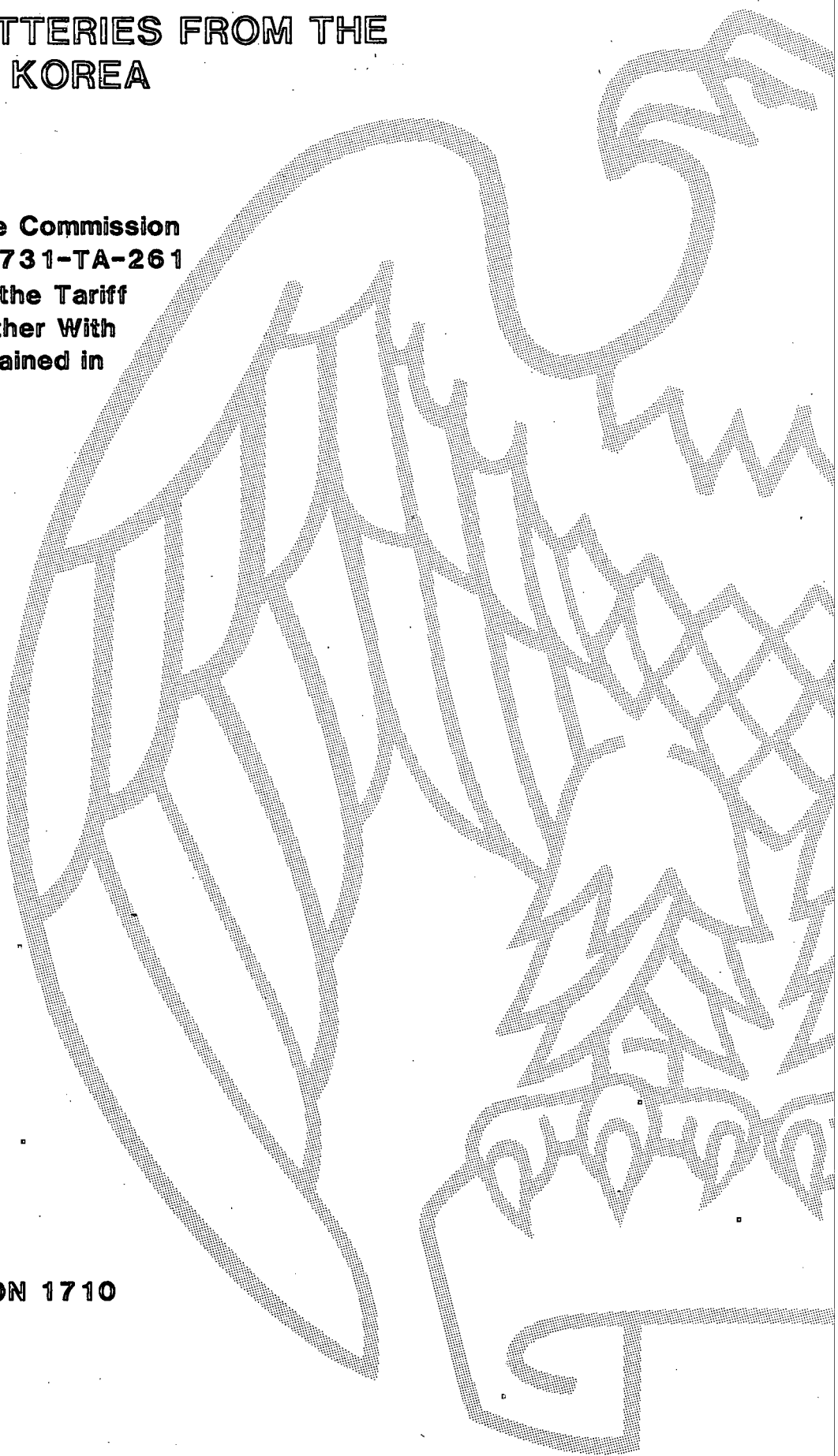
12-VOLT LEAD-ACID TYPE AUTOMOTIVE STORAGE BATTERIES FROM THE REPUBLIC OF KOREA

Determination of the Commission in Investigation No. 731-TA-261 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



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Note.--Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

Investigation No. 731-TA-261 (Preliminary)

12-VOLT LEAD-ACID TYPE AUTOMOTIVE STORAGE BATTERIES
FROM THE REPUBLIC OF KOREA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from the Republic of Korea (Korea) of 12-volt lead-acid type automotive storage batteries, provided for in item 683.05 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On May 8, 1985, a petition was filed with the Commission and the Department of Commerce by General Battery International Corporation, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of 12-volt lead-acid type automotive storage replacement batteries from Korea. Accordingly, effective May 8, 1985, the Commission instituted preliminary antidumping investigation No. 731-TA-261 (Preliminary).

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

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

Commission, Washington, DC, and by publishing the notice in the Federal Register of May 15, 1985 (50 F.R. 20301). The conference was held in Washington, DC, on May 30, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the record in this investigation, we unanimously determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry is being materially retarded, 1/ by reason of imports of 12-volt automotive batteries from Korea that are allegedly sold at less than fair value (LTFV).

Because the statutory criteria for a regional industry analysis have not been met, our negative determination is based upon our findings with respect to the national industry consisting of the producers of 12-volt automotive storage batteries. We have determined that there is no reasonable indication that the domestic industry is experiencing material injury. The record indicates that the domestic industry's production, employment, and financial figures remained strong and stable throughout the period of investigation. The record further fails to provide any indication that alleged LTFV imports from Korea will increase in the near future to the extent that such imports

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1/ Since there is an established domestic industry, "material retardation" was not raised as an issue in this investigation and will not be discussed further.

will constitute a real threat of imminent material injury to the industry. 2/ 3/

Like product and the domestic industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "[d]omestic 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." 4/ "Like product" is, in turn, defined 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 . . . ." 5/

2/ Chairwoman Stern does not regard it as analytically useful to consider the question of material injury completely separately from the question of causation. In general, she believes it to be appropriate to examine causal issues even when an industry is apparently in good condition to determine whether its performance had been materially worsened by the subject imports. In the present case, she has based her determination principally on the strong performance of the domestic industry and the lack of any indication that the subject imports are related to any difficulties that may exist.

3/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. The Court of International Trade recently held that:

> The Commission must make an affirmative finding only when it finds both (1) present material injury (or threat to or retardation of the establishment of an industry) and (2) that the material injury is "by reason of" the subject imports. Relief may not be granted when the domestic industry is suffering material injury but not by reason of unfairly traded imports. Nor may relief be granted when there is no material injury, regardless of the presence of dumped or subsidized imports of the product under investigation. In the latter circumstances, the presence of dumped or subsidized imports is irrelevant, because only one of the two necessary criteria has been met, and any analysis of causation of injury would thus be superfluous.

American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1276 (Ct. Int'l Trade 1984) (emphasis supplied), aff'd sub nom., Armco Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985).

4/ 19 U.S.C. § 1677(4)(A).

5/ 19 U.S.C. § 1677(10).

The imported articles subject to this investigation are lead-acid automotive storage batteries having a normal output of 12 volts and rated at greater than 35 ampere-hours. 6/ The batteries produced in the United States do not differ from the imported product. The question that arises in this investigation is whether the like product should include both original equipment and replacement batteries. 7/ The difference between original equipment and replacement batteries is the manner in which they are marketed. 8/ Original equipment batteries are sold as components of new automobiles, whereas replacement batteries are sold as separate items, generally to replace original equipment batteries but also for other applications. 9/

The different channels of distribution and the different level of service provided by the two channels do not provide a basis for finding more than one like product. 10/ In this investigation, these factors do not evidence a

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6/ Report of the Commission (Report) at A-2. Petitioner General Battery International Corporation (GBIC) contends that the imported product that is the subject of the investigation should be limited to 12-volt automotive replacement batteries. The Department of Commerce, however, initiated the investigation on all 12-volt automotive batteries. 50 Fed. Reg. 23,486 (June 4, 1985).

7/ Report at A-2. GBIC maintains that sales in the replacement market do not compete with sales in the original equipment market and, therefore, they should be considered as separate like products. Petitioner alleges, inter alia, that sales in the replacement market are made to individual automobile owners, whereas sales in the original equipment market are made to automobile owners who buy in bulk. Petitioner also contends that selling to an original equipment customer is far more an engineering effort because engineering resources must be specifically dedicated to that original equipment customer, whereas selling to the replacement battery customer is far more a sales and marketing effort because the battery manufacturer offers sales and marketing support to a replacement battery customer. Petitioner's Post-Conference Brief at Exhibit C.

8/ Report at A-2.

9/ Id.

10/ See Bicycles from Taiwan, Inv. No. 731-TA-111 (Final), USITC Pub. 1417 at 6 n.8 (1983); Frozen French Fried Potatoes From Canada, Inv. No. 731-TA-93 (Preliminary), USITC Pub. 1259 (1982).

distinction between products on the basis of characteristics or uses. Thus, we determine that original equipment and replacement batteries constitute a single like product. 11/

Petitioner and respondents maintain that new batteries are like rebuilt batteries. Rebuilt batteries are produced from discarded, damaged batteries and differ from new batteries in that they have a shorter shelf life which generally dictates that they must be sold within two to three days of rebuilding. In light of these findings, we determine that new replacement batteries are not like rebuilt replacement batteries. 12/ 13/ Accordingly, we exclude rebuilt batteries from our finding regarding like product and we determine that original equipment and new replacement batteries constitute a single like product.

Regional industry--Petitioner GBIC also has alleged that there is a regional industry consisting of the Puerto Rican replacement battery market. 14/ Section 771(4)(C) states that "[i]n appropriate circumstances, the United States, for a particular product market, may be divided into two or

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11/ We note that our determination that original equipment and replacement batteries constitute a single like product does not preclude the Commission, in assessing the impact of imports, from examining precisely where in the market competition occurs between the subject imports and the domestic product.

12/ Commissioner Eckes, Commissioner Lodwick, and Commissioner Rohr note that the market share of rebuilt batteries is relatively small and, therefore, their exclusion from the definition of like product does not alter their determination.

13/ Chairwoman Stern and Vice Chairman Liebeler determine that new replacement batteries are like rebuilt replacement batteries. They note, however, that because the market share of rebuilt batteries is relatively small, their inclusion in the definition of like product is not essential to their determination.

14/ This investigation was instituted in response to a petition filed by GBIC on behalf of the Puerto Rican automotive replacement battery industry. GBIC alleged that the regional industry is comprised of the operations of GBIC, the local rebuilders, and ESB International, Exide Corporation's Puerto Rican subsidiary. Exide has filed an appearance supporting the petition, but has not joined it.

more markets and the producers within each market may be treated as if they were a separate industry . . . ." 15/ In making a regional industry determination, the Commission must decide whether the producers 16/ within the region sell "all or almost all" of their production of the like product in question in that market, and whether the demand in the regional market is supplied, to any substantial degree, by producers of the product in question located outside the region in the United States. The Commission must then find that there is a concentration of allegedly dumped or subsidized imports within the regional market, and that all, or almost all, of the producers within that market are materially injured or threatened with material injury, or that the establishment of an industry is being materially retarded, by reason of LTFV imports. 17/

An examination of the information collected during this investigation indicates that virtually all of the like product sold by domestic producers in the geographic area remains in the regional market. However, the record clearly indicates that the regional market is supplied, to a substantial degree, by producers of the like product located elsewhere in the United States. Data regarding shipments from the continental United States into Puerto Rico are confidential and, therefore, cannot be disclosed. Nonetheless, information provided in response to Commission questionnaires

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15/ 19 U.S.C. § 1677(4)(C).

16/ Respondents raised the issue of whether GBIC and Exide (ESB International) were actually producers within the meaning of the statute. See Respondent's Post-Conference Brief at 7-11. The Commission has addressed the issue of what activities or attributes qualify a company as a domestic producer for the purposes of a title VII investigation. See Certain Radio Paging and Alerting Receiving Devices From Japan, Inv. No. 731-TA-102 (Final), USITC Pub. 1410 (1983); Pads for Woodwind Instrument Keys from Italy, Inv. No. 731-TA-152 (Final), USITC Pub. 1566 (1984). Even assuming arguendo, that GBIC and ESB are domestic producers, a regional industry analysis is inappropriate in this investigation because one of the statutory criteria has not been met.

17/ 19 U.S.C. § 1677(4)(C).

reveals that shipments from U.S. producers outside of Puerto Rico constituted between 25 and 50 percent of consumption in Puerto Rico throughout the period of investigation. 18/ This figure is significantly higher than the figures found to be acceptable in previous investigations. 19/ We also note that there were shipments from other companies in the continental United States in addition to those shipments from General Battery Corporation, GBIC's parent company, and Exide. We, therefore, determine that the statutory criteria for finding a regional industry have not been satisfied. 20/

Even if the Commission had determined that the statutory criteria for finding a regional industry were met in this investigation, the Commission has the discretion not to apply the regional industry analysis if it finds that circumstances are not appropriate. The overriding concern in a regional industry analysis is to determine whether a market is isolated. We note that geographical barriers do not hinder integration of Puerto Rico into a national market. Although transportation costs generally are significant with regard to batteries, these costs can be reduced by as much as one-third by shipping

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18/ Report at A-30.

19/ In prior investigations in which the Commission has found a regional industry, the percentage of demand supplied by producers outside the region has been very small. See Rock Salt From Canada, Inv. No. 731-TA-239 (Preliminary), USITC Pub. 1658 at 6 (1985) (less than 4 percent); Fall-Harvested Round White Potatoes From Canada, Inv. No. 731-TA-124 (Final), USITC Pub. 1463 at 6 (1983) (1.3 percent); and Portland Hydraulic Cement From Australia and Japan, Invs. Nos. 731-TA-108 and 109 (Final), USITC Pub. 1440 at 5 (1983) (5 percent). Even if the Commission applied the figure alleged by the petitioner, this level of outside shipments is still above the 12 percent figure that the Court of International Trade has found not insubstantial as an "abstract proposition". See Atlantic Sugar, Ltd. v. United States, 2 Ct. Int'l Trade 295, 297 (1981).

20/ In making a regional industry determination, the Commission must first determine whether a regional industry exists and then it must ascertain whether there has been injury to the regional industry. Inasmuch as the criteria for ascertaining the existence of a regional industry have not been met, we do not reach the further question of whether there has been injury to the regional industry.

the batteries dry and adding electrolyte at the point of destination. 21/ Further, it is still profitable to ship fully assembled batteries despite the transportation costs as evidenced by the substantial amount of shipments from the continental United States into Puerto Rico. 22/ We, therefore, determine that a regional industry analysis is inappropriate. 23/

Condition of the domestic industry

In assessing the condition of the domestic industry, the Commission considers, among other factors, the trends in production, capacity utilization, sales, market share, employment, wages, and profitability of the domestic industry. 24/ In this investigation, the Commission considered such information for the period covering January 1982-March 1985 for the domestic national industry.

The domestic producers of original equipment and new replacement automotive batteries have not experienced injury during the period under review. Production of 12-volt automotive batteries increased from 40.0

21/ Compare Rock Salt From Canada, Inv. No. 731-TA-239 (Preliminary) at 8-9 (1985); Cut-to-Length Carbon Steel Plate From the Federal Republic of Germany, Inv. No. 731-TA-147 (Preliminary-Remand), USITC Pub. 1550 at 8-9 (1984); and Portland Hydraulic Cement from Australia and Japan, Invs. Nos. 731-TA-108 and 109 (Final), USITC Pub. 1440 at 11-12 (1983).

22/ Report at A-16.

23/ Although we do not believe that a regional industry finding is appropriate in this investigation, this does not preclude an examination of competition in certain markets as part of our analysis of the presence of material injury by reason of the subject imports. See Prestressed Concrete Steel Wire Strand From Spain, Inv. No. 701-TA-164 (Final), USITC Pub. 1281 (1982), aff'd, American Spring Wire Corp. v. United States, 590 F. Supp. 1273 (Ct. Int'l Trade 1984), aff'd sub nom., Armco Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985). See also Views of Chairwoman Stern in Anhydrous Sodium Metasilicate From France, Inv. No. 731-TA-25 (Preliminary), USITC Pub. 1080 (1980), aff'd, Rhone Poulenc, S.A. v. United States, 592 F. Supp. 1318 (Ct. Int'l Trade 1984).

24/ 19 U.S.C. § 1677(7)(C)(iii).

million units in 1982 to 47.5 million units in 1984. 25/ Production dropped to 11.5 million units during the first quarter of 1985 as compared with 12.9 million units during the same period in 1984. 26/

Production capacity increased throughout the period of investigation. Production capacity increased from 50.4 million units in 1982 to 53.8 million units in 1984. 27/ Capacity continued to increase to 13.7 million units in the first quarter of 1985 as compared with 13.2 million units during the same period in 1984. Capacity utilization increased from 79.4 percent in 1982 to 88.2 percent in 1984. 28/ Capacity utilization dropped to 84.1 percent in the first quarter of 1985 as compared to 98.6 percent during the corresponding period in 1984. Domestic shipments increased from 40.1 million units in 1982 to 46.4 million units in 1984. 29/ Shipments declined from 10.3 million units in the first quarter of 1985 as compared with 11.5 million units during the same period in 1984. End-of-period inventories increased from 3.9 million units in 1981 to 4.8 million units in 1984. 30/ Inventories increased by 846,000 units during the first quarter of 1985 over the level during the same period in 1984.

Data regarding employment figures are confidential and, therefore, cannot be disclosed. We note, however, that the number of production and related workers declined in 1982 and 1983, then increased in 1984. 31/ Employment dropped during the first quarter of 1985 as compared with the corresponding

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25/ Report at A-13-A-14, Table 5. Not all producers responded to the Commission's questionnaires and, therefore, the data received only reflect approximately 65-70 percent of the domestic industry.
26/ Id.
27/ Id.
28/ Id.
29/ Id. A-13-A-14, Table 6.
30/ Id. at A-17, Table 8.
31/ Id. at A-18, Table 9.

period in 1984. Hours worked increased steadily from 1982 to 1984. 32/ Hours worked then declined during the first quarter of 1985 as compared with the corresponding period in 1984. Average hourly compensation declined from 1982 to 1983, then increased in 1984. 33/ Compensation increased during the first quarter of 1985, as compared with the corresponding period in 1984.

The domestic industry generally remained profitable throughout the period of investigation. Net sales rose from $1.1 billion to $1.3 billion during 1982-84. 34/ Net sales dropped to $428 million during the first quarter of 1985 as compared to net sales of $472 million during the corresponding period of 1984. Operating income rose from $84.8 million to $155 million during 1982-84. 35/ Operating income then dipped to $59.3 million during interim 1985 as compared with operating income of $63.8 million during the corresponding period of 1984. Operating margins, which measure the ratio of operating income to net sales, increased steadily throughout the period of investigation. 36/ Net income before income taxes and cash flow from operations followed the same trend as operating income during the reporting period. 37/

Based upon the above information, we find that the domestic industry's production, employment, and financial figures remained strong and steadily improved during 1982-84. Although the domestic industry has shown some

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32/ Id. at A-18.
33/ Id.
34/ Id. at A-20-A-22, Table 12.
35/ Id.
36/ Id. at A-22. Operating margins increased from 8.0 percent in 1982 to 12.2 percent in 1984. Operating margins were 13.9 percent during the first quarter of 1985 as compared with 13.5 percent during the corresponding period in 1984.
37/ Id. We note that although the above discussion applies to total automotive battery operations of domestic producers, the same trends apply to replacement battery operations.

declining trends in the first quarter of 1985, the domestic industry's performance remained stable and financial ratios improved. In light of the above findings, we determine that there is no reasonable indication that the national domestic industry is materially injured. 38/ 39/

No material injury by reason of allegedly LTFV imports

Section 771(7)(B) of the Tariff Act of 1930 requires the Commission to determine whether there is a reasonable indication of material injury by reason of allegedly unfair imports by considering, among other factors: (1) the volume of alleged LTFV imports, (2) the effect of such imports on prices in the United States for the like product, and (3) the impact of such imports on domestic producers of the like product.

Even if we had concluded that there was a reasonable indication of material injury to the domestic industry, we would not have concluded that there is a reasonable indication that any such injury is by reason of the allegedly LTFV imports. 40/ Although the volume of imports from Korea increased, domestic shipments increased as well during this period. 41/ Therefore, the share of the domestic market for 12-volt automotive batteries supplied by imports from Korea remained minuscule. It increased from 0.06 percent in 1982 to 0.37 percent in 1984. 42/ The Korean share then increased to 0.71 percent of total domestic consumption in the first quarter of 1985 as compared with 0.49 percent of consumption during the corresponding period

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38/ See supra n.2.
39/ See supra n.3.
40/ 19 U.S.C. § 1677(7)(B).
41/ Imports from Korea rose from 23,803 units in 1982 to 172,510 units in 1984. Imports continued to rise to 76,037 units in the first quarter of 1985, as compared with 56,848 units during the corresponding period in 1984. Report at A-28.
42/ Id. at A-29.

of 1984. 43/ 44/ However, the penetration rate of imports from Korea remained stable during 1983-84 and rose only a minute amount during the first quarter of 1985. Domestic companies have virtually all of the market and have consistently retained a stable market share. Domestic producers accounted for 98.9 percent of consumption in 1982 and 98.1 percent in 1984. 45/ Their share dropped slightly to 96.7 percent in the first quarter of 1985 as compared with 97.7 percent during the corresponding period in 1984.

Price information indicates that imports from Korea undersold the domestic product by significant margins. 46/ However, the volume of imports from Korea is very small, and there were no confirmed lost sales in the

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43/ As stated in n.25 supra, the response rate to Commission questionnaires was approximately 65-70 percent. This underreporting of shipments actually skewed the results in favor of the petitioner. The reason for this result is that underreporting of shipments results in understated consumption figures which, in turn, increases the import penetration ratio.

44/ Vice Chairman Liebeler presumes that imports cannot be a cause of material injury if the import penetration ratio is below 2.5 percent. This presumption can be rebutted by a showing that both supply and demand are inelastic. This would provide some evidence that a relatively small level of imports could have a relatively great impact on price. No such evidence was presented in this case. See Certain Carbon Steel Products From Austria, Czechoslovakia, East Germany, Hungary, Norway, Poland, Romania, Sweden, and Venezuela, Invs. Nos. 701-TA-225-234 and 731-TA-213-217, 219, 221-226, and 228-235 (Preliminary), USITC Pub. 1642 (1985) (Views of Vice Chairman Liebeler); Certain Welded Carbon Steel Pipes and Tubes From Thailand and Venezuela, Invs. Nos. 701-TA-242 and 731-TA-252-253 (Preliminary), USITC Pub. 1680 (1985) (Views of Vice Chairman Liebeler).

45/ Report at A-10, Table 3, and A-29.

46/ Id. at A-34, A-36, Table 23.

continental United States to imports from Korea. 47/ 48/ In addition, gross margins, which measure the relationship between sales and cost of goods sold, increased steadily throughout the period of investigation. 49/ The improvement in gross margins indicates that there was no price suppression relative to cost. Furthermore, upon examining the impact of imports from Korea in Puerto Rico alone, we note that the imports from Korea were priced above some comparable domestically produced batteries (including petitioner's). Also, other domestically produced batteries were priced below both imports from Korea and petitioner's batteries. 50/ Moreover, information on lost sales in Puerto Rico indicates that GBIC's admitted 51/ quality problems were a major consideration in purchasers' decisions to purchase batteries from Korea.

Based upon the above, we have determined that there is no reasonable indication that the allegedly LTFV imports from Korea are a cause of material injury to the domestic industry.

47/ Vice Chairman Liebeler notes that the presence or absence of confirmed lost sales is not determinative or persuasive on the question of a causal link between LTFV imports and material injury to the domestic industry in this case. Typically, an import that is sold at less-than-fair value affects the domestic industry the same way regardless of whether it is a confirmed lost sale. Although it might be appropriate to inquire whether a sale by a respondent has been in lieu of sales by the domestic industry or, alternatively, at the expense of imports from other countries, Commission information on lost sales is not capable of providing an answer to such a question because the data is based on a very small and biased sample. See Heavy-Walled Rectangular Welded Carbon Steel Pipes and Tubes From Canada, Inv. No. 731-TA-254 (Preliminary), USITC Pub. 1691 (1985) (Views of Vice Chairman Liebeler).

48/ Report at A-38-A-39.

49/ Id. at A-22.

50/ Tables 19-22 and Investigations memorandum INV-I-131 (June 12, 1985) from the Director, Office of Investigations, to the Commission.

51/ Tr. at 16-17, 39-40. GBIC maintains that its quality problems were resolved by the end of 1982. Nonetheless, Power Surge, a domestic importer of Korean batteries, stated that the battery business is very touchy in Puerto Rico and if you sell a battery that's no good, "you will lose the customer for everything." Id. at 98.

No threat of material injury by reason of allegedly LTFV imports

Section 612 of the Tariff and Trade Act of 1984 (the 1984 Act) adds a new subparagraph 771(7)(F) which directs the Commission to consider a number of economic factors in assessing threat of material injury. Such factors include any rapid increase in penetration of the U.S. market by the imports, the ability of the foreign producers to increase the level of exports to the United States and the likelihood they will do so, and any substantial increases in inventories of imported merchandise in the United States. 52/

Although Korean production, 53/ capacity, 54/ and exports to the United States 55/ all increased during 1982-84, we note that Korean capacity utilization was very high and none of the Korean automotive battery producers are expected to increase capacity or production in the near future. 56/ Further, only a small portion of Korean production is exported to the United States and exports of automotive batteries from Korea to other countries also have increased. 57/ We also emphasize, as stated previously, that imports from Korea account for a very small percentage of U.S. consumption.

52/ Section 612(a)(2)(b)(ii), Pub. L. No. 98-573 (Oct. 30, 1984), to be codified at 19 U.S.C. § 1677(7)(F).
53/ Report at A-8, Table 2.
54/ Id.
55/ Id. at A-9, Table 2.
56/ Id. at A-9. Petitioner cites to a document prepared by the Department of Commerce which states that "[c]ountries such as South Korea and Taiwan are aggressively expanding their domestic [automotive batteries] production capacity" and "[t]he bulk of this production is targeted for the export market." Petitioner's Post-Conference Brief at Attachment D. This statement is unsubstantiated and contradicts the data in our record on the short term plans of Korean producers.
57/ The data received on importers' inventories are confidential. We note, however, that these levels are not significant and, therefore, they do not provide any indication of a threat of material injury. Id. at A-27.

In light of the condition of the domestic industry, and the fact that the trend of the industry's performance is favorable, we conclude that there is no reasonable indication that allegedly LTFV imports are a real and imminent threat of material injury to the domestic industry producing 12-volt automotive batteries.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On May 8, 1985, petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel for General Battery International Corporation (GBIC), of Carolina, Puerto Rico, a U.S. producer of automotive batteries. The petition alleges that an industry 1/ in the United States is materially injured, or is threatened with material injury, by reason of imports from Korea of 12-volt lead-acid type automotive storage batteries, 2/ provided for in item 683.05 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, effective May 8, 1985, the Commission instituted investigation No. 731-TA-261 (Preliminary) under section 733(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of May 15, 1985 (50 F.R. 20301). 3/ The public conference was held in Washington, DC, on May 30, 1985, at which time all interested parties were afforded the opportunity to present information for consideration by the Commission. 4/ The Commission voted on this investigation on June 12, 1985.

Nature and Extent of Alleged Sales at LTFV

The petition alleges that 12-volt automotive batteries are being sold in the United States at LTFV margins of approximately 40 percent. Petitioners were unable to obtain current Korean home-market prices or prices to third-country markets of 12-volt automotive batteries; therefore, petitioners used a

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1/ The petition alleges that the industry that is materially injured is located in a distinct region of the United States, as provided in section 771(4)(C) of the Tariff Act of 1930. The region is described in the section of this report on the domestic market.

2/ For purposes of this investigation, 12-volt lead-acid type automotive storage batteries are defined as lead-acid type storage batteries having a normal output of 12 volts and rated at greater than 35 ampere-hours. These batteries are used primarily in automobiles and include both original-equipment batteries, i.e., intended to be sold as a component of a new automobile, and replacement batteries, i.e., intended to be sold as a separate automotive or nonautomotive product. Batteries that meet the voltage and amperage specifications above but that are produced or imported for use in products other than automobiles are included within this definition.

3/ A copy of the Commission's notice is presented in app. A. A copy of the U.S. Department of Commerce's notice is presented in app. B.

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

comparison of estimated constructed Korean cost of production and adjusted average Korean selling price in the United States to arrive at the alleged LTFV margins.

The Product

Description and uses

The automotive batteries which are the subject of this investigation are lead-acid type storage batteries having a normal output of 12 volts and rated at greater than 35 ampere-hours. These batteries are used primarily in automobiles and include both original-equipment batteries and replacement batteries. 1/ Original-equipment batteries and replacement batteries are essentially the same product. The difference between the two is in the way they are marketed. Original-equipment batteries are sold as a component of a new automobile, whereas replacement batteries are sold as a separate item, generally to replace original-equipment batteries in automobiles but also for other applications. For purposes of this report, all of these batteries are collectively referred to as automotive batteries.

Automotive batteries are devices capable of converting chemical energy into electrical energy through a chemical reaction. The chemical reaction can be effectively reversed, and thus the battery can be recharged, by passing an electric current in the opposite direction of the discharge current. Storage batteries differ from primary batteries in that primary batteries cannot be efficiently recharged by the reversal of the discharge current.

Automotive batteries are constructed of cells, each of which has a nominal output of 2 volts. Each cell consists of cast antimony-lead or calcium-lead grids (or "plates") coated with baked lead oxide. The plates are alternately given negative and positive charges and are separated by insulators. Negative and positive plates are then connected separately to provide the necessary voltage. Automotive batteries can be stored indefinitely in a dry condition and must be activated by the addition of sulfuric acid prior to use.

Automobile starting currents and electrical systems require a battery rated at a minimum of 35 ampere-hours. Automotive batteries are generally classified by Battery Council International (BCI) group size and electrical specifications. BCI group size indicates physical dimensions as well as terminal positions and cell layouts within the batteries. The current BCI Battery Replacement Data Book identifies 50 group sizes of 12-volt automotive batteries. The electrical specifications of automotive batteries may be measured by cold cranking amps (CCA), by ampere-hours, or by the number of plates in the battery. CCA is the most common measurement in the continental U.S. market and is a measure of the battery's power available to start a car in cold weather.

1/ The petition alleges that producers of replacement batteries constitute a distinct industry and that it is that industry that has been injured.

Manufacturing process

The production of 12-volt lead-acid automotive storage batteries generally begins with the casting of the grids which serve as supports for the active battery material and which conduct much of the electric current through the battery. Grid-casting equipment molds and then cools molten lead into the desired grid configuration. All automotive battery grids are designed with open spaces between their interlocking cross bars in order to lock the active material in place. The lead employed in the grids of most modern automobile batteries consists of either a high antimony (around 5-6 percent), a low antimony (typically less than 2.5 percent), or a calcium lead (usually less than 1 percent calcium) alloy. Calcium or antimony is used as an alloying material to stiffen the otherwise very soft lead grid during production and to decrease the warping of plates over the operating life of the battery. When low antimony or calcium alloy grids are employed in the construction of batteries, the finished products are commonly referred to as "low maintenance" or "maintenance free" batteries, respectively.

Following casting, the grids are covered, or "pasted," with an active material consisting of lead oxide, or a blend of oxides, which has been treated with sulfuric acid. The use of sulfuric acid results in the formation of lead sulfate, which helps to bind the active material to the grid and improves the operating characteristics of the pasted grid by expanding or "bulking" the paste. The pasting operation is most commonly performed automatically by equipment which presses the paste into the grids. The pasted grids, or plates, are then cured for approximately 2 days in a closely controlled hot and humid curing room environment. This process is called hydrosetting. The high heat and humidity not only toughens the bond of the active material to the grid, but also is designed to increase the homogeneity of the active material on the plate. The latter development helps to improve the flow of current through the plate.

It is at this stage in the manufacturing process that * * * . The dry-charged plates are immersed in a weak sulfuric acid solution in large forming tanks. By applying an electric charge to the plates in the tanks, the positive plates become the anode and the negative plates become the cathode of what amounts to a large battery. The slow "forming charge" is normally applied to the plates for 1-2 days during which time the composition of the active materials on the plates changes to create a potential electrical difference between the positive and negative plates. When the plates have been completely formed, they are rinsed and dried to prepare them for the "stack and burn" phase of production.

In the stack and burn operation, positive and negative plates are alternately stacked on either side of an electrically insulating separator and welded, positive to positive and negative to negative to create an individual cell of the battery. Six of these 2-volt cells are placed in the preformed individual pockets or partitions of the bottom portion of the battery "box" or container. Electrical connections between the cells are usually made either automatically by "through the partition" automated welding techniques, or by manual "over the top" welds. After these internal connections are made, the top of the battery case is applied to the battery and sealed, usually either

by a heated epoxy glue or by thermal sealing techniques. The battery is then tested for leaks in the seal of the case and for internal electrical faults. At this point a preformed dry-charged battery, * * *, is ready for use following the addition of the sulfuric acid electrolyte and a recommended 15-minute "booster charge" to bring the battery up to its full operating voltage.

The principal difference between the production of dry-charged batteries described above and of wet-charged batteries is that the plate forming operations for wet-charged batteries are performed on uncharged plates which have been assembled into an otherwise completely finished battery to which electrolyte has been added. The assembled battery in effect takes the place of the forming tanks in the dry-charged battery production operation. In the wet-charged battery, after the forming charge has been applied, the battery is sealed wet and shipped to the customer.

U.S. tariff treatment

Imports of 12-volt automotive batteries are currently classified in TSUS item 683.05, which covers all 12-volt lead-acid storage batteries. This tariff item was established by Executive Order 12354, effective March 31, 1982, as the result of a petition filed with the Office of the United States Trade Representative by the Yuasa-General Corp. Yuasa-General successfully requested that 12-volt lead-acid batteries from Taiwan be removed from eligibility for duty-free treatment under the Generalized System of Preferences (GSP) program. The Republic of Korea (Korea) was removed from GSP eligibility status with respect to TSUS item 683.05 by Executive Order 12413, effective March 31, 1983, as the result of a second Yuasa-General petition. Imports of batteries under TSUS item 683.05 from all other designated beneficiary developing countries are currently eligible for duty-free treatment under the GSP. Prior to April 1, 1982, all lead-acid storage batteries and parts thereof were classified in TSUS item 683.10.

Batteries classified in TSUS item 683.05 from countries afforded most-favored-nation (MFN) treatment are currently dutiable at the column 1 rate of 6.1 percent ad valorem. Batteries imported from countries with MFN status and which have been designated as least developed developing countries (LDDC's) are dutiable at a rate of 5.3 percent ad valorem. The LDDC rate also represents the final staged rate negotiated under the Tokyo round of Multilateral Trade Negotiations (MTN) for column 1 rates. The concessions made during this MTN round for 1980-87 are shown in table 1.

Batteries imported under TSUS item 683.05 from certain countries which the President has designated as being under Communist control or domination (but not including the People's Republic of China, Hungary, Yugoslavia, and Romania) are dutiable at the TSUS column 2 rate of 40 percent ad valorem. Finally, such articles, if imported from designated beneficiary countries, are eligible for duty-free entry under the Carribean Basin Initiative (CBI).

Table 1.--12-volt lead-acid batteries: Pre-MTN rate of duty and staged-rate modifications, 1980-87

(In percent ad valorem)

TSUS item No.	Pre-MTN col. 1 rate of duty 1/	Rate of duty effective with respect to automotive batteries entered on and after Jan. 1--							
		1980	1981	1982	1983	1984	1985	1986	1987
683.05	8.5	8.1	7.7	7.3	6.9	6.5	6.1	5.7	5.3

1/ Rate effective prior to Jan. 1, 1980.

U.S. Producers

There are seven major producers of automotive batteries in the United States that account for approximately * * * percent of U.S. production and three smaller producers that together account for an additional * * * percent of production. The largest domestic producers generally operate several production facilities around the country. The remaining 3 percent of production is accounted for by approximately 25 small producers that operate on a regional basis.

In addition to GBIC's parent, General Battery Corp. (GBC), which is believed to be currently the * * * largest U.S. producer of automobile batteries, there are six other large national producers. * * *, they are: the Globe Battery Division of Johnson Controls, Inc. (Globe); the Delco Battery Division of the General Motors Corp. (Delco); GBC; GNB Batteries, Inc., a subsidiary of Gould, Inc. (GNB); Exide Corp., a Spectrum Group company (Exide); the Prestolite Division of the Allied Corp. (Prestolite), and Chloride, Inc. (Chloride).

Globe produces automotive batteries in * * * plants nationwide, a substantial portion of which are sold to Sears under the private label "Diehard." * * *. Although approximately * * * percent of the company's battery sales were to the replacement market, including * * *, Globe supplied * * * percent of the domestic original-equipment requirements of * * * and * * * as well as a portion of the original-equipment requirements of * * * and * * *.

Delco supplied virtually all of the original-equipment batteries to the General Motors Corp. and is a major supplier of replacement batteries to owners of General Motors vehicles in the United States. Delco produces automotive batteries in * * * U.S. facilities and plans to begin production operations in a plant in * * *, in * * *. * * * .

GBC currently operates * * * plants in the continental United States which produce batteries primarily for the automotive replacement market. A significant portion of these batteries are sold under private label agreements to large retailers such as * * *. Prior to December 1984, GBC's plant in * * *, supplied GBIC with * * * of the manufacturing components used in the Puerto Rican assembly operation. These batteries are now being completely

assembled in * * * and shipped in a dry-charged state to Puerto Rico.

GNB produces batteries in * * * plants throughout the country for sale primarily in the replacement market. GNB, however, does have a significant portion of * * *'s original-equipment battery account under the * * * brand name. GNB's replacement sales are primarily made to large purchasers of private label batteries such as * * *.

Exide currently operates * * * automotive battery production plants and * * * forming warehouses, one of which is located in Puerto Rico. The latter facilities differ from full assembly operations in that they receive batteries that are fully assembled but in which the plates have not been fully charged as explained above in the section on the manufacturing process. Their operations are thus commonly limited to adding electrolyte to the battery, applying the forming charge, sealing the battery, performing the final physical and electrical tests, and incidental labeling, packaging, and shipping operations. Exide is also principally involved in the U.S. replacement battery market with large private label sales to * * * and * * *. The company has also supplied a significant portion of * * *'s original equipment battery requirements.

Prestolite Battery currently produces automotive batteries in * * * U.S. plants. It sells most of these in the replacement market under private label to chain operations such as * * *. It also sells approximately * * * units annually for original-equipment use to * * *.

Chloride, the most recent nationwide entrant into the U.S. automobile battery market, is the U.S. subsidiary of Chloride, Ltd., of the United Kingdom. Chloride currently produces automobile batteries in * * * U.S. facilities, almost entirely for the replacement market.

In addition to the seven large national producers of automobile batteries discussed above, three smaller regional producers are worthy of note. Of these, East Penn Manufacturing Co., of Lyons Station, PA, * * *. * * *. Douglas Battery Manufacturing Co., Inc., * * * in Winston-Salem, NC, has * * *. The only other significant U.S. producer is the Estee Battery Co. of Los Angeles, CA. The company's sales * * *. Together, the 10 firms mentioned above are estimated to account for 97 percent of the total U.S. automobile replacement and original-equipment battery market.

Battery operations in Puerto Rico

There have been two major processors of automotive batteries in Puerto Rico in recent years, GBIC, the petitioner, and ESB Puerto Rico Corp. (ESB). GBIC is a subsidiary of GBC of Pennsylvania. ESB is a wholly owned subsidiary of ESB International (Exide) of Horsham, PA.

GBIC began production of batteries in Puerto Rico in 1973. Prior to 1973, it had operated as a warehouse facility. The GBIC facility in Puerto Rico purchased component parts from GBC in the continental United States and assembled, filled, and sealed the batteries in Puerto Rico. * * *. GBIC

ceased production in this facility in December 1984 and has since been using the Puerto Rican plant as a warehouse and distribution center.

Prior to April 1984, ESB purchased assembled batteries from its parent company in the United States, filled the batteries, charged them, tested them, and put the appropriate decals on before shipping them to distributors. In April 1984, a fire destroyed ESB's facility; subsequently, it purchased batteries * * * from its U.S. parent and acted solely as a warehouse and distribution center. ESB reported that it resumed further processing operations, i.e., filling, charging, testing the batteries, and so forth, in a new location in Puerto Rico in May 1985.

There are two other smaller firms known to be assembling batteries in Puerto Rico--Puerto Rico Battery Manufacturing Co., Inc., of Camuy, Puerto Rico, and Sotolite Battery Co. of Isabela, Puerto Rico. Both firms import component parts from various continental U.S. battery producers and assemble the batteries in Puerto Rico. Neither firm supplied any data in response to the Commission's questionnaire, however, Puerto Rico Battery indicated in a verbal response that it assembles approximately * * * to * * * batteries per year. Sotolite Battery estimated in a verbal response that it assembles * * * to * * * batteries per year.

Battery rebuilders.--There are an unknown number of battery rebuilders in Puerto Rico that essentially take old discarded batteries, replace damaged plates, refill the batteries with acid, give them a booster charge, and sell them. Rebuilt batteries are sold at a significantly lower price than new replacement batteries and have much shorter warranty periods, generally 1 to 6 months. Rebuilders reportedly operate in isolated areas of Puerto Rico 1/ and sell to customers who would either be unable to afford, or unwilling to invest in a new battery. Estimates of their market share in Puerto Rico range from less than 1 percent, according to the respondents, 2/ to * * * percent according to the petitioner. 3/ Conversations with other industry sources in Puerto Rico tend to confirm the lower estimate and the general assessment that battery rebuilders are no longer a factor of any significance in the Puerto Rican market.

The Commission sent questionnaires to 13 firms in Puerto Rico that were identified by the petitioners as battery rebuilders. Only three firms responded, and all indicated they did not rebuild batteries.

U.S. Importers

The Commission sent questionnaires to 30 firms believed to be the largest importers both in the continental United States and in Puerto Rico, of automotive batteries from Korea, . The majority of importers are automotive parts or battery distributors. The Commission received usable questionnaire responses from nine firms, accounting for approximately 52.2 percent of

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1/ Transcript of the conference, p. 43.
2/ Ibid., p. 109.
3/ Petition, p. 9.

imports of the subject merchandise in 1984. Five firms reported importing Korean batteries into the continental United States, three firms reported importing into Puerto Rico, and one imported into both the continental United States and Puerto Rico. The two largest importers of the Korean batteries into the continental United States were * * *. The third largest, on the basis of questionnaire responses, is * * *. The other three importers are battery distributors * * *.

The four importers into Puerto Rico that responded to the Commission questionnaire accounted for approximately * * * percent of imports of Korean batteries into Puerto Rico in 1984. * * *. * * *.

The Korean Industry

According to Korean industry sources, there are currently * * * producers of 12-volt lead-acid automotive batteries in Korea. In 1984, total reported Korean industry capacity was * * * units and actual production amounted to * * * units (table 2). This compared with a capacity of * * * units and production of approximately * * * units in 1982. The industry's capacity utilization rate thus * * * from * * * percent in 1982 to * * * percent in 1984.

Table 2.--12-volt automotive batteries: Korean production, capacity, capacity utilization, domestic shipments, and export shipments, 1982-84

Item	1982	1983	1984
Capacity----------1,000 units--	***	***	***
Production----------do----	***	***	***
Capacity utilization----------percent--	***	***	***
Domestic shipments 1/-------1,000 units--	***	***	***
Exports to:			
Continental United States 2/----units--	***	***	***
Puerto Rico----------do----	***	***	***
* * *----------do----	***	***	***
* * *----------do----	***	***	***
* * *----------do----	***	***	***
* * * 2/----------do----	***	***	***
All others----------do----	***	***	***
Total----------do----	***	***	***

1/ Derived by subtracting exports from production.

2/ Approximately * * * percent of total exports to the United States and * * * are motorcycle batteries.

Source: Data supplied by counsel for the Korean Battery Association, principally from the statistical yearbooks of Foreign Trade (1982, 1983, and 1984), Korea Customs Association.

* * *, Global and Yuasa Battery Co., Ltd. (GYBC), is one of eleven separate companies of the Global Group which is heavily involved in sea, air, and land transportation services in Korea and worldwide. GYBC was established in 1975 as a joint venture between China Battery of Korea and Yuasa Battery of Japan, as a result of a technical assistance agreement with the Japanese partner. In 1984, GYBC accounted for approximately * * * and * * * percent of total Korean automotive battery capacity and production, respectively. This compares with * * * and * * * percent shares of Korean capacity and battery production, respectively, in 1981.

The second leading Korean automotive battery producer, * * *.

* * *, Korea's third largest producer of automotive storage batteries, * * *. * * *.

The * * * remaining Korean producers, * * *. * * *.

Total automotive battery demand in Korea is currently estimated by Korean sources at * * *. * * *. None of the Korean automotive battery producers is currently reported to be projecting increases in either capacity or production in the upcoming * * *.

The Domestic Market

The petitioner alleges that Puerto Rico constitutes a regional industry for the production of automotive batteries. This section, as well as the remainder of the report, presents data for the nation as a whole and for Puerto Rico.

Apparent U.S. consumption

Apparent consumption 1/ of 12-volt automotive storage batteries increased from 40.5 million units in 1982 to 47.3 million units in 1984, representing an increase of 6.8 million units or 16.7 percent (table 3). Consumption declined by 9.1 percent to 10.7 million units in January-March 1985, compared with 11.7 million units in January-March 1984. U.S. producers accounted for 98.9 percent of consumption in 1982. Their share dropped to 98.1 percent in 1984, and continued to drop to 96.7 percent in January-March 1985 compared with a share of 97.7 percent in January-March 1984.

1/ Apparent consumption is based on U.S. producers' shipments as reported in the questionnaires. Not all producers responded and therefore U.S. producers' shipments are understated by as much as 30-35 percent. Apparent consumption is also derived from U.S. imports compiled from official statistics of the U.S. Department of Commerce, minus those imports which the staff determined were nonautomotive, i.e., motorcycle or industrial. Thus, imports of automotive batteries may be somewhat overstated.

Table 3.--12-volt lead-acid type automotive storage batteries: U.S. producers' shipments, imports for consumption, and apparent consumption, 1982-84, January-March 1984, and January-March 1985

Period	Producers' shipments	Imports	Apparent consumption	Ratio to consumption of-- Producers' shipments	Ratio to consumption of-- Imports
	1,000 units			Percent	
1982	40,072	459	40,531	98.9	1.1
1983	43,454	747	44,201	98.3	1.7
1984	46,399	902	47,301	98.1	1.9
January-March--					
1984	11,464	269	11,733	97.7	2.3
1985	10,313	352	10,665	96.7	3.3

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

Apparent consumption in Puerto Rico

Apparent consumption of 12-volt automotive batteries in Puerto Rico 1/ increased steadily from * * * units in 1982 to * * * units in 1984, or by * * * percent (table 4). Apparent consumption continued to increase in January-March 1985 to * * * units, compared with * * * units in January-March 1984. U.S. producers with operations in Puerto Rico have supplied a declining share of consumption, dropping from * * * percent in 1982 to * * * percent in 1984. This was due in part to a fire in April 1984, which destroyed Exide's processing facility. Puerto Rican producers' share of consumption continued to decline to * * * percent of the market in January-March 1985, compared with * * * percent in January-March 1984. This was due to the closing of the GBIC plant in December 1984.

The share of the market held by U.S. producers located outside of Puerto Rico has * * * steadily from * * * percent in 1982 to * * * percent in 1984. Their share continued to * * * to * * * percent of the market in January-March 1985, compared with * * * percent in January-March 1984.

1/ Consumption in Puerto Rico is derived from shipments as reported by two U.S. producers with facilities located in Puerto Rico, GBIC and ESB. There are two other producers in Puerto Rico that purchase component parts from the continental United States and assemble them in Puerto Rico. These firms are believed to produce * * * to * * * batteries per year; however, the Commission has no more specific data on them. Thus, shipments by Puerto Rican producers may be understated by that amount. Shipments by U.S. producers and distributors located outside of Puerto Rico are also understated, because all domestic producers did not respond to the questionnaire and because some large national distributors that purchase from producers in the continental United States and ship into Puerto Rico did not provide data on such shipments. Imports are estimated based on official statistics of the U.S. Department of Commerce and may be somewhat overstated as to automotive batteries.

Table 4.--12-volt lead-acid type automotive storage batteries: Apparent consumption in Puerto Rico, by sources, 1982-84, January-March 1984, and January-March 1985

Source	1982	1983	1984	January-March-- 1984	January-March-- 1985
	Quantity (1,000 units)				
Produced in Puerto Rico 1/	***	***	***	***	***
Produced in mainland United States	***	***	***	***	***
Imported from Korea	0	28	65	11	41
Imported from all other sources	23	17	46	17	21
Total	***	***	***	***	***
	In Percent				
Produced in Puerto Rico 1/	***	***	***	***	***
Produced in mainland United States	***	***	***	***	***
Imported from Korea	***	***	***	***	***
Imported from all other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

1/ Includes batteries principally produced at Exide's facilities in the continental United States but for which finishing operations were performed in Puerto Rico. These batteries totaled * * * units in 1982, * * * units in 1983, and * * * units in 1984, or * * * percent of apparent consumption in Puerto Rico in 1982, * * * percent in 1983, and * * * percent in 1984. If these batteries were considered as produced in the continental United States rather than in Puerto Rico, the shares of Puerto Rican consumption supplied by producers in the continental United States would increase to * * * percent in 1982, * * * percent in 1983, and * * * percent in 1984.

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

Imports also had an increasing share of the market, rising from * * * percent in 1982 to * * * percent in 1984, and to * * * percent in January-March 1985 compared with * * * percent in January-March 1984.

Marketing and channels of distribution

Battery demand fluctuates from year to year because it is always a function of the number of vehicles in service and the expected life of the batteries in use. In both the United States and Puerto Rico, automotive

batteries are a somewhat heterogeneous product. Within a particular size group, producers may offer several levels of electrical capacity and may sell both maintenance-free and batteries requiring maintenance. Moreover, the precise electrical specifications, whether measured in CCA's or the number of plates per battery, exact dimensions, and warranty terms differ considerably from producer to producer. Warranty terms may also differ at the retail level.

There are several differences between the markets for automotive batteries in the continental United States and the Puerto Rican market. In the continental United States, automotive battery manufacturers generally sell in both the original-equipment and replacement battery markets. The automotive battery market in Puerto Rico consists solely of replacement batteries. For the replacement market, battery specialists constitute the major channel of distribution in the continental United States. In Puerto Rico, no single channel seems to dominate the distribution of replacement batteries. Instead, automotive parts distributors, tire and battery specialists, small retailers such as gas stations, and mass-merchandisers are all major distribution networks. In addition, the product line is limited in Puerto Rico.

Consumers' needs in the continental United States compared with those in Puerto Rico also differ according to the climates of the two regions. Consumers in the continental United States generally evaluate batteries according to the warranty term and the CCA rating, with northern consumers generally typically preferring higher CCA batteries than their southern counterparts. Warranty periods in the automotive replacement battery market typically vary with the amount of active material in the battery, one measure of which is CCA's. 1/ The high year-round temperatures in Puerto Rico increase the wear and shorten the expected life of a battery. Thus, Puerto Rican customers, like those in the northern United States, prefer batteries with greater amounts of active material and longer warranty periods. However, in Puerto Rico, the number of plates per battery, rather than CCA's, is used to evaluate a battery. In addition, to maximize the life of their batteries, Puerto Rican consumers prefer to purchase dry-charged batteries and add the electrolyte themselves to insure that the battery is fresh; they also prefer to add water to their batteries periodically. Because maintenance-free batteries are not sold in a dry-charged state and usually have sealed caps which prevent the consumer from easily adding water, batteries requiring maintenance are the rule.

Consideration of Alleged Material Injury to an Industry in the United States

This section of the report presents data on the U.S. 12-volt automotive battery industry as a whole, 2/ breaking out data separately on original-

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1/ Generally, the greater the quantitative measurement, whether CCA, ampere hours, or number of plates, the greater the amount of active material (lead oxide) in the battery. Batteries with greater amounts of active material are more expensive to make, are sold at higher prices, and generally are offered to the consumer with longer warranty periods.

2/ Not all producers responded to the Commission's questionnaire; therefore, data are understated by as much as 30 to 35 percent.

equipment batteries and replacement batteries to the extent possible. Data are also presented separately on the Puerto Rican producers of 12-volt automotive batteries; however, these data apply only to replacement batteries as there is no production or sales of original-equipment batteries in Puerto Rico.

U.S. production, capacity, and capacity utilization

Total U.S. production of 12-volt automotive batteries increased from 40.0 million units in 1982 to 47.5 million units in 1984, representing an increase of 7.5 million units or 18.7 percent (table 5). This increase in production was a result of increases in production of * * *.

Total U.S. production of 12-volt batteries dropped, however, by 11.0 percent in January-March 1985 compared with that in January-March 1984. This was a result of a * * *.

Production capacity for the total U.S. industry increased throughout the period from 50.4 million units in 1982 to 53.8 million units in 1984, representing an increase of 6.8 percent. Capacity continued to increase by 4.1 percent in January-March 1985 compared with capacity in January-March 1984.

Capacity to produce original-equipment batteries * * * capacity to produce replacement batteries * * *. 1/

Capacity utilization for total 12-volt automotive batteries increased from 79.4 percent in 1982 to 88.2 percent in 1984, then dropped to 84.1 percent in January-March 1985 compared with 98.4 percent in January-March 1984. The trend of capacity utilization for original equipment batteries * * *, and that for replacement batteries * * *.

Puerto Rican producers.--The production of replacement batteries in Puerto Rico * * *. A portion of the decline in production in 1984 was due to a fire at the Exide facility in April of that year. Since the fire, Exide has been bringing batteries in from its facilities in the continental United States. Thus, they report no capacity or production for January-March 1985. GBIC ceased production in Puerto Rico in December 1984 and has since brought in batteries from GBC in the continental United States. Both Exide and GBIC were operating as warehousing and distribution centers, as of March 1985.

U.S. producers' shipments

Total domestic shipments of 12-volt automotive batteries increased from 40.1 million units in 1982 to 46.4 million units in 1984, representing an increase of 6.3 million units or 15.8 percent (table 6). Total U.S. shipments declined, however, by 10.0 percent in January-March 1985 compared with the

1/ Those producers that manufacture for both the original-equipment and replacement markets were able to provide separate data on capacity because some plants produce only for original-equipment customers and others only for the replacement market. However, realignment of capacity by market could occur in the long run as a result of changes in customer requirements.

Table 5.--12-volt lead-acid type automotive storage batteries: U.S. production, capacity, and capacity utilization, by type and by area, 1982-84, January-March 1984, and January-March 1985

(In thousands of units)

Region, type, and period	Production	Capacity	Capacity utilization
All U.S. producers:			
Original equipment:			
1982	***	***	***
1983	***	***	***
1984	***	***	***
January-March--			
1984	***	***	***
1985	***	***	***
Replacement:			
1982	***	***	***
1983	***	***	***
1984	***	***	***
January-March--			
1984	***	***	***
1985	***	***	***
Total: 1/			
1982	40,004	50,392	79.4
1983	43,391	51,853	83.7
1984	47,474	53,799	88.2
January-March--			
1984	12,498	13,159	98.4
1985	11,521	13,695	84.1
Producers in Puerto Rico: 2/			
Replacement--			
1982	***	***	***
1983	***	***	***
1984	***	***	***
January-March--			
1984	***	***	***
1985	***	***	***

1/ Data for original equipment and replacement batteries do not add to the totals shown, as some producers were unable to break out production and capacity between the two markets and therefore supplied only totals.

2/ Includes batteries principally produced at Exide's facilities in the continental United States but for which finishing operations were performed in Puerto Rico. These batteries totaled * * * units in 1982, * * * units in 1983, and * * * units in 1984.

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

corresponding period of 1984. Domestic shipments of original-equipment batteries * * *; domestic shipments of replacement batteries * * *.

Table 6.--12-volt lead-acid type automotive storage batteries: U.S. producers' shipments, 1982-84, January-March 1984, and January-March 1985

(In thousands of units)

Region, type, and period	Domestic shipments	Export shipments	Total
U.S. producers:			
Original equipment:			
1982	***	***	***
1983	***	***	***
1984	***	***	***
January-March--			
1984	***	***	***
1985	***	***	***
Replacement:			
1982	***	***	***
1983	***	***	***
1984	***	***	***
January-March--			
1984	***	***	***
1985	***	***	***
Total:			
1982	40,072	581	40,653
1983	43,454	596	44,050
1984	46,399	1,115	47,514
January-March--			
1984	11,464	274	11,738
1985	10,313	304	10,617
Puerto Rican producers: 1/			
Replacement:			
1982	***	***	***
1983	***	***	***
1984	***	***	***
January-March--			
1984	***	***	***
1985	***	***	***

1/ Includes batteries principally produced at Exide's facilities in the continental United States but for which finishing operations were performed in Puerto Rico. These batteries totaled * * * units in 1982, * * * units in 1983, and * * * units in 1984.

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

Domestic shipments by the Puerto Rican producers * * *. * * *. Virtually all reported domestic shipments by Puerto Rican producers were destined for the Puerto Rican market. GBIC discontinued production in December 1984, therefore, its shipments in January-March 1985 were from inventory or from its U.S. parent, GBC. Most of Exide's reported shipments after the fire in April 1984 were from Exide's plants in the continental United States.

Principal export markets include * * *.

Shipments into Puerto Rico.--Domestic producers located outside of Puerto Rico reported shipping * * * units into Puerto Rico in 1982, * * * units in 1983, and * * * units in 1984, representing an overall increase of * * * percent (table 7). With the closing of GBIC, shipments by U.S. producers outside Puerto Rico into Puerto Rico in January-March 1985 increased to * * * units compared with * * * units in the corresponding period of 1984, representing an increase of * * * units or * * * percent.

Table 7.--12-volt lead-acid type automotive storage batteries: Shipments into Puerto Rico, by sources, 1982-84, January-March 1984, and January-March 1985

Type and Period	Shipments by Puerto Rico producers 1/	Shipments by producers from outside Puerto Rico 2/	Shipments by distributors outside Puerto Rico 3/
	Quantity (1,000 units)		
Replacement batteries:			
1982	***	***	***
1983	***	***	***
1984	***	***	***
January-March--			
1984	***	***	***
1985	***	***	***
	Percent of total		
Replacement batteries:			
1982	***	***	***
1983	***	***	***
1984	***	***	***
January-March--			
1984	***	***	***
1985	***	***	***

1/ Includes batteries principally produced at Exide's facilities in the continental United States but for which finishing operations were performed in Puerto Rico. These batteries totaled * * * units in 1982, * * * units in 1983, and * * * units in 1984.

2/ Excludes the above mentioned batteries principally produced at Exide's facilities in the continental United States.

3/ Includes only * * *.

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

Shipments by producers outside of Puerto Rico either directly or through a distributor accounted for * * * percent of domestic shipments into the region in 1982, * * * percent of such shipments in 1983, and * * * percent of such shipments in 1984. Shipments by producers from outside Puerto Rico into Puerto Rico jumped to * * * percent in January-March 1985 due to the shutting down of production at GBIC in December 1984.

U.S. producers' inventories

End-of-period inventories of U.S. producers increased steadily throughout the period from 3.9 million units in 1981 to 4.8 million units in 1984, representing an increase of 876,000 units or 22.4 percent. As of March 31, 1985, inventories amounted to 5.9 million units, representing an increase of 846,000 units or 16.9 percent above the level of March 31, 1984 (table 8).

Table 8.--12-volt lead-acid type automotive storage batteries: U.S. producers' inventories, as of Dec. 31 of 1981-84 and Mar. 31 of 1984 and Mar. 31, 1985

(In thousands of units)

Item	1981	1982	1983	1984	As of Mar. 31--	
					1984	1985
U.S. producers--						
Original equipment	***	***	***	***	***	***
Replacement	***	***	***	***	***	***
Total 1/	3,918	4,009	4,036	4,794	5,004	5,850
Puerto Rican producer--						
Replacement	***	***	***	***	***	***

1/ Inventories of original-equipment and replacement batteries do not add to totals shown as some producers were unable to breakout data between the 2 and supplied only totals.

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

End-of-period inventories of original-equipment batteries * * * throughout the period, and inventories of replacement batteries * * *.

Inventories of the producers in Puerto Rico * * * from * * * units, as of December 31, 1981, to * * * units, as of December 31, 1984. Inventories then * * * to * * *, as of March 31, 1985, compared with * * *, as of March 31, 1984.

Employment

Employment of production and related workers producing 12-volt automotive batteries * * * from * * * workers in 1982 to * * * workers in 1983, representing a * * * of * * * percent, then * * * by * * * percent to * * * workers in 1984 (table 9). Employment * * * by * * * percent, from * * * workers in January-March 1984 to * * * workers in January-March 1985.

Table 9.--Average number of production and related workers employed in establishments producing 12-volt lead-acid type automotive storage batteries, hours worked by and total compensation and average hourly compensation paid to such employees, 1982-84, January-March 1984, and January-March 1985

Item	1982	1983	1984	January-March--	
				1984	1985
Production and related workers producing:					
Original equipment	***	***	***	***	***
Replacement	***	***	***	***	***
Total	***	***	***	***	***
Hours worked by such workers: 1/					
Original equipment 1,000 hours	***	***	***	***	***
Replacement ----------do----	***	***	***	***	***
Total ----------do----	***	***	***	***	***
Total compensation paid to such workers:					
Original equipment 1,000 dollars	***	***	***	***	***
Replacement ----------do----	***	***	***	***	***
Total ----------do----	***	***	***	***	***
Hourly compensation paid to such workers: 2/					
Original equipment	***	***	***	***	***
Replacement	***	***	***	***	***
Total	***	***	***	***	***

1/ Provided by 1 firm only.

2/ Calculated, using data provided by firms which supplied both hours worked and total compensation paid, in this case only 1 producer.

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

Hours worked by such workers * * * from 1982 to 1984, by * * * hours or * * * percent. Hours worked then * * *, however, by * * * hours or * * * percent in January-March 1985, compared with that in the corresponding period of 1984. Average hourly compensation * * * from * * * per hour in 1982 to

* * * in 1983, then * * * slightly to * * * in 1984. Compensation * * * to * * * in January-March 1985 compared with * * * in January-March 1984.

Employees in this industry are represented by various unions, principally the United Auto Workers, the United Steel Workers, and the Teamsters.

Employment of production and related workers in the Puerto Rican area * * * from * * * workers in 1982 to * * * workers in 1984, or by * * * percent (table 10). Employment * * * by * * * percent in January-March 1985 compared with that in January-March 1984, in large part due to the closing of the production facility of GBIC in December 1984 and the conversion of this facility to a warehouse and distribution center.

Table 10.--12-volt lead-acid type automotive storage batteries: Average number of production and related workers, hours worked by and total compensation and average hourly compensation paid to such workers in Puerto Rico, 1982-84, January-March 1984, and January-March 1985

Item	1982	1983	1984	January-March--	
				1984	1985
Production and related workers	***	***	***	***	***
Hours worked 1/ 1,000 hours	***	***	***	***	***
Total compensation 1/ 1,000 dollars	***	***	***	***	***
Hourly compensation paid to such workers	***	***	***	***	***

1/ Includes data provided by ESB only.

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

Hours worked * * * from * * * hours in 1982 to * * * hours in 1984, * * * in January-March 1985. Average hourly compensation * * * from * * * an hour in 1982 to * * * in 1984. Average hourly compensation * * * to * * * an hour in January-March 1985, compared with * * * an hour in the corresponding period of 1984.

Financial experience of U.S. producers

Four firms, accounting for 100 percent of reported U.S. production of 12-volt lead-acid type automotive storage batteries in 1984, furnished usable income-and-loss data concerning both their overall establishment operations and their operations on automotive storage batteries alone. 1/ Two of these

1/ * * *.

firms supplied usable income-and-loss data relative to their operations producing original-equipment batteries. 1/ All four of the reporting firms produce automotive storage batteries for the replacement market.

Overall establishment operations.--Net sales of all products produced in the establishments within which automotive batteries are produced rose annually from $1.1 billion to $1.3 billion, or by 20 percent, during 1982-84 (table 11). Net sales slipped 9 percent to $441 million during the interim period ending March 31, 1985, compared with net sales of $482 million during the corresponding period of 1984. Operating income also rose annually during 1982-84, rising from $88.7 million, or 8.1 percent of net sales to $173 million, or 13.1 percent of net sales. Operating income slipped to $62.3 million, or 14.1 percent of net sales, during interim 1985, compared with operating income of $67.6 million, or 14.0 percent of net sales, during the corresponding period of 1984. Net income before income taxes and cash flow from operations followed the same trend as operating income.

All automotive batteries.--Net sales of all automotive batteries followed the same trend as total establishment net sales, rising from $1.1 billion to $1.3 billion, or by 20 percent, during 1982-84 and then dropping 9 percent to $428 million during interim 1985, compared with net sales of $472 million during the corresponding period of 1984 (table 12). Operating income and net income before taxes also followed the same trend as that for total establishment operations. Operating income rose from $84.8 million, or 8.0 percent of net sales, to $155 million, or 12.2 percent of net sales, during 1982-84. Operating income dipped to $59.3 million, or 13.9 percent of net sales, during interim 1985, compared with operating income of $63.8 million, or 13.5 percent of net sales, during the corresponding period of 1984. Net income before income taxes and cash flow from operations followed the same trend as operating income during the reporting period. One firm sustained operating and net losses in each of the reporting periods. Another firm sustained a net loss in 1982 and operating and net losses in each of the two interim periods.

Replacement batteries.--The income-and-loss experience of four U.S. producers on their operations producing replacement batteries are shown in table 13. Total net sales * * *.

Original-equipment batteries.--Net sales, operating income, and net income before income taxes * * * (table 14).

General Battery International Corp. (Puerto Rico).--During 1982-84, * * * (table 15).

Investment in productive facilities.--U.S. producers' investment in productive facilities employed in the production of original-equipment batteries, valued at cost, ranged from * * * (table 16). U.S. producers' investment in productive facilities employed in the production of replacement batteries, valued at cost, ranged from * * *.

1/ * * *. * * * derived more than * * * percent of its automotive battery revenues from sales to the replacement market, thus, its data reflect all automotive battery operations.

Table 11.--Income-and-loss experience of 4 U.S. producers 1/ on the overall operations of their establishments within which 12-volt lead-acid type automotive storage batteries are produced, 1982-84, interim 1984, and interim 1985

Item	1982	1983	1984	Interim period ending Mar. 31--	
				1984	1985
Net sales:					
Trade----------1,000 dollars--	887,535	874,863	991,421	395,248	359,270
Intercompany transfers--do----	208,514	236,270	322,903	87,236	81,365
Total----------do----	1,096,049	1,111,133	1,314,324	482,484	440,635
Cost of goods sold--------do----	942,073	921,945	1,069,084	389,326	352,822
Gross income----------do----	153,976	189,188	245,240	93,158	87,813
General, selling, and administrative expenses 1,000 dollars--	65,323	67,419	72,730	25,548	25,532
Operating income----------do----	88,653	121,769	172,510	67,610	62,281
Other income or (expense)-net 1,000 dollars-	(24,411)	(4,963)	7,521	2,703	3,369
Net income before income taxes 1,000 dollars-	64,242	116,806	180,031	70,313	65,650
Depreciation and amortization 1,000 dollars-	42,379	41,497	39,643	13,698	13,177
Cash flow from operations-do----	106,621	158,303	219,674	84,011	78,827
Ratio to net sales:					
Gross income---------percent--	14.0	17.0	18.7	19.3	19.9
Operating income--------do----	8.1	10.9	13.1	14.0	14.1
Net income before income taxes----------do----	5.9	10.5	13.7	14.6	14.9
Cost of goods sold------do----	86.0	83.0	81.3	80.7	80.1
General, sellings, and administrative expenses--percent-	5.9	6.1	5.5	5.3	5.8
Number of firms reporting--					
Operating losses----------	1	1	1	1	1
Net losses----------	1	1	1	1	1

1/ * * *.

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

Table 12.--Income-and-loss experience of 4 U.S. producers 1/ on their operations producing 12-volt lead-acid type automotive storage batteries, 1982-84, interim 1984, and interim 1985

Item	1982	1983	1984	Interim period ended Mar. 31--	
				1984	1985
Net sales:					
Trade----------1,000 dollars--	850,264	835,058	943,891	384,349	346,689
Intercompany transfers--do----	208,514	236,270	322,903	87,236	81,365
Total----------do----	1,058,778	1,071,328	1,266,794	471,585	428,054
Cost of goods sold--------do----	919,326	902,189	1,048,532	384,689	345,917
Gross income----------do----	139,452	169,139	218,262	86,896	82,137
General, selling, and administrative expenses 1,000 dollars--	54,644	58,036	63,252	23,088	22,853
Operating income----------do----	84,808	111,103	155,010	63,808	59,284
Other income or (expense)-net 1,000 dollars-	(22,399)	(5,106)	6,750	2,431	3,068
Net income before income taxes 1,000 dollars-	62,409	105,997	161,760	66,239	62,352
Depreciation and amortization 1,000 dollars-	37,407	37,395	35,561	12,681	12,149
Cash flow from operations-do----	99,816	143,392	197,321	78,920	74,501
Ratio to net sales:					
Gross income---------percent--	13.2	15.8	17.2	18.4	19.2
Operating income--------do----	8.0	10.4	12.2	13.5	13.9
Net income before income taxes----------do----	5.9	9.9	12.8	14.0	14.6
Cost of goods sold------do----	86.8	84.2	82.8	81.6	80.8
General, sellings, and administrative expenses--percent-	5.2	5.4	5.0	4.9	5.3
Number of firms reporting--					
Operating losses----------	1	1	1	2	2
Net losses----------	2	1	1	2	2

1/ * * *.

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

Table 13.--Income-and-loss experience of 4 U.S. producers 1/ on their operations producing replacement automotive batteries, 1982-84, interim 1984, and interim 1985

Item	1982	1983	1984	Interim period ended Mar. 31--	
				1984	1985
Net sales:					
Trade----------1,000 dollars--	***	***	***	***	***
Intercompany transfers--do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
Cost of goods sold--------do----	***	***	***	***	***
Gross income----------do----	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars--	***	***	***	***	***
Operating income----------do----	***	***	***	***	***
Other income or (expense)-net 1,000 dollars-	***	***	***	***	***
Net income before income taxes 1,000 dollars-	***	***	***	***	***
Depreciation and amortization 1,000 dollars-	***	***	***	***	***
Cash flow from operations-do----	***	***	***	***	***
Ratio to net sales:					
Gross income--------percent--	***	***	***	***	***
Operating income--------do----	***	***	***	***	***
Net income before income taxes----------do----	***	***	***	***	***
Cost of goods sold------do----	***	***	***	***	***
General, sellings, and administrative expenses-percent--	***	***	***	***	***
Number of firms reporting--					
Operating losses----------	***	***	***	***	***
Net losses----------	***	***	***	***	***

1/ * * *.

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

Table 14.--Income-and-loss experience of 2 U.S. producers 1/ on their operations producing original-equipment automotive batteries, 1982-84, interim 1984, and interim 1985

Item	1982	1983	1984	Interim period ended Mar. 31--	
				1984	1985
Net sales:					
Trade----------1,000 dollars--	***	***	***	***	***
Intercompany transfers--do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
Cost of goods sold--------do----	***	***	***	***	***
Gross income----------do----	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars--	***	***	***	***	***
Operating income----------do----	***	***	***	***	***
Other income or (expense)-net 1,000 dollars-	***	***	***	***	***
Net income before income taxes 1,000 dollars-	***	***	***	***	***
Depreciation and amortization 1,000 dollars-	***	***	***	***	***
Cash flow from operations-do----	***	***	***	***	***
Ratio to net sales:					
Gross income---------percent--	***	***	***	***	***
Operating income--------do----	***	***	***	***	***
Net income before income taxes----------do----	***	***	***	***	***
Cost of goods sold------do----	***	***	***	***	***
General, sellings, and administrative expenses--percent-	***	***	***	***	***
Number of firms reporting--					
Operating losses----------	***	***	***	***	***
Net losses----------	***	***	***	***	***

1/ * * *.

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

Table 15.--Income-and-loss experience of General Battery International Corp. (Puerto Rico) on its operations producing 12-volt lead-acid type automotive storage batteries, 1982-84, interim 1984, and interim 1985

Item	1982	1983	1984	Interim period ended Mar. 31--	
				1984	1985
Net sales--------1,000 dollars--	***	***	***	***	***
Cost of goods sold--------do----	***	***	***	***	***
Gross income----------do----	***	***	***	***	***
General, selling, and administrative expenses-------do----	***	***	***	***	***
Operating income or (loss) do----	***	***	***	***	***
Other income or (expense)-net 1,000 dollars--	***	***	***	***	***
Net income before income taxes----------do----	***	***	***	***	***
Depreciation and amortization----------do----	***	***	***	***	***
Cash flow from operations-do----	***	***	***	***	***
Ratio to sales:					
Gross income---------percent--	***	***	***	***	***
Operating income or (loss)----------do----	***	***	***	***	***
Net income or (loss) before income taxes-------percent--	***	***	***	***	***
Cost of goods sold------do----	***	***	***	***	***
General, selling, and administrative expenses--percent--	***	***	***	***	***

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

Capital expenditures.--U.S. producers made capital expenditures of * * *. Capital expenditures for facilities used in the production of replacement batteries were * * *.

Research and development expenses.--Research and development expenses relative to the production of original equipment batteries were * * * (table 16). Research and development expenses associated with the production of replacement batteries were * * *. * * *.

Table 16.--Investment in productive facilities, capital expenditures, and research and development expenses related to automotive batteries 1/

(In thousands of dollars)

Item	1982	1983	1984	Interim period ended Mar. 31----	
				1984	1985
Investment in productive facilities:					
All products:					
Original cost	856,686	900,042	940,084	913,046	952,080
Book value	306,790	309,435	330,703	327,135	338,993
Original-equipment batteries:					
Original cost	***	***	***	***	***
Book value	***	***	***	***	***
Replacement batteries:					
Original cost	***	***	***	***	***
Book value	***	***	***	***	***
Research and development expenses:					
Original-equipment	***	***	***	***	***
Replacement	***	***	***	***	***
Capital expenditures:					
All products:					
Land	117	533	1,174	109	191
Buildings	1,440	2,187	6,171	1,004	674
Machinery and equipment	47,940	54,666	82,897	13,519	24,686
Total	49,497	57,386	90,242	14,632	25,551
Original-equipment batteries:					
Land	***	***	***	***	***
Buildings	***	***	***	***	***
Machinery and equipment	***	***	***	***	***
Total	***	***	***	***	***
Replacement batteries:					
Land	***	***	***	***	***
Buildings	***	***	***	***	***
Machinery and equipment	***	***	***	***	***
Total	***	***	***	***	***

1/ The number of firms reporting data concerning their investment in productive facilities and capital expenditures are as follows: all products, 4 firms; original equipment, 1 firm; and replacement batteries, 4 firms. 1 firm reported research and development expenses relative to its original-equipment battery operations and another firm reported such data for its replacement battery operations.

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

Consideration of Alleged Threat of Material Injury to an Industry in the United States

In its examination of the question of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase in allegedly LTFV imports, the rate of increase in U.S. market penetration by such imports, the amounts of imports held in inventory in the United States, and the capacity of producers in the country subject to the investigation to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports of 12-volt automotive batteries and of the U.S. market penetration of such imports is presented in the section of this report entitled "Consideration of the Causal Relationship Between Alleged Material Injury and Allegedly LTFV Imports." Information on the foreign industry is presented in the foreign industry section of this report. A discussion of the available information concerning importers' inventories of 12-volt automotive batteries follows.

U.S. importers' inventories

Data on inventories of imports were received from six firms accounting for 34.7 percent of imports of automotive batteries from Korea into the United States in 1984. Reported inventories as a share of imports by the responding firms were * * * percent in 1984. The importing firms located in Puerto Rico reported * * * units in inventory at the end of 1984. This represents * * * percent of imports into Puerto Rico by those firms in 1984.

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

U.S. imports

U.S. imports of 12-volt lead-acid type batteries provided for under TSUS item 683.05, which include the automotive batteries covered by this investigation, were not separately classified in official statistics prior to April 1, 1982. In addition, TSUS item 683.05 includes types of 12-volt batteries other than automotive, i.e., motorcycle and industrial. The import statistics, as compiled from official statistics of the U.S. Department of Commerce, are presented in app. D. The following tabulation shows estimates of imports of automotive batteries based on official statistics, adjusted by the Commission staff following a survey of major importers:

Source	1982 1/	1983	1984	January-March--	
				1984	1985
Japan	325,485	429,134	496,373	146,689	173,547
Republic of Korea	23,803	169,475	172,510	56,848	76,037
Canada	91,761	101,036	96,705	20,030	48,383
West Germany	13,544	28,202	57,654	25,041	13,476
All other	4,482	19,644	78,684	20,623	40,813
Total	459,075	747,491	901,926	269,231	352,256

1/ Official statistics were adjusted to include estimates of 12-volt batteries imported in January-March 1982.

Total imports of automotive batteries on the basis of Commission estimates increased from 459,075 units in 1982 to 901,926 in 1984, representing an increase of 96.5 percent. Imports from all sources continued to increase to 352,256 units in January-March 1985 compared with 269,231 in January-March 1984, or by 30.8 percent.

Imports of automotive batteries from Korea increased from 23,803 in 1982 to 172,510 in 1984, a sixfold increase in 2 years. Imports of the Korean batteries continued to rise in January-March 1985 to 76,037 units, representing an increase of 19,189 units, or 33.8 percent from the January-March 1984 level.

There were no imports of 12-volt automotive batteries from Korea into Puerto Rico in 1982. In 1983 imports from Korea were 28,444 units; such imports increased by 36,291 units to 64,732 units in 1984. Imports from Korea continued to increase in January-March 1985 to 40,890 units compared with 11,290 units in January-March 1984, as shown in the following tabulation:

Source	1982	1983	1984	January-March--	
				1984	1985
Republic of Korea-units	0	28,444	64,732	11,290	40,890
Brazil-----do	0	0	4,656	1,780	11,943
All other-----do	22,845	17,406	41,824	15,644	9,107
Total-----do	22,845	45,850	111,212	28,714	61,940

Imports of 12-volt automotive batteries from Korea into Puerto Rico accounted for 16.8 percent of imports of such merchandise into the United States in 1983, 37.5 percent in 1984, and 53.8 percent in January-March 1985.

U.S. market penetration

Imports of 12-volt automotive batteries from all countries, as a share of apparent U.S. consumption, increased from 1.1 percent of consumption in 1982 to 1.9 percent in 1984 (table 17). Imports accounted for 3.3 percent of apparent consumption in January-March 1985 compared with 2.3 percent in January-March 1984.

Table 17.--12-volt lead-acid type automotive storage batteries: Shares of apparent U.S. consumption supplied by Korea, all other countries, and U.S. producers, 1982-84, January-March 1984, and January-March 1985

Source	1982	1983	1984	January-March--	
				1984	1985
U.S. consumption 1/					
1,000 units	40,531	44,201	47,301	11,733	10,665
Share of U.S. consumption supplied by:					
Korea--percent	0.06	0.38	0.37	0.49	0.71
All other countries do	1.07	1.31	1.54	1.81	2.59
Subtotal--do	1.13	1.69	1.91	2.29	3.30
U.S. producers--do	98.9	98.3	98.1	97.7	96.7
Total--do	100.0	100.0	100.0	100.0	100.0

1/ Apparent consumption is based on U.S. producers' shipments, as reported in response to a questionnaire of the U.S. International Trade Commission, and as such are understated by as much as 30 to 35 percent in that all U.S. producers did not respond to the questionnaire.

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

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

The share of the U.S. market for 12-volt automotive batteries supplied by imports from Korea increased from 0.06 percent in 1982 to 0.37 percent in 1984. The Korean share increased to 0.71 percent of total domestic consumption in January-March 1985 compared with 0.49 percent of consumption in January-March 1984.

The share of the Puerto Rican market for 12-volt automotive batteries supplied by imports from Korea increased from * * * percent in 1983 to * * * percent in 1984 (table 18). The Korean share increased to * * * percent in January-March 1985 compared with * * * percent in January-March 1984. The share of the Puerto Rican market for 12-volt automotive batteries held by imports from all countries increased from * * * percent of consumption in 1982 to * * * percent in 1984, with a continued increased to * * * percent in January-March 1985, compared with * * * percent in January-March 1984.

Table 18.--12-volt lead-acid type automotive storage batteries: Shares of apparent Puerto Rican consumption supplied by Korea, all other countries, and U.S. producers, in the Puerto Rican market, 1982-84, January-March 1984, and January-March 1985

Item	1982	1983	1984	January-March--	
				1984	1985
Puerto Rican consumption 1,000 units	***	***	***	***	***
Share of Puerto Rican consumption supplied by:					
Korea--percent	-	***	***	***	***
All other countries--do	***	***	***	***	***
Subtotal--do	***	***	***	***	***
U.S. producers or distributors outside Puerto Rico 1/	***	***	***	***	***
Puerto Rican producers 2/	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

1/ Excludes batteries principally produced at Exide's facilities in the continental United States but for which finishing operations were performed in Puerto Rico. If these batteries were considered as produced in the continental United States rather than in Puerto Rico, the shares of Puerto Rican consumption supplied by producers in the continental United States would increase to * * * percent in 1982, * * * percent in 1983, and * * * percent in 1984.

2/ If the above-mentioned batteries were considered as produced in the continental United States rather than in Puerto Rico, the shares of Puerto Rican consumption supplied by producers in Puerto Rico would decrease to * * * percent in 1982, * * * percent in 1983, and * * * percent in 1984.

Source: Compiled from official statistics of the U.S. Department of Commerce as adjusted by the Commission and from data submitted in response to questionnaires of the U.S. International Trade Commission.

Prices

From the consumer's perspective, the major determinant of price in the automotive replacement battery market appears to be the length of the warranty that accompanies the battery. The price of a battery also depends on size and maintenance requirements, with larger batteries being generally more expensive than smaller batteries, and maintenance-free batteries being generally more expensive than batteries requiring maintenance.

Pricing is highly competitive, with the result that most producers do not publish price lists. On the other hand, some producers may publish several price lists that distinguish between types of customers. 1/ Other than the fact that prices are generally quoted on a delivered basis, there are no other traditional transaction terms in the automotive replacement market. According to questionnaire responses, producers and importers rarely have long-term sales contracts with any of their principal customers, and discount policies vary with the intensity of competition at any one particular time.

The Commission requested pricing data on 12-volt lead-acid type automotive storage replacement batteries from producers located in the continental United States and in Puerto Rico, and from importers of 12-volt lead-acid type automotive storage replacement batteries from Korea located in those two regions. These groups were asked to provide the Commission with quarterly f.o.b. prices and inland shipping costs for sales to their largest parts distributor/battery specialist customers from January-March 1983 through January-March 1985. 2/ Pricing data were requested separately for both maintenance-free batteries and nonmaintenance-free batteries most equivalent to the batteries listed below: 3/

1. BCI group size 24, having a CCA rating of 380 CCA, or having 60 plates per battery.

2. BCI group size 24F, having a CCA rating of 380 CCA, or having 60 plates per battery.

3. BCI group size 24F, having a CCA rating of 525 CCA, or having 78 plates per battery.

Three U.S. producers, one Puerto Rican producer, two U.S. importers, and two Puerto Rican importers provided some data as requested, but not necessarily for each product or each period. The Puerto Rican producer, GBIC, reported pricing data only for nonmaintenance-free batteries. Importers of 12-volt lead-acid type storage batteries from Korea located in the continental United States reported pricing data only for the non maintenance-free batteries, and only for certain quarters. Those importers located in Puerto Rico reported pricing data only for the non-maintenance-free size 24F, 525 CCA battery, and only from July-September 1984 through January-March 1985.

1/ Producers report, for example, that the price list for a battery specialist may differ from that for a distributor/wholesaler on the basis of additional services available to the latter.

2/ Because transportation costs do not appear to be a major competitive factor in the automotive replacement battery market, producers' and importers' f.o.b. selling prices are used for comparing the levels of producers' and importers' prices to parts distributors/battery specialists in both the continental United States and in Puerto Rico, as well as for comparing the trends of these prices.

3/ Many producers make batteries having specifications that closely approximate those listed above, although the precise specifications (i.e., the exact number of CCA's or plates) may vary from producer to producer.

Price trends in the continental United States.--Based on quarterly weighted-average f.o.b. prices to parts distributors/battery specialists in the United States (tables 19 and 20), U.S. producers' prices for the three maintenance-free battery products generally fluctuated within a $2 to $3 range from January-March 1983 to January-March 1985. Prices of 380 CCA batteries fluctuated between $22 and $25 during the period covered, and the more powerful 525 CCA batteries were priced about $4 per battery higher, fluctuating between $26 and $29. The prices of these products showed the most significant increases in July-September 1984 and declined thereafter to just below the level of January-March 1983 in January-March 1985. For nonmaintenance-free batteries, U.S. producers' prices showed no trend and generally varied between $18-$20 for the 380 CCA batteries and $24-$26 for the 525 CCA battery during the same period. No trends in U.S. importers' weighted-average prices can be identified, in part because of limited data (table 21). Quarterly prices of the three nonmaintenance-free batteries imported from Korea generally fluctuated within a $1.50 to $2.50 range.

Table 19.--Domestic maintenance-free automotive storage replacement batteries sold in the continental United States: U.S. producers' weighted-average f.o.b. prices and quantities for batteries sold to parts distributors/ battery specialists, by products and quarters, January 1983-March 1985

Period	380 CCA				525 CCA	
	Size 24		Size 24F		Size 24F	
	Price	Quantity	Price	Quantity	Price	Quantity
	Per unit	Units	Per unit	Units	Per unit	Units
1983:						
Jan.-Mar	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***
July-Sept	***	***	***	***	***	***
Oct.-Dec	***	***	***	***	***	***
1984:						
Jan.-Mar	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***
July-Sept	***	***	***	***	***	***
Oct.-Dec	***	***	***	***	***	***
1985:						
Jan.-Mar	***	***	***	***	***	***

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

Table 20.--Domestic nonmaintenance-free automotive storage replacement batteries sold in the continental United States: U.S. producers' weighted-average f.o.b. prices and quantities for batteries sold to parts distributors/battery specialists, by products and quarters, January 1983-March 1985

Period	380 CCA				525 CCA	
	Size 24		Size 24F		Size 24F	
	Price	Quantity	Price	Quantity	Price	Quantity
	Per unit	Units	Per unit	Units	Per unit	Units
1983:						
Jan.-Mar	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***
July-Sept	***	***	***	***	***	***
Oct.-Dec	***	***	***	***	***	***
1984:						
Jan.-Mar	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***
July-Sept	***	***	***	***	***	***
Oct.-Dec	***	***	***	***	***	***
1985:						
Jan.-Mar	***	***	***	***	***	***

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

Table 21.--Imported nonmaintenance-free automotive storage replacement batteries sold in the continental United States: U.S. importers' weighted-average f.o.b. prices and quantities for batteries imported from Korea sold to parts distributor/battery specialists, by products and quarters, July 1983-March 1985

Period	380 CCA				525 CCA	
	Size 24		Size 24F		Size 24F	
	Price	Quantity	Price	Quantity	Price	Quantity
	Per unit	Units	Per unit	Units	Per unit	Units
1983:						
July-Sept	***	***	***	***	***	***
Oct.-Dec	***	***	***	***	***	***
1984:						
Jan.-Mar	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***
July-Sept	***	***	***	***	***	***
Oct.-Dec	***	***	***	***	***	***
1985:						
Jan.-Mar	***	***	***	***	***	***

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

Price trends in Puerto Rico.--Only one producer, GBIC, provided price data for sales in Puerto Rico. Price trends were more evident in these data (table 22), where GBIC's quarterly f.o.b. prices for all nonmaintenance-free batteries * * *. Representative of price trends for the 380 CCA batteries were prices of the size 24 battery, which * * *. * * *.

Price comparisons.--For sales to parts distributors/battery specialists in the United States, the reported selling price data resulted in 12 quarterly price comparisons between domestically produced nonmaintenance-free batteries and those imported from Korea into the continental United States (table 23). Margins of underselling were found in all nine price comparisons for the 380 CCA batteries, with average margins fluctuating between 11.4 percent and 24.5 percent for the size 24 battery, and between 4.7 percent and 11.2 percent for the size 24F battery. Of the three price comparisons for the 525 CCA battery, two showed underselling and one showed overselling. Absolute and percentage margins of underselling were much lower for this battery product.

Table 22.--Non-maintenance-free automotive replacement storage batteries sold in Puerto Rico: Puerto Rican producers' and importers' weighted-average prices and quantities of batteries sold to parts distributors/battery specialists, by products and by quarters, January 1983-March 1985

Period	Producers						Importers	
	380 CCA				525 CCA		525 CCA	
	Size 24		Size 24F		Size 24F		Size 24F	
	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
	$/unit	Units	$/unit	Units	$/unit	Units	$/unit	Units
1983:								
Jan.-Mar-----	***	***	***	***	***	***	***	***
Apr.-June----	***	***	***	***	***	***	***	***
July-Sept----	***	***	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***	***	***
1984:								
Jan.-Mar-----	***	***	***	***	***	***	***	***
Apr.-June----	***	***	***	***	***	***	***	***
July-Sept----	***	***	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***	***	***
1985:								
Jan.-Mar-----	***	***	***	***	***	***	***	***

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

Table 23.--Nonmaintenance-free automotive replacement storage batteries: average margins of underselling (overselling) between the domestically produced batteries and those imported from Korea, by market area, by products and by quarters, July 1983-March 1985

Period	Continental United States						Puerto Rico	
	380 CCA				525 CCA		525 CCA	
	Size 24		Size 24F		Size 24F		Size 24F	
	Margin of underselling (overselling)							
	$/unit	Percent	$/unit	Percent	$/unit	Percent	$/unit	Percent
1983:								
July-Sept----	$2.18	11.4	$2.13	11.2	1/	1/	1/	1/
Oct.-Dec-----	1/	1/	1/	1/	1/	1/	1/	1/
1984:								
Jan.-Mar-----	4.99	24.5	1/	1/	1/	1/	1/	1/
Apr.-June----	4.04	20.7	1/	1/	$0.83	3.2	1/	1/
July-Sept----	3.28	16.5	1.13	5.7	(.45)	(1.7)	***	***
Oct.-Dec-----	4.79	23.6	1/	1/	1/	1/	***	***
1985:								
Jan.-Mar-----	3.21	16.3	.91	4.7	.23	1.0	***	***

1/ Lack of sales precludes comparisons.

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

Reported sales to parts distributors/battery specialists in Puerto Rico resulted in only three price comparisons between the nonmaintenance-free 525 CCA battery produced in Puerto Rico and that imported from Korea. These price comparisons showed underselling in one quarter and overselling in two quarters. The underselling was * * * percent of the domestic producer's price and the overselling ranged from * * * to * * * percent of the domestic producer's price.

Exchange rates.--Table 24 presents indexes of producer prices in the United States and Korea, and indexes of the nominal and real exchange rates between the U.S. dollar and the Korean won, by quarters, from January-March 1983 through January-March 1985. The Korean won depreciated by 10.2 percent against the dollar since the base period. However, because the official rate of inflation in the United States was marginally higher than that in Korea, the real value of the Korean won apparently decreased relative to the dollar by 12.2 percent.

Table 24.--Indexes of producer prices in the United States and Korea, and indexes of the nominal and real exchange rates between the U.S. dollar and the Korean won, 1/ by quarters, January 1982-March 1985

(January-March 1983=100)

Period	United States producer price index	Korean producer price index	Nominal exchange rate index	Real exchange rate index
1983:				
January-March	100.0	100.0	100.0	100.0
April-June	100.3	99.2	97.9	96.9
July-September	101.3	98.9	96.0	93.7
October-December	101.8	98.9	94.8	92.1
1984:				
January-March	102.9	99.3	94.7	91.4
April-June	103.6	99.6	94.4	90.8
July-September	103.3	100.4	93.0	90.4
October-December	103.1	100.5	91.9	89.6
1985:				
January-March	102.9	100.5	89.8	87.8

1/ Based on exchange rates expressed in U.S. dollars per Korean won.

Source: International Monetary Fund, International Financial Statistics.

Transportation costs

Transportation costs do not appear to be a major competitive factor in the automotive replacement battery market. 1/ Freight is usually absorbed by the producers on sales of truckload quantities in both the continental United States and in Puerto Rico. Two of the three reporting producers in the United States use their own trucks to deliver batteries to their customers. The other producer ships its batteries by common carrier. Inland shipping costs as a share of the delivered price (per unit) ranged from 2.1 to 6.1 percent for reporting producers in the continental United States from January-March 1983 to January-March 1985. During this period, one importer located in the continental United States reported transportation costs ranging from 1.2 percent to 2.9 percent of the delivered price, and the other importer reported costs ranging from 3.1 to 6.8 percent. Shipping costs for the only reporting producer located in Puerto Rico ranged from * * * to * * * percent of the delivered price over this period. Of the reporting importers in Puerto Rico, one did not deliver batteries to his customers, and neither provided usable shipping cost data. The policy of freight equalization, which is common in some industries where transportation costs are large, is rare in the automotive replacement battery market. 2/

1/ Partially based on telephone conversations with spokesmen for * * * and * * * during the week of May 28-31, 1985.

2/ * * *, an importer located in Puerto Rico, equalized freight on less than 1 percent of gross sales.

Lost sales and lost revenues

Questionnaire responses resulted in 21 allegations of sales lost and 14 allegations of revenues lost due to lower priced imports of the subject product from Korea. These allegations are discussed separately below for instances reported in the continental United States and for those reported in Puerto Rico.

Lost sales reported in the continental United States.--Two producers of automotive replacement batteries located in the continental United States, * * * and * * *, reported 10 allegations of sales lost to lower priced imports of the subject product from Korea. The Commission staff investigated all 10 of these allegations, involving a total of * * * batteries and * * * in sales revenue.

* * * stated that in the * * *, * * * rejected * * *'s offer of * * * for * * * batteries in favor of Korean batteries priced at * * *. A spokesman for * * * stated that he started buying Korean batteries in * * * and estimated that he bought * * * batteries imported from Korea during the period of * * *'s allegation. This spokesman said that he buys primarily on the basis of quality. He reported that Korean batteries are generally better than those produced in the United States in terms of the quality of the battery separators, and are returned due to defects approximately 60 to 70 percent less often. Regarding prices, he said that the prices of Korean batteries are usually 20 to 25 percent lower than the prices of domestically produced batteries, which have generally remained at the same level for the past few years. Currently, he estimates that * * * percent of the batteries purchased by * * * are manufactured in the United States.

* * * alleged that it was unable to sell * * * batteries to * * * for * * * in * * * because the company bought Korean batteries instead for * * *. A spokesman for * * * denied buying any Korean batteries in 1985. He stated that he was not satisfied with the quality of the * * * Korean batteries he bought in 1984. He said that quality and service are the major determinants in the company's sourcing decisions.

* * * stated that * * * rejected its offer of * * * for * * * batteries in * * *, accepting instead an offer of * * * for the Korean product. A spokesman for * * * said that the company has not bought any Korean batteries since 1980 due to quality problems it experienced at that time. Price, quality, and packaging were cited as the major factors in the firm's purchasing decisions.

* * * was cited by * * * in a lost sale allegation involving * * * Korean batteries allegedly bought for * * * sometime in * * *. * * *'s rejected offer was * * *. A spokesman for the company stated that it has never bought Korean batteries. His reasons for buying only domestically produced batteries include a fear of potential quality problems and a preference to "buy American."

* * * stated that in * * *, it was unable to sell * * * batteries to * * * for * * * because the company accepted an offer of * * * for Korean batteries. A spokesman for * * * asserted that he has never bought Korean batteries, and that he is satisfied with his current suppliers of domestically produced batteries. For this company, both quality and assured sources of large supplies were crucial factors in its decision to continue buying from * * *, * * *, * * *, and * * *. In addition, he has recently been able to get better discounts from his suppliers for purchasing large quantities.

* * * cited * * * in a lost sale allegation involving * * * batteries but did not provide any further information regarding this instance. A spokesman for the alleged purchaser said that he has bought Korean batteries from time to time and found them to be just as good as the domestically produced batteries. However, he reported buying mostly domestically produced batteries recently at prices that undersold Korean battery prices.

* * * alleged that it was unable to sell * * * batteries to * * * in * * * for * * * because that company accepted an offer of * * * for batteries imported from Korea instead. A spokesman for * * * asserted that, even though Korean batteries are less expensive, his company had never purchased them due to fears of quality problems and a preference for buying American products.

Lastly, * * *, was also named by * * * in a lost sale allegation involving the purchase of * * * Korean batteries in * * *. The accepted bid was reportedly * * * lower than * * *'s bid of * * *. * * * stated that his company has never bought any Korean batteries, although he believes that they are generally high-quality products, and that he does not buy batteries from * * *. * * * reportedly purchases most of its batteries from * * * and * * *. * * * stated that there are battery manufacturers in the United States that have been able to compete with Korean batteries in terms of price, citing as examples * * * in * * * and * * * in * * *. However, because these companies have small production capacities, he still must rely on higher priced batteries from other domestic manufacturers for the majority of his purchases. He complained that the quality of domestically produced batteries has worsened in recent years, in terms of both the amount of active material and plates per battery, while prices of said products have increased.

* * * alleged that it was unable to sell * * * batteries for * * * to * * * in * * * because that company bought Korean batteries for * * * instead. * * *, * * *, denied purchasing any Korean batteries since * * * due to the "new import duty" 1/ imposed on those batteries. Price was cited as the primary basis for the company's sourcing decisions.

Also named in * * * lost sales allegations was * * * in * * *, which allegedly purchased * * * Korean batteries for * * * in * * *, rejecting * * *'s offer of * * *. However, a spokesman for * * * denied purchasing any Korean batteries in the last 5 years, stating as his reason that Korean batteries are too expensive.

1/ The Republic of Korea was removed from GSP eligibility status with respect to TSUS item 683.05, effective Mar. 31, 1983. See the section of this report entitled U.S. tariff treatment, for further information.

Lost revenues reported in the continental United States.--Only one producer, * * *, reported specific instances of revenue allegedly lost to avoid losing a sale to competitors selling lower priced batteries from Korea. All 3 allegations, which involved a total of * * * batteries, were investigated by the Commission staff. 1/

* * * allegedly lowered its prices by * * * to * * * per battery to make a sale of * * * batteries to * * * in * * *. A spokesman for * * * would neither confirm nor deny this allegation, but stated that he has never purchased Korean batteries * * *.

* * * named * * * in a lost revenue allegation, in which * * * reportedly lowered its prices on * * * batteries, by * * * and up per battery in * * *. A spokesman for the company denied causing any producer to lower its prices in that period by threatening to purchase Korean batteries. * * * has never purchased Korean batteries * * *.

Finally, * * * reported that it had to reduce its quoted price to * * * in * * * by * * * to * * * per battery to make a sale of * * * batteries. However, * * * stated that his company does not buy batteries from * * *. Furthermore, this spokesman said that no domestic producer has ever offered to reduce its price to him to meet importers' prices of Korean batteries.

Lost sales reported in Puerto Rico.--* * *.

* * * alleged that in * * *, * * *, rejected its bid of * * * for * * * batteries and bought Korean batteries instead for an undisclosed amount. However, a spokesman for the company estimated that in * * * he bought only * * * Korean batteries, * * * batteries from * * *, and * * * batteries from * * *. He began buying Korean batteries from * * * one year ago because of their low price and high quality. The spokesman estimated that, while * * * batteries had a 3 to 6 percent return rate, the Korean batteries sold by * * * had a return rate of only 1 to 2 percent.

* * * was named in a lost sale allegation involving * * * Korean batteries purchased for * * * in * * *. * * *'s rejected offer was * * *. Although he did not deny nor confirm this allegation, a spokesman for * * * stated that he currently purchases mainly Korean batteries because the prices are lower and the quality is better. In his experience, batteries produced in the United States typically have a return rate of 7 to 8 percent, whereas the rate for * * *'s batteries imported from Korea is less than 2 percent.

* * * alleged that it was unable to sell * * * batteries to * * * for * * * in * * * because that company bought Korean batteries for * * * instead. A spokesman for the company could only state that he buys very few batteries produced in the United States. He reportedly prefers Korean batteries to those from * * * because they usually cost * * * less per battery for the same level of quality.

1/ * * * did not provide the pricing information for these lost sales necessary to make an exact calculation of revenues lost.

* * * cited * * * in a lost sale allegation involving * * * Korean batteries purchased in * * *. * * * reportedly accepted an offer of * * *, rejecting * * *'s offer of * * *. A spokesman for the company estimated that approximately one-half of his battery purchases in * * * included batteries produced in Korea. However, he reportedly purchases only * * * batteries in an entire year. He cited quality as the major basis for his sourcing decisions. He stated that * * * used to be his major supplier until quality problems with its batteries became unbearable, estimating that about 2 years ago the return rate for * * *'s batteries was as high as * * * to * * * percent. * * *. Since the beginning of * * *, * * * has reportedly been purchasing solely Korean batteries. Although the company's spokesman believes that the return rate for * * * batteries has fallen to around * * * to * * * percent, he asserted that his company will never again purchase * * * batteries. If Korean batteries were not available, he reports that * * * would either purchase Brazilian or Venezuelan batteries, or get out of the battery business entirely. He stated that Brazilian and Venezuelan batteries are of acceptable quality, although not as good as Korean batteries, and cost less than the Korean batteries.

Finally, in a lost sale allegation involving * * * batteries offered by * * * for * * * in * * *, * * * allegedly accepted an offer for Korean batteries at an undisclosed amount. However, a spokesman for * * * denied purchasing any Korean batteries until * * *, when he purchased * * * batteries from * * *. He reports that * * * currently purchases the majority of its batteries from * * *. Two years ago, he bought some batteries from * * * but stopped because they had a return rate of approximately 8 percent.

Lost revenues reported in Puerto Rico.--* * * reported 11 instances of revenues allegedly lost to avoid losing a sale to competitors selling lower priced batteries from Korea. These instances involved a total of * * * batteries purchased and revenues reduced by * * *. The Commission staff was able to contact four of the purchasers cited in the allegations.

* * * named * * * in a lost revenue allegation, in which * * * reportedly lowered its sales price for * * * batteries by * * * in * * *. A spokesman for * * * would say only that his company has never bought any Korean batteries, but that it is having trouble competing with Korean batteries at the retail level. * * *'s supplier, * * *, is meeting with the spokesman soon to discuss this problem.

* * * allegedly lost * * * in revenue after reducing its price to * * * in * * *. Although * * *'s spokesman, * * *, did not provide details about specific purchases, he said that * * * has lowered its prices to * * * and has not implemented certain planned price increases in recent years. * * * reported that he has never purchased Korean batteries for the somewhat conflicting reasons stated below. He feels that the price differential between batteries produced in the United States (including * * * batteries) and those from Korea is not large enough to offset perceived quality risks with imported batteries. However, he believes that * * * could not make a profit if it sold Korean batteries because they are priced "too low."

* * * named * * * in an allegation of a revenue reduction amounting to * * * to make a sale of * * * batteries to that company in * * *. A spokesman for * * * could neither confirm nor deny this allegation but stated that the

batteries he buys from * * * are the same price as similar Korean batteries. Regarding quality levels, he also said that * * *'s batteries have a much lower return rate than * * * batteries. This purchaser buys the majority of his batteries from * * *.

* * * was also cited by * * * in a lost revenue allegation occurring in * * *, which involved * * * batteries and * * * in revenue lost to avoid losing the sale to a competitor selling lower priced Korean batteries. A spokesman for the company denied that * * *, its principal supplier, had ever offered to reduce its prices to * * *. However, he mentioned that in * * *, * * * began offering him * * *. * * * reportedly plans to continue relying on * * * for the bulk of its battery purchases for at least another year. When asked about the quality of * * *'s batteries, he estimated that the return rate is around 3.5 percent. Because he fears potential enforcement problems with Korean warranties, * * * has never purchased Korean batteries.

APPENDIX A

THE COMMISSION'S NOTICE OF INSTITUTION OF AN ANTIDUMPING INVESTIGATION

[Investigation No. 731-TA-261 (Preliminary)]

12-Volt Lead-Acid Type Automotive Storage Batteries From Korea

AGENCY: 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-261 (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 Korea of 12-volt lead-acid type automotive storage batteries, provided for in item 683.05 of the Tariff Schedules of the United States, 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 June 24, 1985.

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, as amended by 49 FR 32569, August 15, 1984).

EFFECTIVE DATE: May 8, 1985.

FOR FURTHER INFORMATION CONTACT: Judith C. Zeck (202-523-0300), 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 May 8, 1985, by General Battery International Corporation, of Puerto Rico.

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), as amended by 49 FR 32569, August 15, 1984), 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 May 30, 1985 at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Judith C. Zeck (202-523-0300) not later than May 28, 1985 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 June 3, 1985 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 Commission in accordance with § 201.8 of the rules (19 CFR 201.8, as amended by 49 FR 32569, August 15, 1984). 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, August 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: May 10, 1985.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-11780 Filed 5-14-85; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

THE DEPARTMENT OF COMMERCE'S NOTICE OF INSTITUTION OF AN ANTIDUMPING INVESTIGATION

[A-580-506]

12-Volt Lead-Acid Type Automotive Storage Batteries From Korea; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, 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 12-volt lead-acid type automotive storage batteries from Korea 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 June 24, 1985, and we will make ours on or before October 15, 1985.

EFFECTIVE DATE: June 4, 1985.

FOR FURTHER INFORMATION CONTACT: Michael Ready, 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) 377–2613.

SUPPLEMENTARY INFORMATION:

The Petition

On May 8, 1985, we received a petition in proper form filed by General Battery International Corporation on behalf of the Puerto Rican regional 12-volt lead-acid type automotive storage battery industry. 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 Korea 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 on the United States prices on price quotes from Korea exporters. From these quoted prices, the petitioner deducted freight costs and other appropriate charges.

The petitioner based foreign market value on constructed value. The petitioner calculated constructed value based on the estimated cost of production of the subject merchandise in Korea with additions for general expenses, profit and packing costs.

By comparing the values calculated by the foregoing methods, dumping margins ranging form 5 to 36 percent are indicated.

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 petitioner supporting the allegations.

We examined the petition on 12-volt lead-acid type automotive storage batteries 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

antidumping duty investigation to
termine whether 12-volt lead-acid
oe automotive storage batteries from
rea are being, or are likely to be, sold
the United States at less than fair
lue. If our investigation proceeds
rmally we will make our preliminary
termination by October 15, 1985.

ope of Investigation

The products under investigation are
-volt lead-acid type automotive
orage batteries currently classifed in
e *Tariff Schedules of the United*
ates, Annotated (TSUSA), under item
3.05.

otification of ITC

Section 732(d) of the Act requires us
notify the ITC of this action and to
ovide it with the information we used
arrive at this determination. We will
otify the ITC and make available to it
l nonprivileged and nonconfidential
formation. We will also allow the ITC
ccess to all privileged and confidential
formation in our files, provided it
onfirms that it will not disclose such
formation either publicly or under an
dministrative protective order without
ne consent of the Deputy Assistant
ecretary for Import Administration.

reliminary Determination by ITC

The ITC will determine by June 24,
985, whether there is a reasonable
ndication that imports of 12-volt lead-
cid type automotive storage batteries
rom Korea are causing material injury,
r threaten material injury, to a United
tates industry. If its determination is
egative the investigation will
erminate; otherwise, it will proceed
ccording to the statutory procedures.

Alan F. Holmer,

Deputy Assistant Secretary for Import
Administration.

[FR Doc. 85-13406 Filed 6-3-85; 8:45 am]

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APPENDIX C

LIST OF WITNESSES APPEARING AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-261 (Preliminary)

12-VOLT LEAD-ACID TYPE AUTOMOTIVE STORAGE BATTERIES FROM KOREA

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on May 30, 1985, in the Hearing Room of the USITC Building, 701 E Street NW., Washington, DC

In support of the imposition of antidumping duites

Browstein,, Zeidman, and Schomer—COUNSEL
Washington, DC
on behalf of

General Battery Corp. (GBC)
General Battery International Corp. (GBIC)

Douglas L. Thompson, Director, Corporate Development, GBC
Douglas C. Brown, Manager, Market Planning and Pricing, GBC

Steven P. Kersner)
Donald S. Stein) —OF COUNSEL

In opposition to the imposition of antidumping duties

Dow Lohnes and Albertson
Washington, DC
on behalf of

Korea Battery Industry Cooperative

Louis Figueroa, Puerto Rico Power Surge, Inc.
Russell A. Del Toro, Del Toro and Santana

William Silverman)
James A. Treanor III)—OF COUNSEL
Lucille A. Pavco)

APPENDIX D

DEPARTMENT OF COMMERCE IMPORT STATISTICS

Table D-1.--12-volt lead-acid type storage batteries: U.S. imports, by principal sources, 1982-84, January-March 1984, and January-March 1985

Source	1982	1983	1984	January-March-- 1984	January-March-- 1985
	Quantity (1,000 short tons)				
South Korea	18,792	178,395	181,590	59,840	80,039
Japan	452,062	792,122	962,596	202,094	333,724
Taiwan	197,328	445,995	620,126	176,079	311,667
Canada	68,821	101,036	96,705	20,030	48,383
West Germany	10,158	28,202	57,654	25,041	13,476
All other countries	3,361	19,644	78,684	20,623	40,813
Total	750,522	1,565,394	1,997,355	583,707	828,102
	Value (1,000 dollars)				
South Korea	289	2,399	2,942	841	1,544
Japan	4,607	8,020	9,888	3,110	3,069
Taiwan	1,648	3,615	4,822	1,296	2,515
Canada	1,579	2,746	2,227	548	1,143
West Germany	261	901	2,123	886	410
All other	97	601	1,868	389	769
Total	8,481	18,282	23,870	7,071	9,450
	Unit value				
South Korea	$15.40	$13.45	$16.20	$14.05	$19.29
Japan	10.19	10.12	10.27	15.39	9.19
Taiwan	8.35	8.11	7.78	7.36	8.07
Canada	22.94	27.18	23.03	27.36	23.62
West Germany	25.69	31.95	36.83	35.38	30.43
All other	28.86	30.59	23.74	18.86	18.84
Total	11.30	11.68	11.95	12.11	11.41

Source: Compiled from official statistics of the U.S. Department of Commerce.

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