates.

Consideration of the Causal Relationship Between the Alleged LTFV Imports and the Alleged Material Injury

U.S. imports, consumption, and market penetration

Japan accounts for virtually all cellular mobile telephone transceivers and control units imported into the United States. Imports of transceivers from Japan increased from * * * units, valued at * * *, in 1982 to * * * units, valued at * * *, in 1983 (table 10). From January-September 1983 to January-September 1984, imports of these items increased from * * * units valued at * * *, to 80,837 units, valued at over $66 million. Imports of control units increased similarly. From * * * units, valued at * * * in 1982, imports of these items increased to * * * units, valued at * * *, in 1983. From January-September 1983 to January-September 1984, imports of these items increased from * * * units, valued at * * * to 96,143 units, valued at $19.2 million. Imports in January-September 1984 included * * * transceivers and * * * control units * * *. The quantity and value of subassemblies imported into the United States for use as replacement parts are unknown.

U.S. consumption of cellular mobile telephone transceivers and control units has increased exponentially (table 11). From * * * units in 1982, U.S. consumption of transceivers increased to * * * units in 1983 and to * * * units in January-September 1984 (compared with * * * units in January-September 1983). Similarly, U.S. consumption of control units increased from * * * units in 1982 to * * * units in 1983, and from * * * units in January-September 1983 to * * * units in January-September 1984. As a share of consumption, imports of transceivers increased from * * * percent in 1982 to * * * percent in 1983 and from * * * percent in January-September 1983 to * * * percent in January-September 1984. Following the same trend, imports of control units increased from * * * percent of consumption in 1982 to * * * percent of consumption in 1983, and then from * * * percent of consumption in January-September 1983 to * * * percent of consumption in January-September 1984.

Table 10.--Cellular mobile telephone transceivers and control units: U.S. imports for consumption from Japan, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Transceivers:					
Quantity-------units--	***	***	***	***	1/ 80,837
Value 2/					
1,000 dollars--	***	***	***	***	66,076
Control units:					
Quantity-------units--	***	***	***	***	3/ 96,143
Value 2/					
1,000 dollars--	***	***	***	***	19,240

1/ * * *.
2/ Estimate.
3/ * * *.

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

Table 11.--Cellular mobile telephone transceivers and control units: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1981-83, January-September 1983, and January-September 1984

Item and period	U.S. producers' shipments	Imports	U.S. producers' exports	Apparent consumption	Ratio of imports to consumption
	units				percent
Transceivers:					
1981	***	***	***	***	***
1982	***	***	***	***	***
1983	***	***	***	***	***
Jan.-Sept.--					
1983	***	***	***	***	***
1984	51,442	80,837	***	***	***
Control units					
1981	***	***	***	***	***
1982	***	***	***	***	***
1983	***	***	***	***	***
Jan.-Sept.--					
1983	***	***	***	***	***
1984	40,604	96,143	***	***	***

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

Prices

Market dynamics and nonprice considerations.--Cellular mobile telephones are generally sold after intense price negotiations between sellers. When the cellular telephone market was developing in early 1983, sales were made on a bid basis. Large purchasers typically requested price quotes from a number of U.S. and foreign suppliers. The purchaser's request for quotes, at this stage of the market, did not specify desired models or features from different manufacturers. At this time, most manufactures offered quotes on their standard model and preferred to wait for the purchaser to award a contract before presenting more sophisticated, higher-priced units for sale. After the quotes were examined, the purchaser would begin negotiations with the three or four lowest bidders. At this point in the sales process, a number of nonprice considerations entered into the negotiations. According to industry sources, 1/ in the early development of the market, purchasers realized there would be an erosion of the price for cellular mobile telephones as sellers competed for the expanding market. Before committing themselves to a large contract, purchasers insisted on reverse price protection, which ensured the purchasers access to lower prices in the event the supplier began reducing its price. Other considerations included delivery schedules, ability to service the merchandise, packaging, and the availability of optional equipment. After negotiations were complete, a binding contract was awarded to one or more suppliers with the quantities and delivery schedules specifically set.

As the market began to mature, price erosion accelerated. The formal bid process has now evolved into verbal quotes over the telephone, with smaller quantities ordered for immediate delivery. Nonprice considerations such as quality and warranty are now a much larger factor in the purchasing decision.

Quality factors could not adequately be measured during the initial stages of the market. However, as more and more authorized service and installation centers become established in areas serviced by cellular systems, there will be an increasing amount of data available on failure rates. One such firm, * * * is an authorized service center for * * *, * * *, * * *, * * *, and * * * in the * * *, * * *, area. * * * informed the Commission that on the basis of their regional experience, the * * * cellular phone is of the highest quality, with a documented failure rate of less than 1 percent. The sample size on which * * * evaluation is based is unknown. 2/

Warranties are also a significant nonprice consideration. Most companies offer a 1-year warranty on parts and labor, but in some cases there are restrictions. OKI Advanced Communications and Harris are offering a 2-year warranty and Panasonic is offering its customers a 3-year warranty. Motorola has a standard 1-year warranty but will extend it to * * * years for an additional * * * per unit.

Other nonprice considerations offered are extended financing terms, advertising allowances, and equipment that would ordinarily have to be purchased as options.

1/ Telephone conversations with * * * Dec. 4, 1984, and * * *., Dec. 6, 1984.
2/ Telephone conversation with * * *, Dec. 4, 1984.

Price trends.--The Commission requested f.o.b. point of shipment prices from U.S. producers and importers of cellular mobile telephones on the three largest sales in each period during January 1982-December 1984. Importers responded with prices for telephones produced by nine Japanese manufacturers. Motorola was the only U.S. producer that provided price data. Direct comparisons of pricing are inconclusive, because each make has unique characteristics. What is a standard feature in one case may be optional or nonexistent in another. Respective sales quantities vary considerably, further complicating price comparisons. The prices collected, shown in table 12, are presented to illustrate the decline in the general price level. However, because of physical variations that continually occur on individual makes, even the analysis of price trends in tenuous.

As shown in table 12, * * *'s price declined from * * * per unit in July-September 1983 to * * *'s per unit in July-September 1984, or by about * * * percent. * * * price dropped from * * * per unit in October-December 1982 to * * * per unit in July-September 1984, or by about * * * percent. The largest drop in price was for the * * * telephone. The price for this phone dropped from * * * per unit in October-December 1983 to * * * per unit in October-December 1984, or by about * * * percent. * * *. Transportation costs are relatively insignificant with respect to these high-value articles.

Lost sales

The Commission received from * * * allegations of sales lost to imports of cellular mobile telephones from Japan. The staff investigated 10 of these allegations, and the responses are summarized below.

* * * confirmed that * * * firm had purchased * * * units from * * *, * * * at approximately * * * per unit. However, * * * stated that price was not of prime concern. * * * had conducted a * * * evaluation process for purchasing cellular mobile telephones. Some of the most important factors examined were quality, anticipated future product lines, manufacturing process and its ease in serviceability, and price. *** further stated that *** did not purchase the cheapest phone available.

* * * of * * * confirmed that * * * firm had purchased the * * * cellular telephone because of a lower price after rejecting a quote from * * *. The quantity, however, was only * * * and not the * * * unit sale alleged by * * *. * * *.

* * * confirmed that * * * firm had purchased * * * from * * * for * * * per unit after rejecting a quote from * * *. However, * * * informed the Commission staff that a number of factors were involved in this purchase. The cellular mobile telephones * * * had purchased from * * * are experiencing a very high failure rate. * * * explained that in the * * * market demand for mobile telephones is from business customers. * * *. * * * thus decided that in order to expand sales and achieve a high rate of customer retention, quality had to be of primary concern. * * * stated that they decided on the * * *, with a documented failure rate of less than * * * percent compared with

Table 12.--Cellular mobile telephones: Weighted-average selling prices (f.o.b. point of shipment) for Motorola and U.S. importers, by makes and by quarters, 1982-84

(Per unit)

Period	Fujitsu	NEC	Panasonic	OKI	JRC	Hitachi	Toshiba	Mitsubishi	Motorola
1982:									
January-March	***	***	***	***	***	***	***	***	***
April-June	***	***	***	***	***	***	***	***	***
July-September	***	***	***	***	***	***	***	***	***
October-December	***	***	***	***	***	***	***	***	***
1983:									
January-March	***	***	***	***	***	***	***	***	***
April-June	***	***	***	***	***	***	***	***	***
July-September	***	***	***	***	***	***	***	***	***
October-December	***	***	***	***	***	***	***	***	***
1984:									
January-March	***	***	***	***	***	***	***	***	***
April-June	***	***	***	***	***	***	***	***	***
July-September	***	***	***	***	***	***	***	***	***
October-December	***	***	***	***	***	***	***	***	***

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

A-22

a failure rate of * * * percent for the * * * model. 1/ According to * * * another drawback associated with purchasing the * * * models is a lack of a trade name. 2/

* * * of * * * confirmed that * * * firm had rejected a quote from * * * for * * * units at a price of * * * per unit in favor of the * * * telephone. However the price was not * * * per unit as alleged, but rather * * * per unit. In addition to the small price difference, * * * provided an * * *. * * * declined to discuss the * * * over the telephone. An additional factor that led to the * * * purchase was the past sales practices of * * *. * * *.

* * * for * * * denied an allegation that he had purchased * * * Japanese cellular mobile telephones at a price of * * * per unit. * * * stated that, although *** is purchasing the * * * and * * * telephones at * * * each, the quantities involved are much smaller. * * * is committed to only * * * telephones over the next * * *. * * * stated that quality, warranty, and inventory considerations were of prime concern. * * * offers * * * and has an * * * with the mobile unit; * * *. The * * * telephone had a very good quality history, and since * * *, only * * * of * * * telephones purchased have failed. * * *, commenting on the * * *, noted that current price quotes indicated that * * * is now the lowest priced vendor in the marketplace. * * * according to * * * is now offering to extend their * * * to * * *; however, it will cost an additional * * * per unit.

* * * denied an allegation that during * * * 1983 *** had rejected a quote of * * * from * * * for * * * units in favor of imports from Japan. * * * stated that * * * firm had purchased * * * units from * * * and * * * at approximately * * * per unit. However, * * * had not received a serious price quote from * * * until * * * days ago, and that quote was in direct competition with a distributor that was also selling the * * * cellular mobile telephone.

* * * of * * * denied an allegation that *** had purchased * * * imported telephones in * * *, * * *, and * * * after rejecting quotes from U.S. producers. * * * stated that the quantities involved were very small and noted that * * * had also purchased domestically-produced units. * * * also stated that the purpose of these procurements is to evaluate available models. One of the primary selling points of the imports is warranty, which * * *, * * *, and * * *. The * * * unit has a * * * available; however, it costs * * * extra, * * *. In addition to price and warranty considerations, * * * will evaluate shipping practices by the importers before significant procurements are made.

1/ * * * advised the Commission staff that his information on failure rates was provided by * * *, an independent service and installation firm, based in * * *. * * * confirmed this failure rate to the Commission's staff.

2/ * * *.

* * * of * * * denied an allegation that * * * firm had purchased * * * mobile units from * * * after rejecting quotes from U.S. producers. * * * stated that * * * has not yet purchased any mobile units and negotiations are continuing with all parties. * * * noted that * * * is now examining quality differences and availability of local servicing as well as prices before committing to a large purchase order.

* * * officials confirmed that they are now purchasing * * * cellular telephones; however, they declined to discuss prices and quantities over the telephone. * * * alleged that * * *.

* * * officials declined to discuss any confidential information with the Commission over the telephone. * * * alleged that * * *.

APPENDIX A

COMMISSION'S NOTICE OF INSTITUTION OF PRELIMINARY INVESTIGATION

[Investigation No. 731-TA-207 (Preliminary)]

Cellular Mobile Telephones and Subassemblies Thereof From Japan

AGENCY: United States International Trade Commission.

ACTION: Institution of a preliminary antidumping investigation and scheduling of a conference to be held in connection with the investigation.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-207 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 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 Japan of cellular mobile telephones and subassemblies thereof, provided for in items 685.23 and 685.29 of the Tariff Schedules of the United States (TSUS),[1] which are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by December 20, 1984.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

EFFECTIVE DATE: November 5, 1984.

FOR FURTHER INFORMATION CONTACT: Mr. Bill Schechter (202-523-0300) or Mr. Larry Reavis (523-0296), Office of Investigations, U.S. International Trade Commission, 701 E Street NW,, Washington, DC 20436.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on November 5, 1984, by Motorola, Inc., Schaumburg, IL.

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR § 201.11), not later than seven (7) days after publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list.—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with § 201.16(c) of the rules (19 CFR 201.16(c)), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on November 28, 1984, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Mr. Larry Reavis (202-523-0296) not later than November 26, 1984, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation 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.

Written submissions.—Any person may submit to the Commission on or before December 3, 1984, a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the

[1] Section 124 of Pub. L. 98-573 (October 30, 1984) redesignated these TSUS items (effective January 1, 1985) as follows (old item number/new item number): 685.2350/685.12, 685.2970/685.30, and 685.2976/685.28.

Commission in accordance with § 201.8 of the rules (19 CFR 201.8). 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 to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6, as amended by 49 FR 32569, Aug. 15, 1984).

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: November 9, 1984.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-30059 Filed 11-14-84; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

COMMERCE'S NOTICE OF INSTITUTION OF INVESTIGATION

[A-588-405]

Cellular Mobile Telephones and Subassemblies From Japan; Initiation on Antidumping Duty Investigation

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

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether cellular mobile telephones and subassemblies from Japan 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 imports of this product are causing material injury, or threaten material injury, to a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before December 20, 1984, and we will make ours on or before April 14, 1985.

EFFECTIVE DATE: November 30, 1984.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone: (202) 377-2438.

SUPPLEMENTARY INFORMATION:

The Petition

On November 5, 1984, we received a petition in proper form filed by Motorola, Inc. In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Japan 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 (the Act), and that these imports are causing material injury, or threaten material injury, to a United States industry.

The Petitioner based the United States prices on actual sales or offers of sale to U.S. purchasers less, where applicable, foreign inland freight, ocean freight, duty, insurance, handling, commissions U.S. processing, and U.S. selling expenses. Petitioner calculated foreign market value by a variety of methods for individual producers. Where available, Motorola used actual sales and offers for sale in Japan, with adjustments for freight, physical differences, credit, warranty, and other selling expenses.

For producers with no home market sales or offers, Motorola calculated constructed value using its estimates of Japanese material, labor, direct manufacturing overhead, GSA plus interest, and packing expenses, plus the statutory minimum for profits. The constructed value was then adjusted for warranty, credit, and other selling expenses.

Based on the comparison of prices to home market prices or constructed values, petitioner found potential dumping margins ranging from 40 to 111 percent.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and whether it contains information reasonably available to the petitioners supporting the allegations.

We examined the petition on cellular mobile telephones and subassemblies and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether cellular mobile telephones and subassemblies from Japan are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by April 14, 1985.

Scope of Investigation

The products covered by this investigation are cellular mobile telephones and subassemblies. Cellular mobile telephones are radio-telephone equipment designed to operate in a cellular radio telephone system, i.e., a system that permits direct telephone communication with traditional land-line telephone and that permits multiple simultaneous use of particular radio frequencies through the division of the system into independent cells, each of which has its own transceiving base station. Each telephone consists of: (1) A transceiver, i.e., a box of electronic subassemblies which receives and transmits calls; and (2) a control unit, i.e., a handset and cradle resembling a modern telephone, which permits a motor-vehicle driver or passenger to dial, speak, and hear a call. They are designed to use motor vehicle power sources. Cellular transportable telephones, which are designed to use either motor vehicle power sources or, alternatively, portable power sources, are included in this investigation.

Subassemblies are circuit modules and/or any other packaged functional assemblage of electronic components, dedicated for use in cellular mobile telephone transceivers or control units. Examples of such assemblies include audio processing modules, signal processing (logic) modules, RF modules, IF modules, synthesizers, duplexers, and power amplifiers.

The following merchandise has been excluded from this investigation: pocket-size self-contained portable cellular telephones, cellular base stations or base station apparatus, cellular switches, and mobile telephones designed for operation on other, non-cellular, mobile telephone systems.

Cellular mobile telephones are currently classified under item number 685.29 of the Tariff Schedules of the United States (TSUS). Subassemblies can be classified under item numbers 685.23, 685.24, as well as other possible tariff classifications.

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 it confirms that it will not disclose such information either publicly or under an administrative protection order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by December 20, 1984, whether there is a reasonable indication that imports of cellular mobile telephones and subassemblies from Japan are causing material injury, or threaten material injury, to a United States industry. If its determination is negative the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Dated: November 26, 1984.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-31451 Filed 11-29-84; 8:45 am]
BILLING CODE 3510-DS-M

APPENDIX C

CONFERENCE WITNESS LIST

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-207 (Preliminary)

CELLULAR MOBILE TELEPHONES AND SUBASSEMBLIES THEREOF FROM JAPAN

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigation on November 28, 1984, in the Hearing Room of the USITC Building, 701 E Street, NW., Washington, DC.

In support of the imposition of antidumping duties

Covington & Burling--Counsel
Washington, DC
on behalf of--

Motorola, Inc.

Edward Staiano, Vice President and General Manager, Motorola Systems Division (Cellular Transceiving Systems and Cellular Mobile Telephones)
Stanley Nehmer, President, Economic Consulting Services, Inc.

Harvey M. Applebaum)
Timothy A. Harr)--OF COUNSEL
Kimberly Till)

Stacker & Ravich--Counsel
Minneapolis, MN
on behalf of--

E.F. Johnson Co.

Rick Boswell, President

Jann L. Olsten--OF COUNSEL

In opposition to the imposition of antidumping duties

Weil, Gotshal & Manges--Counsel
New York, NY
on behalf of--

Matsushita Communication Industrial Co., Ltd.
Panasonic Industrial Co.
Matsushita Electric Corp. of America

A. Paul Victor--OF COUNSEL

In opposition to the imposition of antidumping duties--Continued

ICF, Inc.
Washington, DC
on behalf of--

Matsushita Communication Industrial Co., Ltd.
Panasonic Industrial Co.
Matsushita Electric Corp. of America
NEC Corp.
NEC America, Inc.
Hitachi, Ltd.
Hitachi America, Ltd.
Toshiba Corp.
Mitsubishi Corp.
Mitsubishi International Corp.

John Riley, Associate

Panasonic Industrial Co.
Secaucas, NJ

Robert Ivanoff Jr., President

Wilmer, Cutler & Pickering--Counsel
Washington, DC
on behalf of--

Oki Electric Industry Co., Ltd.

Robert Cassidy--OF COUNSEL

Paul, Weiss, Rifkind, Wharton & Garrison--Counsel
Washington, DC
on behalf of--

NEC Corp.
NEC America, Inc.

Robert E. Montgomery Jr.--OF COUNSEL

Fenwick, Stone, Davis & West--Counsel
Washington, DC
on behalf of--

Fujitsu, Ltd.

L. Daniel O'Neill--OF COUNSEL

In opposition to the imposition of antidumping duties--Continued

Metzger, Shadyac & Schwarz--Counsel
Washington, DC
on behalf of--

Hitachi, Ltd.
Hitachi America, Ltd.

Carl Schwartz--OF COUNSEL

APPENDIX D

"HOW TO SELECT YOUR CELLULAR TELEPHONE"
(REPRODUCED FROM THE SEPTEMBER 1984 ISSUE OF
PERSONAL COMMUNICATIONS MAGAZINE)

How to Select Your Cellular Telephone

Today's Car Phones Compared and Contrasted

APPENDIX E

U.S. OPERATIONS OF JAPANESE PRODUCERS

U.S. OPERATIONS OF JAPANESE PRODUCERS

OKI-

* * * * * * *

NEC-

* * * * * * *

MATSUSHITA-

* * * * * * *