

PORCELAIN-ON-STEEL COOKING WARE FROM SPAIN

**Determination of the Commission
in Investigation No. 701-TA-279
(Preliminary) Under the Tariff Act of
1930, Together With the Information
Obtained in the Investigation**

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**Determination of the Commission
in Investigation No. 731-TA-336
(Preliminary) Under the Tariff Act
of 1930, Together With the
Information Obtained in the
Investigation**

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal the confidential operations of individual companies may not be published and has been deleted from this report. Numerical deletions are indicated by (***); the deletion of words, phrases, and sentences by (* * *); and the deletion of whole paragraphs, tables, or figures by (* * * * *).

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 701-TA-279 (Preliminary) and 731-TA-336 (Preliminary)

Porcelain-On-Steel Cooking Ware from Spain

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that an industry 2/ in the United States is materially injured 3/ by reason of imports from Spain of porcelain-on-steel cooking ware, 4/ provided for in item 654.08 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of Spain. The Commission also determines, pursuant to section 733(a) of the Act (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry 2/ in the United States is materially injured 3/ by reason of such imports from Spain, which are allegedly being sold at less than fair value (LTFV).

Background

On June 30, 1986, a petition was filed with the Commission and the Department of Commerce by General Housewares Corp., alleging that an industry

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

2/ Commissioners Lodwick and Rohr determine that there are two domestic industries.

3/ Commissioner Stern determines that there is a reasonable indication of material injury or threat of material injury by reason of the subject imports.

4/ Cooking ware, including teakettles, not having self-contained electric heating elements, all the foregoing of steel and enameled or glazed with vitreous glasses, but not including kitchen ware (currently reported under item 654.0828 of the Tariff Schedules of the United States Annotated).

in the United States is materially injured and threatened with material injury by reason of subsidized and LTFV imports of porcelain-on-steel cooking ware from Spain. Accordingly, effective June 30, 1986, the Commission instituted preliminary countervailing duty investigation No. 701-TA-279 (Preliminary) and preliminary antidumping investigation 731-TA-336 (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 Commission, Washington, DC, and by publishing the notice in the Federal Register of July 9, 1986 (51 F.R. 24948). The conference was held in Washington, DC, on July 22, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Spain of porcelain-on-steel cooking ware that are allegedly being sold at less than fair value (LTFV) and are allegedly being subsidized. 1/ 2/

Our determination is based on the significant increase in the volume and value of imports, decreases in domestic production and employment, the increase in imports as a share of domestic consumption, and a coincident decline in the financial condition and overall performance of the domestic industry.

Like product and domestic industry

In a preliminary title VII investigation, the Commission must determine if there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of the subject imports. Section 771(4)(A) of the Tariff Act of 1930 defines "industry" as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product. . . ." 3/ "Like product" is

1/ Commissioner Lodwick and Commissioner Rohr determine that there are two domestic industries in the United States producing porcelain-on-steel cooking ware, and make their affirmative determination accordingly.

2/ Commissioner Stern finds that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Spain of porcelain-on-steel cooking ware which are allegedly being sold at less than fair value (LTFV) and are allegedly being subsidized.

3/ 19 U.S.C. § 1677(4)(A).

defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to the investigation." 4/ The Commission is required to make its "like product" and "domestic industry" determinations on a case-by-case basis.

The imported products subject to investigation are porcelain-on-steel cooking ware, including teakettles, that does not have self-contained electric heating elements and that is made of steel enameled or glazed with vitreous glasses. 5/ The products are used for cooking and heating food and liquids, and include skillets, frypans, sauce pans, double boilers, dutch ovens, stockpots, steamers, canners, blanchers, coffee pots, teakettles, broiling pans, roasters and other articles, produced in a variety of sizes, colors, configurations, and weights. 6/ 7/ Since 1978, the entire domestic output

4/ Section 771(10); 19 U.S.C. § 1677(10) The legislative history of title VII makes it clear that "the requirement that a product be 'like' the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation." S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979). The Commission has consistently defined "like product" as one having the same intrinsic qualities and essential characteristics and uses as the subject imports.

5/ On July 25, 1986, the Department of Commerce (Commerce) initiated the subject antidumping and countervailing duty investigations of porcelain-on-steel cooking ware. 51 Fed. Reg. 26729 (July 25, 1986).

6/ The scope of this investigation, as defined in the Federal Register notice, is identical to the notice in the final investigations of Porcelain-On-Steel Cooking Ware from Mexico, the People's Republic of China and Taiwan, Invs. Nos. 701-TA-265 (Final) and 731-TA-297-299 (Final), 51 Fed. Reg. 23164 (June 25, 1986.) The Federal Register notices define the scope of the investigations as porcelain-on-steel cooking ware, including teakettles, without self-contained electric heating elements, constructed of steel and enameled or glazed with vitreous glasses as provided for in TSUS item 654.08 (excluding TSUSA item 654.0828) of the Tariff Schedules of the United States Annotated (TSUSA).

7/ This is the fourth time since 1979 that the Commission has made a determination involving porcelain-on-steel cooking ware. Non-electric

(Footnote continued on next page)

of porcelain-on-steel cooking ware, including teakettles, has been produced by the petitioner, General Housewares Corporation (GHC), at a single factory in Terre Haute, Indiana. GHC produces hundreds of articles of porcelain-on-steel cooking ware, including all of the items covered within the scope of the investigation. 8/

In finding the like product we have taken into consideration the assertions of respondents that domestic porcelain-on-steel cooking ware is not "like" the cooking ware they produce or import. They allege that the Spanish product has certain unique features, including superior quality and channels of distribution different from those of other porcelain-on-steel cooking ware imports and domestically produced cooking ware. They further contend that "no industry in the United States produces a product exactly like the article subject to investigation." 9/ 10/

The intrinsic qualities of domestic porcelain-on-steel cooking ware and that produced in Spain are a stainless steel vessel of varying thickness and

(Footnote continued from previous page)

Cooking Ware, Inv. No. TA-201-39, USITC Pub. No. 1008 (Nov. 1979); Porcelain-On-Steel Cooking Ware, Inv. No. TA-203-10, USITC Pub. No. 1190 (Oct. 1981); Porcelain-On-Steel Cooking Ware from Mexico, the People's Republic of China, and Taiwan, Invs. Nos. 701-TA-265-266 (Preliminary) and 731-TA-297-299 (Preliminary), USITC Pub. No. 1800 (Jan. 1986). See also Porcelain-On-Steel Cooking Ware, TA-203-15, Termination Notice, 48 Fed. Reg. 43739 (Sept. 16, 1983).

8/ GHC has not imported porcelain-on-steel cooking ware from Spain during the period of investigation, but it has imported small amounts from other countries. Those imports do not affect the Commission's determination regarding section 771(4)(B) of the Tariff Act of 1930, as amended, 19 U.S.C. § 1677(4)(B). For purposes of this investigation, GHC does not fall within the "related parties" provision, which covers domestic producers who also import from the country subject to investigation.

9/ Respondent JMP Newcor, Inc., Post Conference Brief at 1; see also Transcript of the July 22, 1986 Conference at 91.

10/ In this preliminary investigation, the staff received essentially complete responses from the Spanish producers and U.S. importers of porcelain-on-steel cooking ware. The two principal producers of Spanish

(Footnote continued on next page)

weight, coated with vitreous glasses and baked to a high-gloss enamel finish. Both the imported and domestic product come in a variety of configurations and sizes according to their intended use and are produced from the same materials using essentially the same production methods. Domestically, GHC makes a comparable line of porcelain-on-steel cooking ware in the same configurations and with the same characteristics as the Spanish imports.

In addition, we do not find that the existence of different channels of wholesale distribution for the domestic and imported articles indicates that domestically produced porcelain-on-steel cooking ware is not "like" the subject imports. 11/ There are no functional differences or differences in essential or intrinsic characteristics between the imports that are sold in supermarket continuity or promotional programs and in retail outlets and the comparable domestic product sold exclusively in retail outlets, some of which include supermarkets. Spanish imports are sold both in supermarkets and in other retail outlets. Moreover, although the various channels of distribution may be of significance to wholesalers or importers of porcelain-on-steel cooking ware, both the domestic product and the Spanish imports are directly substitutable and are available to consumers of cooking ware at retail

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porcelain-on-steel cooking ware (representing over 90 percent of current Spanish production) and all the major United States importers (representing over 90 percent of all Spanish imports) responded.

11/ The majority of Spanish porcelain-on-steel cooking ware is sold in supermarkets through "continuity" or "promotional" programs. Continuity programs are "traffic building" programs that offer to shoppers a different piece of cooking ware with a minimum grocery purchase each week for between 14 and 16 weeks. Promotional programs offer a smaller line of cooking ware to shoppers as a "store special" and last from between 6 and 10 weeks. Typically the entire line is available to a shopper at any time during the promotion. The Spanish cooking ware offered in promotional programs is also offered in other retail outlets.

outlets. 12/ Thus, we do not believe that channels of distribution alone constitute a basis for finding that domestic porcelain-on-steel cooking ware is not like the imports from Spain. 13/

In this investigation, the Commission also considered whether porcelain-on-steel teakettles constitute a separate like product from other porcelain-on-steel cooking ware. The Commission does not find that teakettles are a separate like product. 14/ 15/ We note the teakettle's distinctive

12/ Even if all of the Spanish imports and the domestic product were sold in separate channels of distribution, the Commission has found before that: "[t]he domestic industry is to be defined in terms of the product that it produces, not the distribution channels or marketing techniques it employs." Views of the Commission (Eckes, Stern and Haggart) in *Bicycles from Taiwan*, Inv. No. 731-TA-111 (Final), USITC Pub. No. 1417 at 6, citing, 19 U.S.C. § 1677(10); S. Rep. No. 249, 96th Cong., 1st. Sess. 90 (1979).

13/ See *Bicycles from the Republic of Korea and Taiwan* (Preliminary), Invs. Nos. 731-TA-110-111, USITC Pub. No. 1311 at 4-5 (Nov. 1982) (although domestic bicycles and imports had essentially distinct channels of distribution the Commission found one like product based upon competition between distribution channels and across model types; see also *Frozen French Fried Potatoes from Canada*, Inv. No. 731-TA-93, USITC Pub. No. 1259 (1982)). Further, in the absence of finding a "like" product, the statute requires the Commission to find a product "most similar" to the subject imports.

14/ Chairman Liebler notes that her decision that there is only one like product differs from her determination in previous preliminary investigations where she found that teakettles were a separate like product. She finds the majority view in this case particularly persuasive. This decision with respect to like product does not affect that prior determination.

15/ Commissioner Lodwick and Commissioner Rohr agree with their colleagues that domestically produced porcelain-on-steel cooking ware is the relevant like product. Based upon the information available in this preliminary investigation, they find that teakettles have characteristics and uses in addition to and different from other articles of porcelain-on-steel cooking ware and, for the reasons which follow, determine that teakettles are a separate like product.

Although teakettles have a limited functional use (to boil water), typically they sit at all times on top of the stove, regardless of whether they are in use. As a result, unlike other cooking ware items of porcelain-on-steel, teakettles often have an additional use as kitchen decoration. They believe that this additional use, along with the teakettle's limited functional capabilities, is indicative of separate characteristics and uses for teakettles. Accordingly, Commissioner Lodwick and Commissioner Rohr determine that there are two like products consisting of all porcelain-on-steel teakettles and all other porcelain-on-steel cooking ware, and hence assess injury to two domestic industries. See also *Porcelain-On-Steel Cooking Ware from Mexico, the People's Republic of China, and Taiwan*, Invs. Nos. 701-TA-265-266 (Preliminary) and 731-TA-297-299 (Preliminary), USITC Pub. No. 1800 (Jan. 1986).

use in cooking (to boil water) and its additional use as kitchen decoration, but do not regard either as a persuasive basis for finding teakettles to be a separate like product. All porcelain-on-steel cooking ware, including porcelain-on-steel teakettles, is produced from the same materials, on essentially the same machines, using the same workers. Moreover, teakettles have the same cooking properties as all other porcelain-on-steel cooking ware. Consequently, for the purposes of this preliminary investigation, the Commission finds that there is one like product — all domestically produced porcelain-on-steel cooking ware, and one domestic industry consisting of the domestic producer of that product. 16/

Condition of the Domestic Industry 17/

In determining the condition of the domestic industry, the Commission

16/ Commissioner Lodwick and Commissioner Rohr note that GHC has provided separate data concerning production, shipments, and inventories of teakettles and other porcelain-on-steel cooking ware, but is unable to provide separate capacity, profitability, and employment data. GHC indicates that such data are not susceptible of quantification because all workers and almost all of the equipment at the Terre Haute, Indiana, factory produce all types of porcelain-on-steel cooking ware, including teakettles. Where available, they have used the separate data to assess the domestic industries. Where separate data are not available, they have applied section 771(4)(D). Section 771(4)(D) of the Tariff Act of 1930, as amended, provides that:

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

19 U.S.C. § 1677(4)(D). See also, *Kenda Rubber Industrial Co., Ltd. v. United States*, 630 F. Supp. 354 (CIT, 1986).

17/ Because there is only one domestic producer, most of the data obtained by the Commission are confidential and cannot be discussed in detail in this public opinion.

considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, inventories, employment, and profitability. 18/

Domestic production of all porcelain-on-steel cooking ware, including teakettles, declined steadily from 1983 to 1985. 19/ Domestic shipments of all porcelain-on-steel cooking ware declined, both in volume and value, each year from 1983 to 1985 and declined in the 1986 interim period as well. 20/ Domestic capacity for all porcelain-on-steel cooking ware remained constant during the period of investigation. 21/ Capacity utilization was highest in 1983, and fell in 1984 and again in 1985. 22/

Employment factors also trended downward during the period of investigation. The average number of workers producing porcelain-on-steel cooking ware declined, as did the number of hours worked. 23/ Moreover, productivity, total compensation, and wages paid were lower in the first six months of 1986 when compared to the 1985 interim period. 24/

Evidence of the weakened financial position of GHC can be found in that net sales, gross profits, operating income, and net income before taxes all fell markedly from 1983 to 1985, and net sales continued to decline in the most recent interim period. 25/ Although certain financial indicators

18/ 19 U.S.C. § 1677(7)(C)(iii).

19/ Report of the Commission (Report) at A-11.

20/ Id. at A-11.

21/ Id.

22/ Id. No separate capacity or capacity utilization data are available for teakettles because GHC produces all porcelain-on-steel cooking ware at the same production facility, and on essentially the same machines using the same workers.

23/ Id. at A-14.

24/ Id.

25/ Id. at A-15-17.

showed slight improvement in the most recent interim period, it was modest when compared to previous declines. 26/

Thus, the Commission finds that there is a reasonable indication of material injury. 27/ 28/ 29/ 30/

26/ In analyzing the two domestic industries, Commissioner Lodwick and Commissioner Rohr note that the trends for the porcelain-on-steel cooking ware industry excluding teakettles display downward movements similar to those for the single industry.

With regard to the industry producing teakettles, Commissioner Lodwick and Commissioner Rohr note that the production and shipment trends for teakettles are contrary to those for all other porcelain-on-steel cooking ware, except in the most recent period. Teakettle production constitutes a very small proportion of total domestic porcelain-on-steel cooking ware shipments, both by volume and value.

Although production increased sharply from 1983 to 1985, it declined significantly in interim 1986 when compared with same period in 1985. Report at A-11. Teakettle shipments increased in volume from 1983 to 1985, but they decreased significantly in interim 1986 as compared to the previous interim period. Id. The value of teakettle shipments followed that trend in interim 1986, declining significantly. Id. Importantly, the unit value of teakettles declined significantly from 1983 to 1985, and although it increased slightly in the most recent interim period, it did not approach the 1983 values. Overall employment and financial data indicate consistent downward trends. Based on an analysis of all the available data for teakettles, including appropriate application of section 771(4)(D), they find sufficient information in this preliminary investigation to support consistent findings with regard to a reasonable indication of material injury to the domestic industry producing teakettles.

27/ Chairman Liebler, Vice Chairman Brunsdale, and Commissioner Eckes find that there is a reasonable indication of material injury to the domestic industry producing porcelain-on-steel cooking ware.

28/ Commissioner Lodwick and Commissioner Rohr find that there is a reasonable indication of material injury to the domestic industries producing porcelain-on-steel teakettles and all other porcelain-on-steel cooking ware.

29/ Commissioner Stern finds there is a reasonable indication of material injury or threat of material injury to the domestic industry by reason of the subject imports. Moreover, she does not regard it as analytically useful or appropriate to consider the question of material injury completely separate from the question of causation. See Additional Views of Chairwoman Stern in Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. No. 1786 at 18-19 (Dec. 1985).

30/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. See Cellular Mobile Telephones and Subassemblies Thereof, Inv. No. 731-TA-207 (Final), USITC Pub. No. 1786 at 20-21 (Dec. 1985).

Cumulation

Provisions of the Trade and Tariff Act of 1984 amended title VII of the Tariff Act of 1930 to require that the impact of imports be cumulatively assessed when certain criteria are met. Section 771(7)(C)(iv) provides in pertinent part:

[T]he Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market. Section 612(a)(2)(A) of the Trade and Tariff Act of 1984, amending the Tariff Act of 1930, as section 771(7)(C)(iv), 19 U.S.C. § 1677(7)(C)(iv).

Thus, imports are to be cumulatively assessed if they compete with other imported products and the domestic like product, are marketed within a reasonably coincidental period, and are all subject to investigation. 31/ 32/

Imports of teakettles and other porcelain-on-steel cooking ware from Mexico, the People's Republic of China, and Taiwan meet all these tests. To

31/ To determine if the criteria are met, the Commission has considered several factors, among them:

- the degree of fungibility between imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions.
- the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
- the existence of common or similar channels of distribution for imports from different countries and the domestic like product;
- whether the imports are simultaneously present in the market.

No single factor is determinative.

32/ Chairman Liebeler notes that the second criterion is but one factor to be considered when determining whether products compete. She also notes that she believes that it is inappropriate to cumulate LTFV and subsidized imports. See, e.g., Oil Country Tubular Goods from Canada and Taiwan, Invs. Nos. 701-TA-255 (Final), and 731-TA-276-277 (Final), USITC Pub. No. 1865 (1986) (Views of Vice Chairman Liebeler).

begin with they are subject to investigation. 33/ 34/ 35/

Second, such imports from Mexico, the People's Republic of China, and Taiwan were simultaneously present in the market. That is, like Spain, these countries exported teakettles and other porcelain-on-steel cooking ware to the United States during the period of the investigation.

Third, the evidence indicates that the imports from all four countries compete with each other and with the domestic product. Notwithstanding minor

33/ On June 25, 1986, the Commission instituted final antidumping investigations in Porcelain-on-Steel Cooking Ware from Mexico, the People's Republic of China and Taiwan, Invs. Nos. 731-TA-297-299 and a final countervailing duty investigation of Porcelain-on-Steel Cooking Ware from Mexico, Inv. No. 701-TA-265. 51 Fed. Reg. 23164 (June 25, 1986.) Commerce is currently investigating allegedly subsidized porcelain-on-steel cooking ware imports from Taiwan. 51 Fed Reg. 7982 (March 7, 1986).

Section 771(7)(C)(iv), on its face, requires the Commission to cumulatively assess the volume and price effects of imports "subject to investigation", without distinction. In determining to cumulatively assess imports from Taiwan, the Commission is not unmindful that Commerce has issued a preliminary negative determination with regard to allegedly subsidized imports from Taiwan. The cumulation statute and legislative history, when read with the title VII statute as a whole, do not support an interpretation that a preliminary negative determination by Commerce could effectively result in a termination of a Commission investigation. Consequently, we have considered the imports from Taiwan that are "under investigation" and have cumulatively assessed those imports with imports from Mexico and Spain in reaching a determination that allegedly subsidized imports from Spain are materially injuring domestically produced porcelain-on-steel cooking ware. We note that our determination would have been the same had we not cumulated these imports.

34/ Chairman Liebler does not reach the issue of whether she would have made the same determination had she not cumulated.

35/ Commissioner Lodwick finds that reading title VII and its legislative history as a whole suggests the Commission's analysis should go beyond consideration of whether imports are merely "under investigation". In this preliminary investigation, he has cumulated imports from Taiwan in his analysis of allegedly subsidized imports.

differences among the products, clearly there is a high degree of fungibility between domestically produced porcelain-on-steel cooking ware and the imports from the four countries. Some of the imports from Mexico, the People's Republic of China, and Taiwan are the same as the subject imports and the domestic like product. Moreover, there appear to be common channels of distribution for imports from all of the countries. Imports from Spain are marketed throughout the United States, as are imports from Mexico, the People's Republic of China, and Taiwan. 36/

The Commission also considered whether Spanish cooking ware sold primarily in supermarket continuity and promotional programs competes with cooking ware from the other countries subject to investigation. Cooking ware from Mexico, the People's Republic of China, and Taiwan is imported by housewares distributors, mass merchandisers and mail order houses. Several importers reported sales of cooking ware for supermarket continuity or promotional programs. We conclude in this preliminary investigation that cooking ware available in supermarkets through continuity and promotional programs competes with domestic cooking ware sold generally in supermarkets or at other "retail" outlets. Consequently, for the purposes of this preliminary investigation, we determine that there are sufficiently common or similar channels of distribution for imports and the domestic product. 37/

36/ In a previous investigation, the Commission cumulated imports from Mexico, the People's Republic of China, and Taiwan. See Porcelain-On-Steel Cooking Ware from Mexico, the People's Republic of China, and Taiwan, Invs. Nos. 701-TA-265-266 (Preliminary) and 731-TA-297-299 (Preliminary), USITC Pub. No. 1800 (Jan. 1986). There was no new information presented in this investigation which causes us to change our previous conclusion.

37/ We will attempt to gather further data on this issue in any final investigations. We note, however, that a not inconsequential amount of Spanish imports are sold in retail channels.

Accordingly, we cumulatively assessed the volume and effect of allegedly LTFV imports from Spain, Mexico, the People's Republic of China, and Taiwan, and have cumulatively assessed allegedly subsidized imports from Spain, Mexico, and Taiwan. 38/ 39/

Reasonable indication of material injury by reason of allegedly unfairly traded imports 40/

Section 771(7)(B) of the Tariff Act of 1930 directs the Commission to consider, among other factors, the volume of imports of the merchandise under investigation, the impact of imports on the domestic industries, and the effect of imports on domestic prices. 41/

The cumulated volume of porcelain-on-steel cooking ware from Spain, Mexico, the People's Republic of China, and Taiwan rose significantly from

38/ In this investigation Chairman Liebel, Vice Chairman Brunsdale, Commissioner Stern, and Commissioner Rohr did not cross-cumulate allegedly LTFV imports from the People's Republic of China with allegedly subsidized imports from Spain, Mexico, and Taiwan.

39/ Commissioner Eckes and Commissioner Lodwick cumulatively assessed allegedly LTFV imports from the People's Republic of China with allegedly subsidized imports from Taiwan, Mexico and Spain. See, Bingham & Taylor, Division Virginia Industries, Inc. v United States, 627 F.Supp 793 (CIT, 1986).

40/ Chairman Liebel finds five factors to be particularly helpful on the issue of causation. An affirmative vote is more likely when the following conditions are present: (1) a large and increasing market share; (2) a high margin of dumping or subsidization; (3) homogeneous products; (4) declining domestic prices; and (5) barriers to entry. See, Certain Red Raspberries from Canada, Inv. No. 731-TA-196 (Final), USITC Pub. No. 1680 at 11-19 (1985) (Additional Views of Vice Chairman Liebel). Cumulated imports are high and increasing. A high dumping margin has been alleged. Petitioner did not attempt to quantify the subsidy rate by firm or type of product. Domestic price trends are mixed. Import penetration by countries not under investigation is low. Based on these factors, I make an affirmative preliminary determination.

41/ 19 U.S.C. § 1677(7).

1983 to 1985, increasing by 52 percent. 42/ In value terms, the imports from these four countries also increased, rising by 33 percent from 1983 to 1984, then falling slightly by six percent in 1985. 43/ Aggregate market penetration for these four countries rose by 18 percentage points in those years. These trends do not change if imports from the People's Republic of China are not cumulated in the subsidy determination. 44/ 45/

Interim data for the first two quarters of 1986 when compared with the first two quarters of 1985 show slight declines in the volume and values for imports of all porcelain-on-steel cooking ware. 46/ When imports from the People's Republic of China are excluded for purposes of the determination regarding allegedly subsidized imports, this trend is the same. 47/

Apparent overall domestic consumption of porcelain-on-steel cooking ware declined 19 percent in the 1983 to 1985 period. 48/ As a share of domestic consumption, overall domestic shipments declined by 8 percentage points from 1983 to 1985, 49/ and comparison of the 1985 and 1986 interim periods shows virtually no change. 50/ Imports from the four countries as a ratio to overall apparent consumption increased 18 percentage points from 1983 to 1985, and declined slightly by 4 percentage points in interim 1986 compared to

42/ Report at A-24.

43/ Id.

44/ Id. at A-26.

45/ Commissioner Eckes and Commissioner Lodwick have cumulatively assessed all the imports subject to investigation in both cases. Chairman Liebel, Vice Chairman Brunsdale, Commissioner Stern, and Commissioner Rohr did not find it necessary to cross-cumulate in this investigation.

46/ Report at A-23.

47/ Id.

48/ Id. at A-8.

49/ Id. at A-25.

50/ Id.

interim 1985. When imports from the People's Republic of China are excluded, the trend remains the same. 51/ 52/

Pricing data are mixed in this preliminary investigation. For comparable products competing during the same periods, GHC's prices are frequently below the imported product. Domestic prices generally declined over the period. 53/

Accordingly, Chairman Liebeler, Vice Chairman Brunsdale, and Commissioner Eckes find that there is a reasonable indication of material injury to an industry producing porcelain-on-steel cooking ware by reason of imports from Spain that are allegedly being sold at LTFV and allegedly being subsidized.

Commissioner Lodwick and Commissioner Rohr find that there is a reasonable indication that industries in the United States producing porcelain-on-steel cooking ware are being materially injured by reason of imports of porcelain-on-steel cooking ware from Spain that are allegedly being sold at LTFV and allegedly being subsidized.

51/ Id.

52/ Commissioner Lodwick and Commissioner Rohr note that for porcelain-on-steel cooking ware other than teakettles the trends remain the same. With regard to teakettles, the volume of teakettle imports from the four countries increased from 1983 to 1984 to comprise over 50 percent, by volume and value, of teakettle imports from all countries. Report at A-22. Teakettle imports from the four countries trended downward in 1985, but remained high. Id. Once again, the trends remain the same if imports from the People's Republic of China are excluded. Apparent domestic consumption of porcelain-on-steel teakettles declined 15 percent by volume and 41 percent by value from 1983 to 1985. Id. at A-8. The domestic producer's teakettle shipments as a share of domestic consumption increased seven percentage points from 1983 to 1985, and then declined in interim 1986 as compared with the same period in 1985, about two percentage points. Id. at A-25. Teakettle imports from the four countries as a ratio of apparent consumption were over 40 percent during the entire period of investigation. Id. at A-25.

53/ Should the Commission undertake a final investigation, we will fully consider the issue of quality differences between the imports and the domestic product in our analysis of prices.

Commissioner Stern finds that there is a reasonable indication of material injury or threat thereof to an industry producing porcelain-on-steel cooking ware by reason of imports from Spain that are allegedly being sold at LTFV and allegedly being subsidized. 54/

54/ Commissioner Stern finds that there is a reasonable indication of material injury or threat thereof in this case. To reach her determination she has examined the statutory factors for threat, 19 U.S.C. § 1677(7)(F). Among the factors that are indicative of threat are a 106 percent increase in the volume of imports from Spain from 1983-85 and increased market penetration of 8.9 percentage points during the same period. Importer inventories also increased by 18 percent from 1983-85. Although the level of imports has recently dropped off slightly, imports and importers' inventories both remain at relatively high levels during the first half of 1986.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On June 30, 1986, petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of General Housewares Corp. (General Housewares), Terre Haute, IN, alleging that subsidized imports of porcelain-on-steel cooking ware from Spain and less-than-fair value (LTFV) imports of such articles from Spain are being sold in the United States and that an industry in the United States is materially injured and threatened with material injury by reason of such imports. Porcelain-on-steel cooking ware is imported under item 654.08 of the Tariff Schedules of the United States (TSUS).

Accordingly, effective June 30, 1986, the Commission instituted countervailing duty investigation No. 701-TA-279 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) and antidumping investigation No. 731-TA-336 (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 threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports.

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of July 9, 1986 (51 F.R. 24948). 1/ The public conference was held in Washington, DC, on July 22, 1986, during which all interested parties were afforded the opportunity to present information for the Commission's consideration. 2/ The applicable statute directs the Commission to make its determinations in these investigations within 45 days after the date of the filing of the petitions, or by August 14, 1986. The briefing and vote was held on August 11, 1986.

Previous Investigations

Porcelain-on-steel cooking ware has been the subject of four other investigations conducted by the Commission and is currently the subject of four final title VII investigations by the Commission. In 1979, upon the receipt of a petition from General Housewares, the Commission conducted an investigation under section 201 of the Trade Act of 1974 (No. TA-201-39). In that investigation, the Commission unanimously determined that the subject product was being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. 3/ On the basis of the Commission's recommendation, President Carter ordered import relief in the form of additional duties for 4 years, subject to

1/ Copies of the Commission's and Commerce's Federal Register notices are presented in app. A.

2/ A list of witnesses appearing at the Conference is presented in app. B.

3/ Nonelectric Cooking Ware (Investigation No. TA-201-39), USITC Publication 1008, November 1979.

the Commission's advice on the probable economic effect of termination of such relief after 2 years. 1/

On June 26, 1981, the Commission instituted investigation No. TA-203-10 under section 203(i)(2) of the Trade Act of 1974 (19 U.S.C. 2253(i)(2)) for purposes of determining whether the termination or reduction of the import relief would have an adverse economic effect on the domestic industry concerned. 2/ The Commission unanimously determined that terminating the relief would have an adverse effect on the domestic industry. On July 20, 1983, the Commission instituted investigation No. TA-203-15 under section 203(i)(3) of the Trade Act of 1974 (19 U.S.C. 2253(i)(3)) at the request of General Housewares to advise the President on the appropriateness of extending import relief; however, General Housewares withdrew its petition on September 16, 1983. The relief continued until January 17, 1984.

Finally, on December 4, 1985, the Commission instituted countervailing duty and antidumping investigations Nos. 701-TA-265-266 (Preliminary) and 731-TA-297-299 (Preliminary) at the request of General Housewares. 3/ In those investigations, the Commission unanimously determined that there is a reasonable indication that industries in the United States are materially injured by reason of allegedly subsidized imports from Mexico and Taiwan of porcelain-on-steel cooking ware and by imports from Mexico, the People's Republic of China, and Taiwan, which are allegedly sold at LTFV. The Commission subsequently instituted countervailing duty investigation No. 701-TA-265 (Final), Porcelain-on-Steel Cooking Ware from Mexico (51 F.R. 12220, Apr. 9, 1986) on March 4, 1986, and antidumping duty investigations Nos. 731-TA-297-299 (Final), Porcelain-on-Steel Cooking Ware from Mexico, the People's Republic of China, and Taiwan on May 20, 1986 (51 F.R. 23164, June 25, 1986). The Commission is scheduled to make its determinations for those investigations by November 17, 1986. 4/

The Product

Description and uses

Porcelain-on-steel cooking ware 5/ comprises articles of porcelain-coated steel used as receptacles in the cooking and heating of food. Related articles

1/ President Carter imposed additional duties on Jan. 2, 1980, of 20 cents per pound in the first 2 years of import relief beginning January 1980-81, 15 cents per pound in the third year of import relief (1982), and 10 cents per pound in the fourth year of import relief, which expired on Jan. 16, 1984.

2/ Porcelain-On-Steel Cooking Ware (Investigation No. TA-203-10), USITC Publication 1190, October 1981.

3/ Porcelain-On-Steel Cooking Ware from Mexico, The People's Republic of China, and Taiwan (Investigations Nos. 701-TA-265-266 (Preliminary) and 731-TA-297-299 (Preliminary)), USITC Publication 1800, January 1986.

4/ On Mar. 7, 1986, Commerce issued a preliminary negative countervailing duty determination for Taiwan (51 F.R. 7978). Commerce is scheduled to make its final determinations on its porcelain-on-steel investigations by Oct. 2, 1986.

5/ The petition specified nonelectric (without self-contained electrical heating elements) porcelain-on-steel cooking ware. Electric porcelain-on-steel cooking ware is not known to be produced or sold in the United States.

of porcelain-coated steel used only to handle or process food--i.e., porcelain-on-steel kitchen ware, such as mixing bowls and colanders--are not included. Porcelain is an opaque glass, suffused onto the steel during the production process by means of intense heat. Articles of porcelain-on-steel cooking ware are primarily identified according to the kind of cooking they are designed to perform and/or the kind of food they are designed to heat. Among the most common of such articles are skillets, frying pans, saucepans, double boilers, dutch ovens, stockpots, steamers, canners, blanchers, coffee pots, teakettles, broiling pans, roasters, and fondue pots. Porcelain-on-steel cooking ware may be roughly differentiated into three groups, among which there is some overlap: utility ware (multipurpose pieces which are used daily or almost daily), specialty ware (those items which have a specific and special function, i.e., canners, lobster pots, roasters), and fashion ware (cooking ware which is characterized by various features such as bright colors, stylized design, decoration, stainless steel rims, or phenolic handles). Overlaps occur between these categories because an item of fashion cooking ware will fall into two categories at once. For example, a fashion saucepan may also be characterized as utility ware; a fashion teakettle or stewpot also has a specialty use.

Porcelain-on-steel cooking ware includes the traditional blue/black (with white speckles) enamelware/graniteware as well as fashion ware. 1/ All of the most common articles of porcelain-on-steel cooking ware identified above are sold in a variety of shapes, sizes, configurations, steel thicknesses, colors, decorative patterns, trim, handle design (either wood, phenolic, or various metals), and price ranges. No two manufacturers' products are completely identical, although they are often very similar. Several variations of a single article may be offered by a single producer. Porcelain-on-steel cooking ware may be sold as individual, open stock items, or in sets, with the most typical size set composed of seven pieces, consisting of a skillet and dutch oven with a common lid, and two covered saucepans. Cookware made of aluminum or stainless steel may be used as substitutes for porcelain-on-steel cooking ware.

Manufacturing processes 2/

Porcelain-on-steel cooking ware is produced through a two-stage process which involves fabricating the steel form and enameling (fig. 1 illustrates the flow of the production steps). Beginning with the fabrication stage, the first step in the manufacturing process of cooking ware is "blanking," or cutting one-dimensional shapes out of sheets of steel. About *** percent of General Housewares porcelain-on-steel cooking ware is made of * * *. These * * * presses which cut out, through a stamping process, the flat shapes (blanks) from which each cooking ware item will be formed. General Housewares has *** blanking presses, from which the shapes for all their cooking ware items,

1/ General Housewares has recently begun marketing its porcelain-on-steel cooking ware as ceramic-on-steel. About 4 million dollars' worth of capital investments over the past several years has enabled the company to improve the quality of its porcelain-on-steel cooking ware by making the porcelain harder and more shock and acid resistant. See "GHC debuts latest line--new, improved, and blue," Totally Housewares, Apr. 21, 1986. However, the ceramic-on-steel label is a semantic one, since the constituent components of General Housewares' porcelain-on-steel cooking ware have not changed.

2/ Based on the production process at General Housewares.

including teakettles, are cut. The die shapes are interchangeable among all presses, and retooling for a new shape takes * * *. The company also has * * *.

Figure 1. The manufacturing process of porcelain-on-steel cooking ware.

* * * * *

After the blanking process, the blanks are "drawn"; that is, they are actually formed into the three-dimensional shapes of the cooking ware. Drawing involves two press operations--the first press shapes the basic form of the ware and the second press trims the excess steel from the rim of the pot and then forms the bead, or finished rim, of the pot. In the case of roasters, a third press operation is done in which the bead is actually rolled in a process separate from trimming. General Housewares uses *** presses for the drawing stage, with the exception of roasters, for which *** presses are dedicated. The remaining presses are used interchangeably for all the other types of cook ware. 1/ However, some effort is made to group certain items to certain presses because of the * * * for changing the dies of the draw presses (it takes * * *). The hydraulic drawing presses are * * *.

After drawing, the trims (handles) are welded to the pots and lids with * * *. At this point, the unfinished cooking ware may be put in storage for later cleaning and enameling. If they are not stored, the fabricated cookware then proceeds to the enameling process. However, before the porcelain is actually applied to the steel, the cooking ware is thoroughly washed and cleaned with special soap and water solutions. The steel shapes are then dipped in the enamel using * * *, the excess is allowed to drip off, and the cooking ware is mounted on racks which are run through large furnaces. The enamel itself is a thick solution of * * *. The liquid enamel is gray, except for the most vibrant colors in which a slight tint may be seen in the solution. The colors themselves do not emerge until the porcelain has been fired, at which time the glass melts and forms a pure, opaque color.

After dipping, the porcelain is set in a two-step, * * * drying process.

* * * * *

The enameling process involves two dips and passes through the furnaces. One dip/dry cycle is done to provide the ground coat; the second pass establishes the color coating. 2/ If a decal or decoration is applied to the item, then it is put through the furnace still a third time. At this point, the cooking ware is ready for assembly and packaging. It is run along a conveyor for inspection and label application, and then packaged first in its individual container and then along with several other articles in shipping containers.

Teakettles are manufactured in the same manner and on the same equipment as other cooking ware, except there are several additional production steps.

1/ General Housewares purchased * * *.

2/ With regard to graniteware, the white speckles are formed by * * *. Granite-ware has just one coat of enamel.

Figure 1 identifies the separate steps for teakettles; specifically, they involve * * *. A hole is also punched into the pot to let the water pour through the spout. * * *. Although the equipment which forms the bulge shape for teakettles is currently * * *. The only equipment unique to teakettles is the * * *, which * * *. Teakettle bodies are formed on the same equipment using the same process as all other porcelain-on-steel cooking ware, and the * * * are formed on the * * *. Teakettle production is determined within the production schedule for all cooking ware, and with the exception of the * * *, most employees can and do operate all of the production equipment.

U.S. tariff treatment

Porcelain-on-steel cooking ware is currently provided for under items 654.0815 (teakettles), 654.0824 (porcelain-on-steel cooking ware valued not over \$2.25 per pound), and 654.0827 (porcelain-on-steel cooking ware valued over \$2.25 per pound) of the Tariff Schedules of the United States Annotated (TSUSA). 1/ The column 1 (most-favored-nation) rate of duty for TSUS item 654.08, applicable to imports from Spain, is currently 2.8 percent ad valorem (table 1). 2/ This rate will be reduced to 2.7 percent ad valorem on January 1, 1987, the last in a series of duty reductions granted in the Tokyo Round of the Multilateral Trade Negotiations.

Nature and Extent of Alleged Subsidies and Sales at LTFV

The petition provided information on the alleged subsidies and sales at LTFV. With respect to subsidies, the petitioner cited various Spanish programs such as preferential loans and export financing, tax credits and rebates, industrial development funds, and upstream subsidies. The petitioner did not attempt to quantify the subsidy rate by firm or by type of product. Because Spain has recently signed the General Agreement on Tariffs and Trade (GATT) Subsidies Code and become a member of the European Community (EC), Commerce did not initiate investigations on the upstream subsidy programs or a turnover tax rebate system because these programs have been dismantled in accordance with GATT and EC requirements. 3/.

1/ TSUS item 654.08 came into effect on Jan. 17, 1984. Prior to this time, porcelain-on-steel cooking ware was provided for in TSUS item 654.02.

2/ The rates of duty in column 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries eligible for MFN treatment. However, MFN rates would not apply if preferential tariff treatment is sought and granted to products of developing countries under the Generalized System of Preferences (GSP) or the Caribbean Basin Economic Recovery Act (CBERA), or to products of Israel or of least developed developing countries (LDDC's) as provided under the Special rates of duty column.

3/ Commerce's notice of initiation of a countervailing duty investigation identifies each program on which it is initiating an investigation (app. A).

Table 1.--Porcelain-on-steel cooking ware: U.S. rates of duty, by TSUSA item 1/

(In percent ad valorem)				
TSUSA		Col. 1 rate of duty		Col. 2
Item No.	Description	1986	1987	rate of duty
	Articles, wares, and parts, of base metal, not coated or plated with precious metal, of iron or steel:			
	Enameled or glazed with vitreous glasses:			
654.0800	Cooking and kitchen ware of steel:	2.8%	2.7%	35.5%
654.0815	Teakettles			
	Other:			
	Cooking ware, not having self- contained electric heating elements:			
654.0824	Valued not over \$2.25 per pound			
654.0827	Valued over \$2.25 per pound			

1/ Col. 1 rates of duty are effective with respect to articles entered on or after Jan. 1.

The petitioner provided quantitative data with respect to LTFV sales. On the basis of home-market pricelists, dumping margins were estimated for three Spanish producers on several types of porcelain-on-steel cooking ware. 1/ The articles included a 1-1/2 quart saucepan, and 3 and 5 quart dutch ovens, with the margins ranging from 34 percent to 61 percent.

The U.S. Market

U.S. producers

Since 1978, the petitioner, General Housewares Corp., has been the sole U.S. producer of porcelain-on-steel cooking ware. Headquartered in Stamford, CT, General Housewares manufactures a variety of household articles, and produces porcelain-on-steel cooking ware at a single plant in Terre Haute, IN. At

1/ The producers are Magefesa, San Ignacio, and Vitrex.

other plants, it manufactures cookware of cast iron and cast aluminum. Porcelain-on-steel cookware accounts for about *** percent of General Housewares' overall sales. General Housewares has also imported porcelain-on-steel cooking ware, albeit in relatively small quantities. * * *.

U.S. importers

There are very few U.S. importers of porcelain-on-steel cooking ware from Spain; only nine importers were identified during 1983-85, of which only three imported on a significant, continuing basis. These three importers, JMP Marketing (JMP), Johann Haviland China Corp. (Haviland), and Megaware, Inc. (Megaware), are all parties to these investigations. In 1985, Haviland accounted for *** percent of U.S. imports of Spanish porcelain-on-steel cooking ware; JMP, *** percent; Megaware, *** percent; Copco, *** percent; and all others, *** percent.

The U.S. market

Porcelain-on-steel cooking ware is priced in the low and middle range of the cookware spectrum, and accounts for about 10 percent of total U.S. consumption for all types of cookware. 1/ Porcelain-on-steel cooking ware is purchased primarily by low- and middle-income consumers. Although there is a distinct seasonality to porcelain-on-steel cooking ware sales, it does not appear that there are any particularly strong business cycles. Sales of the cooking ware peak first in April-May because of Mother's Day and the traditional wedding season, and then again around Thanksgiving and Christmas. 2/ The business cycle for porcelain-on-steel cooking ware is tied to consumer spending patterns, and sales tend to pick up during recessionary periods as consumers substitute porcelain-on-steel cooking ware for the more expensive types. 3/

Cooking ware articles made of porcelain-on-steel may also be made of stainless steel, cast iron, aluminum, aluminum with nonstick surfaces (such as Teflon and Silverstone), copper, tin, and in some cases, ceramic, or glass. Although they are all similar in configuration and function, prices vary widely. Tin and cast-iron cooking ware, for example, are generally less expensive than the porcelain-on-steel variety, while cast-aluminum and copper are generally more expensive; stainless steel may be comparably priced or more expensive.

1/ In 1985, aluminum cookware accounted for 56.4 percent of the U.S. cookware industry's metal cookware shipments; stainless steel accounted for 39.2 percent, and cast iron, porcelain-on-steel or iron, and copper, 4.3 percent. Sales of porcelain-on-steel, cast iron, and copper cookware as a share of the U.S. cookware industry's sales have been declining since 1982. In 1982, this category of sales represented 7.1 percent of total cookware sales; in 1983, 5.8 percent; in 1984, 4.2 percent; and in 1985, 4.3 percent. (Data provided by the Cookware Manufacturers Association.)

2/ Staff interview with officials of General Housewares; Conference transcript, p. 126.

3/ Staff interview with officials of General Housewares.

sive, depending on the manufacturer. The materials from which cooking ware is made may make a specific article more or less suited for a particular cooking need.

It is not clear as to what degree porcelain-on-steel cooking ware competes with other types of cookware, i.e., stainless, aluminum, cast iron, and so forth. What is most likely in terms of these different types is that each serves a particular demand which is based on consumer preference for that particular kind of cookware, and competition is most intense within these market categories. Preferences for one kind of cookware over another depends upon cost, durability, cooking properties, style, ease of cleaning, and the ability of the cookware to remain attractive in the long term. It is likely that only at certain price/income thresholds will costs encourage consumers to switch their preferences from one category of cooking ware to another. 1/

According to industry officials, U.S. demand for porcelain-on-steel cooking ware, as well as all types of cookware, went soft in 1984 and remains so in 1986. 2/ A possible explanation for this decline in demand in light of strong national consumption patterns in 1985 and the first quarter of 1986 is that as interest rates declined, consumption was directed to large purchases, such as cars, furniture, appliances, and houses, thus limiting purchases of household items. 3/

U.S. consumption 4/

Apparent U.S. consumption of porcelain-on-steel cooking ware declined steadily throughout the period under investigation, from \$*** in 1983 to \$*** in 1985 (table 2). This decline of 19 percent from 1983 to 1985 continued in 1986, when U.S. consumption during the first 6 months of the year was 15 percent lower than consumption in the corresponding period of 1985. 5/ Teakettles experienced the sharpest decline in consumption, 41 percent by value and 15 percent by quantity from 1983 to 1985. Consumption of teakettles was down an additional 6 percent by value and 5 percent by quantity during January-June

1/ Staff interviews with officials of General Housewares, JMP Marketing, and Megaware, Inc.

2/ In 1983, sales of all types of cooking ware by the U.S. cookware industry were up 13.4 percent from 1982 levels; in 1984, sales were down 5.7 percent from 1983; and in 1985, sales were down 12 percent from 1984. The Cookware Manufacturers Association (CMA) attributes some of the decline to increased imports of all types of cooking ware. (Data provided by the CMA.)

3/ Staff interviews with General Housewares and JMP Marketing.

4/ The calculations for apparent U.S. consumption of porcelain-on-steel cooking ware are based on the questionnaire shipment data of the U.S. producer, official import statistics of the Department of Commerce on imports from all countries except Spain, and importers' questionnaire data for imports of porcelain-on-steel cooking ware from Spain. There were discrepancies between importer questionnaire responses and official statistics; a more detailed explanation of import adjustments, as well as apparent consumption data based on official statistics, is presented in app. C (see tables C-1 through C-5).

5/ Consumption for the partial periods may be slightly understated because import statistics for all countries but Spain are based on the January-May period.

Table 2.--Porcelain-on-steel cooking ware: Apparent U.S. consumption, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	Interim period ended June 30-- 1/	
				1985	1986
Teakettles....1,000 units..	***	***	***	***	***
Teakettles..1,000 dollars..	***	***	***	***	***
All other.....1,000 units..	***	***	***	***	***
All other...1,000 dollars..	***	***	***	***	***
Total...1,000 dollars..	***	***	***	***	***

1/ Consumption for the partial periods may be slightly understated because import statistics for all countries but Spain are based on the January-May period.

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

1986 compared with consumption in January-June 1985. The trends were the same for consumption of all other porcelain-on-steel cooking ware, which declined 10 percent (by value) from 1983 to 1985 and 17 percent in January-June 1986 compared with consumption during January-June 1985.

The decrease in the total dollar value of U.S. consumption of porcelain-on-steel cooking ware generally reflects a decline in the prices of this cookware, since total unit consumption throughout the period under investigation remained virtually unchanged, and there has been no appreciable product mix shift in either U.S. shipments or imports. However, while reported units may be used to show trends in consumption of porcelain-on-steel cooking ware, units as reported by the U.S. producer and the Department of Commerce are not sufficiently comparable to calculate total consumption, although it is likely that the total quantity of porcelain-on-steel cooking ware consumed in the United States has also declined, although not as severely as the value of U.S. consumption. 1/

Marketing and channels of distribution

All of the cooking ware imported from Spain falls into what the industry loosely defines as fashion ware; that is, it is colored and/or has decorative decals attached, has a stylized design, stainless steel rims, and phenolic handles. The articles include teakettles, saucepans, roasters, frying pans, frying pans with Teflon or Silverstone coating, dutch ovens, and fondue pots. With the exception of frying pans with nonstick coatings, all of these items are

1/ Although General Housewares is consistent in its measurement of a unit (one unit is equal to a bottom and a lid, and a 7-piece set is four units), customs simply records as units whatever is listed on the shipping invoice. Thus, it is possible that a pan and a lid could each be one unit, or one unit combined. This practice is even more problematic for 7-piece sets, which could be counted as 7 units, 4 units, or 1 unit.

currently produced by General Housewares, although fashion ware accounts for * * * of General Housewares' net sales (about *** percent, including teakettles). ^{1/} There are, however, some differences in the marketing techniques and channels of distribution for the U.S. products and the imported products, and there is variation between the U.S.-produced and imported articles in terms of size, the gauge of steel used, decoration, and other characteristics.

The majority (*** percent) of imports of Spanish porcelain-on-steel are sold through supermarket continuity programs and promotional programs. A small percentage of these imports is sold to department stores, specialty housewares stores (i.e., Conran's, Crate and Barrel), and mass-merchandisers (about *** percent of importers' total sales). A very small amount of the Spanish imports are factory seconds which are occasionally imported and sold through discount retailers. JMP and Haviland sell their porcelain-on-steel cooking ware imports from Spain exclusively through supermarket continuity programs, and Megaware sells most (*** percent) of its Spanish imports through supermarket promotional programs. Copco sells its imports of porcelain-on-steel cooking ware primarily to * * *.

All of the most common articles of Spanish porcelain-on-steel cooking ware are now typically sold as open stock both in the continuity programs and in the standard retail channels. An exception has been seven-piece sets, but these are no longer imported from Spain in any significant quantities. All of the importers which had been importing cookware sets no longer do so, citing the increased cost of this item. Seven-piece sets, however, are popular import items from other countries (i.e., Japan, China, and Taiwan), and some porcelain-on-steel cooking ware imported from Taiwan, China, and Japan is sold in continuity programs.

Supermarket continuity programs are a rather unusual channel of distribution, and designed primarily to attract and hold customers to a particular store. These continuity programs, also known as traffic programs, usually run from 14 to 16 weeks, during which time the consumer accumulates cookware. The key feature of a continuity program is that the consumer's cookware purchases are tied to grocery purchases; depending on the type of program, the consumer will either receive and collect stamps (to be redeemed later for cookware) or will be able to buy a weekly featured item of cookware at a discounted price. In both situations, the consumer is required to purchase a minimum amount of groceries before receiving a stamp or taking advantage of that week's item's "special" price. There are a number of other unique features to continuity programs--such as guaranteed buy-back of leftover stock by the merchandise supplier--which are discussed in detail in appendix D. Megaware's promotional programs consist of 6-week supermarket promotions featuring four items of porcelain-on-steel cooking ware (three nonstick frying pans and a stock pot). The cookware is sold at prices well below standard retail, and the promotion is made on a guaranteed sale basis for the supermarket. These promotional programs are also discussed in more detail in appendix D.

General Housewares, on the other hand, sells nearly all of its fashion ware in seven-piece sets, with the exception of teakettles and a stockpot.

^{1/} General Housewares did market some porcelain-on-steel with a nonstick coating called "Pretty Slick" in the early 1980's. The last year it sold this product was in 1983.

The stockpot and most of the teakettles coordinate with the seven-piece set colors and designs, and are marketed through the same channels of distribution as the sets and the company's nonfashion porcelain-on-steel cooking ware. 1/ General Housewares does not sell any of its porcelain-on-steel cooking ware through supermarket continuity or promotion programs, but rather through department stores, mass merchants, distributors, and some grocery stores. 2/ About *** percent of its sales are to retailers, and less than *** percent of its sales are seconds (these are marketed to discount stores).

Consideration of Alleged Material Injury

Production, capacity, and capacity utilization

General Housewares determines its production runs through * * * production schedules, which are based on * * *. Production for the company is seasonal and normally peaks in * * * and * * *. The company's production of teakettles increased between 1983 and 1985, from *** to *** teakettles (table 3). However, production for the first 6 months of 1986 was down *** percent when compared with production in the comparable period of 1985. Production of all other types of porcelain-on-steel cooking ware, and total production, declined steadily throughout the period under investigation. From 1983 to 1985, General Houseware's production of porcelain-on-steel cooking ware other than teakettles declined *** percent, from about *** units to *** units. 3/ The decrease in production continued into 1986: production for non-teakettle cooking ware was down *** percent during January-June 1986 when compared with the same period in 1985. Similarly, total production of all porcelain-on-steel cooking ware was down *** percent in January-June 1986 from that in January-June 1985.

The trend for capacity utilization has also been steadily downward--utilization of productive capacity by General Housewares declined from 1983 to 1985, from *** percent to *** percent; for the interim period ending June 30, capacity utilization was down in 1986 from the 1985 level for the same period. 4/ Although General Housewares made \$*** in capital investments during the period, this has not affected the company's capacity to produce porcelain-on-steel cooking ware, which * * *. The company reported that it has * * * on its capacity to produce porcelain-on-steel cooking ware, which is * * *.

U.S. producer's domestic and export shipments

General Housewares' shipment trends closely resemble those for production. Domestic and export shipments for all porcelain-on-steel cooking ware and cook-

1/ General Housewares maintains that its graniteware with decals and colored utility ware constitute fashion ware. These are all sold as open stock items.

2/ General Housewares did sell some of its porcelain-on-steel cooking ware to a company that marketed continuity programs in 1982. General Housewares also gave * * *.

3/ One unit is equal to a bottom of a pot or pan and its lid. A seven-piece set is four units, and one teakettle is one unit.

4/ General Housewares cannot provide separate capacity or employment data for teakettles.

Table 3.--Porcelain-on-steel cooking ware: U.S. producer's production, capacity, and capacity utilization, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	Interim period ended June-30--	
				1985	1986
Production:					
Teakettles...1,000 units..	***	***	***	***	***
All other.. ..do..	***	***	***	***	***
Total.....do..	***	***	***	***	***
Capacity <u>1</u> /.....do..	***	***	***	***	***
Capacity utilization					
percent..	***	***	***	***	***

1/ Based on *** hours per week, *** weeks per year.

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

ing ware other than teakettles steadily declined from 1983-85; domestic and export shipments of teakettles steadily increased during this period but dropped in January-June 1986. General Housewares' principal export market is * * *.

From 1983 to 1985, the company's domestic shipments (by quantity) of teakettles increased ***-fold (table 4). Shipments of teakettles during January-June 1986 were *** percent lower than those of the comparable period of 1985. Domestic shipments of all other porcelain on steel cooking ware declined *** percent between 1983 and 1985, and shipments for the first 6 months of 1986 were *** percent lower than for the same period of 1985. Total domestic shipments of all porcelain-on-steel cooking ware by General Housewares dropped *** percent during the period under investigation, with a decrease of *** percent for the first half of 1986 as compared with the same period of 1985. The value of shipments followed the same trends as those reported for the quantity of shipments.

As shown in table 5, the unit values of General Housewares' domestic porcelain-on-steel cooking ware shipments were lower in 1985 than in 1983. However, the unit value of teakettles declined significantly throughout this period while the unit values for all other cookware and total shipments of cookware reflect only a slight net decrease after increasing in 1984. The unit value of teakettles decreased *** percent between 1983 and 1985, but increased slightly (*** percent) during January-June 1986 when compared with the comparable period of 1985. The unit value of all porcelain-on-steel cooking ware shipments declined *** percent from 1983 to 1985, but was up *** percent in January-June 1986 compared with those in the same period of 1985.

General Housewares reported that there have been two changes in its product mix during the period under investigation; the share of sales that various product lines represent of the company's total sales * * *. General Housewares began intensive production of fashion teakettles in ***, and discontinued production of * * *.

Table 4.--Porcelain-on-steel cooking ware: U.S. producer's shipments, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	Interim period ended June 30--	
				1985	1986
Quantity (1,000 units)					
Domestic shipments:					
Teakettles.....	***	***	***	***	***
All other.....	***	***	***	***	***
Total.....	***	***	***	***	***
Export shipments:					
Teakettles.....	***	***	***	***	***
All other.....	***	***	***	***	***
Total.....	***	***	***	***	***
Total shipments:					
Teakettles.....	***	***	***	***	***
All other.....	***	***	***	***	***
Total.....	***	***	***	***	***
Value (1,000 dollars)					
Domestic shipments:					
Teakettles.....	***	***	***	***	***
All other.....	***	***	***	***	***
Total.....	***	***	***	***	***
Export shipments:					
Teakettles.....	***	***	***	***	***
All other.....	***	***	***	***	***
Total.....	***	***	***	***	***
Total shipments:					
Teakettles.....	***	***	***	***	***
All other.....	***	***	***	***	***
Total.....	***	***	***	***	***

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

Table 5.--Porcelain-on-steel cooking ware: General Housewares' unit values of domestic shipments, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	Interim period ended June 30--	
				1985	1986
Teakettles.....	\$***	\$***	\$***	\$***	\$***
All other.....	***	***	***	***	***
All porcelain-on-steel....	***	***	***	***	***

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

U.S. producer's inventories

General Housewares' inventories as a share of shipments of teakettles and all other porcelain-on-steel cooking ware declined steadily throughout the period under investigation (table 6). Inventories of teakettles (as a share of domestic shipments) declined *** percentage points from 1983 to 1985. Inventories were *** percent higher on June 30, 1986, than on June 30, 1985. Inventories of all other cooking ware declined from *** percent of shipments to *** percent, and dropped *** percentage points during January-June 1986 compared with January-June 1985. Inventories of all porcelain-on-steel cooking ware dropped from *** percent to *** percent as a share of shipments between 1983 and 1985, and were * * *.

Table 6.--Porcelain-on-steel cooking ware: U.S. producer's inventories, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	Interim period ended June 30--	
				1985	1986
Quantity:					
Teakettles...1,000 units..	***	***	***	***	***
All other.....do..	***	***	***	***	***
Total.....do..	***	***	***	***	***
As a ratio to domestic shipments:					
Teakettles.....percent..	***	***	***	***	***
All other.....do..	***	***	***	***	***
Total.....do..	***	***	***	***	***

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

U.S. employment and wages

The average number of production and related workers engaged in the manufacture of porcelain-on-steel cooking ware declined from *** in 1983 to *** in 1985, a * * * (table 7). The average number of employees for the first six months of 1986 was *** percent lower than for the first six months of 1985, although this number is * * *. The number of hours worked by production workers reflect a similar decline in employment levels, from *** hours in 1983 to *** hours in 1985, a * * *. The trend has continued into 1986--the number of hours worked during the first six months of 1986 was *** percent fewer compared with the comparable period in 1985.

Wages paid and total compensation per hour increased slightly from 1983 to 1985. Hourly wages and total compensation each experienced about a *** percent increase during this period; both wages and total compensation were down *** percent during January-June 1986 when compared with the same period of 1985. In 1985, hourly wages were \$*** and total hourly compensation was \$***. General Housewares production workers are members of the United Steel Workers Union.

Table 7.--Average number of production and related workers engaged in the manufacture of porcelain-on-steel cooking ware, hours worked by such workers, wages paid, and total compensation, 1983-85, January-June 1985, and January-June 1986

Period	Number of workers	Hours worked Thousands	Wages paid	Total compensation	
				-----Per hour-----	
* *	*	*	*	*	*

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

Productivity at General Housewares declined slightly during 1983 to 1985, as can be seen in table 8. In terms of units produced per worker, productivity declined from *** units per year to *** units; the number of units produced per hour worked decreased from *** to *** per hour from 1983 to 1985. Productivity was up slightly from *** to *** units per hour during January-June 1986 compared with January-June 1985, but down with respect to these periods for productivity per worker.

Table 8.--Porcelain-on-steel cooking ware: Worker productivity and number of units produced per 1,000 hours worked, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	Interim period ended June 30--	
				1985	1986
Average number of production and rela- ted workers.....	***	***	***	***	***
Hours worked.....	***	***	***	***	***
Units produced (1,000).. Units per worker	***	***	***	***	***
(1,000).. Units per 1,000 hours.	***	***	***	***	***

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

Financial experience of General Housewares

The Commission asked General Housewares to provide income-and-loss data on its U.S. operations producing teakettles, porcelain-on-steel cooking ware other than teakettles, and all porcelain-on-steel cooking ware. The company produces only porcelain-on-steel cooking ware products in its Terre Haute plant. Almost all of the machinery and equipment and workers in this plant can be used in the production of teakettles and all other porcelain-on-steel cooking ware products. The company stated that two pieces of equipment, a

*** and a ***, are used principally for the production of teakettles. The company does not keep separate income-and-loss data on teakettle operations except ***. In addition, the production and sales of teakettles accounted for *** of total production and sales of porcelain-on-steel cooking ware during 1983-84 and *** during 1985 and January-June 1986. Hence the company could not provide reliable financial data solely on its teakettle operations. Data on total porcelain-on-steel cooking ware operations are presented in table 9. Net sales of porcelain-on-steel cooking ware ***, from \$*** in 1983 to \$*** in 1985. Such sales ***, from \$*** in January-June 1985 to \$*** in January-June 1986.

Table 9.--Income-and-loss experience of General Housewares on its porcelain-on-steel cooking ware operations, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	Interim period ended June 30--	
				1985	1986
Net sales.....1,000 dollars..	***	***	***	***	***
Cost of goods sold.....do....	***	***	***	***	***
Gross profit.....1,000 dollars..	***	***	***	***	***
General, selling, and administrative expenses....1,000 dollars..	***	***	***	***	***
Operating income or (loss)					
1,000 dollars..	***	***	***	***	***
Interest expense.....do....	***	***	***	***	***
Other income or (expense)					
net.....1,000 dollars..	***	***	***	***	***
Net income or (loss) before income taxes.....1,000 dollars..	***	***	***	***	***
Depreciation and amortization expense.....1,000 dollars..	***	***	***	***	***
Cash-flow from operations					
1,000 dollars..	***	***	***	***	***
As a share of net sales:					
Gross profit or (loss)					
percent..	***	***	***	***	***
Operating income or (loss)					
percent..	***	***	***	***	***
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.

Operating *** on porcelain-on-steel cooking ware operations *** from \$***, or *** percent of net sales in 1983 to \$***, or *** percent of net sales, in 1984. In 1985, General Housewares ***, earning ***, representing ***

percent of net sales. During January-June 1986, the company reported operating * * * of \$***, equivalent to *** percent of net sales, compared with an operating * * * of \$***, or *** percent of net sales, in January-June 1985. As a share of net sales, cost of goods sold * * * in 1983 to * * * in 1985, which resulted in a gross profit margin * * * from *** percent to *** percent during this period. * * *. Selling prices * * * during 1983-85. During January-June 1986, the gross profit margin * * *. This * * * can be attributed to * * *. General, selling, and administrative expenses * * *. It then * * * in 1985 and * * * during January-June 1986. Net income or loss before income taxes * * *. Cash-flow from operations * * * in 1983 * * * in 1985. Cash-flow was * * * during January-June 1986, compared with * * * in the corresponding period of 1985.

Financial condition of General Housewares.--Balance sheet information and selected financial ratios of General Housewares with respect to its U.S. porcelain-on-steel cooking ware operations are presented in table 10.

Table 10.--Balance sheet and selected financial ratios of General Housewares on its porcelain-on-steel cooking ware operations, as of Dec. 31, 1983-85

Item	1983	1984	1985
Accounts receivable, net.....1,000 dollars..	***	***	***
Inventories.....do....	***	***	***
Total current assets.....do....	***	***	***
Property, plant, and equipment at cost..do....	***	***	***
Property, plant, and equipment at book value 1,000 dollars..	***	***	***
Total assets.....do....	***	***	***
Accounts payable.....do....	***	***	***
Accrued liabilities.....do....	***	***	***
Total current liabilities.....do....	***	***	***
GHC's investment.....do....	***	***	***
Working capital.....do....	***	***	***
Current ratio.....do....	***	***	***
Return on investment ratios:			
Operating income or (loss) to--			
Total assets.....percent..	***	***	***
GHC's investment.....do....	***	***	***
Pretax income or (loss) to--			
Total assets.....percent..	***	***	***
GHC's investment.....do....	***	***	***

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

Working capital and current ratios provide an indication of the company's ability to pay its short-term debts. General Housewares' working capital * * * in 1983 to * * * in 1985. * * *. The current ratio * * * in 1983 to *** in 1984 and *** in 1985. The property, plant, and equipment, valued at cost, * * *. Total assets * * *. The short-term and long-term borrowings by General

Housewares and its stockholders' equity are reflected on the corporate balance sheet. The amount of money invested by General Housewares in its Terre Haute division, as of December 31, 1983-85, such investment * * *. * * *. The return-on-investment ratios, presented in table 10, measure the effectiveness of management in employing the resources available to it. All of the return-on-investment * * *.

Capital expenditures and research and development expenses.--General Housewares' total capital expenditures * * *. Capital expenditures were \$*** in January-June 1986, compared with \$*** in the corresponding period of 1985 (table 11). The company * * *. However, the company stated that two pieces of equipment purchased during 1984-85, * * *. Most of General Housewares' capital expenditures during the period under investigation were for * * *.

The research and development expenses relating to the operations of porcelain-on-steel cooking ware are * * *. Such expenses * * * in 1983 to \$*** in 1985 and then * * * in January-June 1986, compared with \$*** in the corresponding period of 1985. The company estimated that * * *.

Table 11.--Capital expenditures and research and development expenses of General Housewares on its porcelain-on-steel cooking ware operations, 1983-85, January-June 1985, and January-June 1986

(In thousands of dollars)					
Item	1983	1984	1985	January-June--	
				1985	1986
Capital expenditures:					
Land and land improvements.....	***	***	***	***	***
Buildings or leasehold improvements.....	***	***	***	***	***
Machinery, equipment, and fixtures.....	***	***	***	***	***
Total.....	***	***	***	***	***
Research and development expenses 1/.....	***	***	***	***	***

1/ * * *.

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

Impact of imports on U.S. producer's growth, investment, and ability to raise capital.--The Commission requested General Housewares to describe and explain the actual and potential negative effects, if any, of imports of porcelain-on-steel cooking ware from Spain on its growth, investment, and ability to raise capital. The company's response is presented as follows:

* * * * *

Price range of common stock of General Housewares.--The common stock of General Housewares is traded on the New York Stock Exchange. There were about 2,400 stockholders during 1983-85. The price range of common stock of General Housewares, according to the annual reports, for each quarter during 1983-85 is presented in the following tabulation:

Period and item	Quarters			
	1st	2nd	3rd	4th
1983:				
High.....	\$24.75	\$29.75	\$27.63	\$18.88
Low.....	17.00	21.63	17.88	15.25
1984:				
High.....	19.50	17.88	16.88	14.00
Low.....	14.50	12.50	12.63	8.88
1985:				
High.....	12.88	10.88	10.75	12.25
Low.....	9.00	8.50	9.50	9.75
1986:				
High.....	13.63	13.63		
Low.....	9.88	11.25		

Consideration of Alleged Threat of Material Injury

In its examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the nature of the alleged subsidies, the rate of increase of the subject imports, the rate of increase in U.S. market penetration by such imports, the rate of increase of imports held in inventory in the United States, the capacity of producers in the exporting country to generate exports (including the existence of underutilized capacity and the availability of export markets other than the United States), and the price depressing or suppressing effect of the subject imports on domestic prices.

Information on the nature of the alleged subsidies is presented in the section of this report entitled "Nature and extent of alleged subsidies and sales at LTFV." Discussions of the rates of increase in Spanish porcelain-on-steel imports and their U.S. market penetration are presented briefly below and then in more detail in the section of the report entitled "Consideration of the Causal Relationship Between the Alleged Subsidized and LTFV Imports and the Alleged Material Injury." Available information on prices of the Spanish products are also presented in the section of the report on causation. Information on inventories of the subject imports in the United States and the ability of the foreign producers to generate exports is presented in the following sections.

Rate of increase of imports and rate of increase of U.S. market penetration

Imports of porcelain-on-steel cooking ware from Spain increased by 106 percent from 1983 to 1985, from \$*** to \$***. The volume of imports during

January-June 1986 was 37 percent lower than that of January-June 1985, \$*** during January-June 1986 compared with \$*** during the same period of 1985. The market penetration of imports from Spain increased 8.9 percentage points, from *** percent in 1983 to *** percent in 1985. Import penetration during January-June 1986 (*** percent) was 4.8 percentage points lower than in the corresponding period of 1985.

Inventories held by importers

* * * importers accounting for 97 percent of 1985 imports of porcelain-on-steel cooking ware from Spain reported inventories of their imported products (table 12). Importers' inventories of all porcelain-on-steel cooking ware increased 18 percent from 1983 to 1985, from 424,454 units to 502,655 units. However, importers' inventories were down 28 percent in January-June 1986 compared with inventories in the same period of 1985.

Table 12.--Porcelain-on-steel cooking ware: Importers' inventories of the Spanish products, 1983-85, January-June 1985, and January-June 1986

(In thousands of units)					
Item	1983	1984	1985	Interim period ended June 30--	
				1985	1986
Teakettles.....	39	31	39	35	44
All other.....	386	518	464	714	496
Total.....	425	549	503	749	540

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.

Ability of Spanish producers to generate exports 1/

There are currently six major producers of porcelain-on-steel cooking ware in Spain: Esmaltaciones San Ignacio, S.A. (San Ignacio), which has four production establishments, Vitrex, S.A. (Vitrex), and Esmaltaciones Heso, S.A. (Heso). San Ignacio and Vitrex account for nearly all of the exports of Spanish porcelain-on-steel cooking ware to the United States. Heso is a small firm (15 workers) which produces cooking ware only for domestic consumption. One Spanish firm cited in the petition, Manufacturas Generales de Ferreteria, S.A. (Magefesa), has produced porcelain-on-steel cooking ware both for Spanish and U.S. consumption. However, the Spanish Embassy has informed the Commission that Magefesa, which is a conglomerate of firms producing housewares and small appliances, is bankrupt and has * * *. There has been virtually no production of porcelain-on-steel cooking ware by this firm for the past 2 years because of labor unrest and financial distress (Commission staff could identify imports of porcelain-on-steel cooking ware from Magefesa only for the years 1983 and

1/ The above information on all of the Spanish producers was provided by officials from San Ignacio and Vitrex (Conference transcript, p. 162).

1984). Although a preliminary reorganization plan for Magefesa has been developed within the past few months, it has been rejected by some of the principal negotiating parties, and the outcome of the reorganization is highly uncertain. Because porcelain-on-steel cooking ware accounted for about *** percent of all of Magefesa's business, there is a prospect that production of this cookware will never be restarted. 1/

The Spanish producers * * * their production and capacity utilization from 1983 to 1985, and are currently operating at about *** percent capacity (table 13). The major market for the Spanish producers is their home market, and with Spain's recent admission to the EC, the producers anticipate that their sales to the EC will increase. The EC and the United States * * *. 2/

Table 13.--Porcelain-on-steel cooking ware: Selected information on Spanish producers' ability to generate exports, 1983-85, January-June 1985, and January-June 1986 1/

Item	1983	1984	1985	Interim period ended June 30--	
				1985	1986
Production...million units..	***	***	***	***	***
Capacity 2/.....do..	***	***	***	***	***
Capacity utilization					
percent..	***	***	***	***	***
Home-market shipments					
million units..	***	***	***	***	***
Shipments to the United					
States.....million units..	***	***	***	***	***
Shipments to all other					
countries..million units..	***	***	***	***	***
Inventories.....do..	***	***	***	***	***

1/ The producers are Esmaltaciones San Ignacio, S.A., and Vitrex, S.A.

2/ Capacity is based on 11 months per year. Spanish industries normally shut down during the month of August.

Source: Compiled from data submitted by counsel on behalf of the Spanish producers.

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

U.S. imports

Imports of porcelain-on-steel cooking ware from Spain increased by 106 percent from 1983 to 1985, from \$*** to \$*** (tables 14, 15, and 16). The

1/ The Spanish Embassy reported that the plant at which porcelain-on-steel cooking ware was produced * * *.

2/ The current rate of duty for Spanish exports of porcelain-on-steel cooking ware to the EC is 1.9 percent; staged tariff reductions are being implemented to eliminate the tariff no later than 1993.

value of imports during January-May 1986 was 37 percent lower than that of January-May 1985, \$*** in January-May 1986 compared with \$*** during the same period of 1985. Imports of teakettles increased 17.8 percent by value from 1983 to 1985, although imports declined 16.3 percent during January-May 1986 when compared with January-May 1985. Imports of all other porcelain-on-steel cooking ware from Spain increased 111 percent from 1983 to 1985, but were down 37.9 percent during the first half of 1986 when compared with the same period of 1985. Imports of teakettles from all countries declined *** percent during 1983-85, and were down *** percent during January-May 1986 when compared with January-May 1985. Imports of all other porcelain-on-steel cooking ware from all countries increased *** percent from 1983 to 1985, but declined *** percent during January-May 1986 compared with the same period of 1985. The net change in all porcelain-on-steel imports from all countries was a decline of *** percent from 1983 to 1985, and a decline of *** percent in January-May 1986 compared with January-May 1985.

The market penetration of imports from Spain increased 8.9 percentage points, from *** percent in 1983 to *** percent in 1985 (table 17). Import

Table 14.--Porcelain-on-steel cooking ware: U.S. imports of teakettles, 1983-85, January-May 1985, and January-May 1986

Country	1983	1984	1985	Interim period ended May 31--	
				1985	1986
Customs value (1,000 dollars)					
China.....	14	48	332	123	56
Japan.....	14,343	10,840	6,289	2,516	2,771
Mexico.....	93	45	74	20	64
Spain 1/.....	***	***	***	***	***
Taiwan.....	10,065	11,326	6,210	2,605	2,141
All other countries.....	721	536	790	323	315
Total.....	***	***	***	***	***
Quantity (1,000 units)					
China.....	8	11	90	37	20
Japan.....	2,919	2,310	1,512	575	572
Mexico.....	45	17	24	3	31
Spain 1/.....	***	***	***	***	***
Taiwan.....	2,084	2,826	1,677	644	583
All other countries.....	129	100	886	347	282
Total.....	***	***	***	***	***

1/ Imports of porcelain-on-steel cooking ware from Spain are c.i.f. value, through June 30 for the interim periods, and based on data reported in response to the Commission's questionnaires.

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

Table 15.--Porcelain-on-steel cooking ware: U.S. imports of cooking ware other than teakettles, 1983-85, January-May 1985, and January-May 1986

Country	1983	1984	1985	Interim period ended May 31--	
				1985	1986
Customs value (1,000 dollars)					
China.....	268	1,323	2,973	1,127	743
Japan.....	9,526	6,908	5,535	2,182	1,882
Mexico.....	2,012	3,964	2,853	1,279	2,029
Spain 1/.....	***	***	***	***	***
Taiwan.....	11,492	14,276	13,304	6,552	5,086
All other countries.....	4,379	3,770	3,987	1,113	1,338
Total.....	***	***	***	***	***
Quantity (1,000 units)					
China.....	464	603	1,886	899	441
Japan.....	2,399	1,763	1,421	547	758
Mexico.....	1,051	2,331	1,822	853	1,317
Spain 1/.....	***	***	***	***	***
Taiwan.....	3,684	4,642	5,013	2,095	2,597
All other countries.....	1,265	1,756	1,798	613	590
Total.....	***	***	***	***	***

1/ Imports of porcelain-on-steel cooking ware from Spain are c.i.f. value, through June 30 for the interim periods, and based on data reported in response to the Commission's questionnaires.

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

penetration during January-May 1986 (*** percent) was *** percentage points lower than in the corresponding period in 1985. Import penetration (by value) of Spanish teakettles increased 1 percentage point (from *** to *** percent) during 1983-85, but declined slightly from *** percent to *** percent from January-June 1985 to the corresponding period in 1986. All other porcelain-on-steel cooking ware increased its market penetration by 10.5 percentage points, from *** percent to *** percent during 1983-85. There was a decline of *** percentage points in January-May 1986 when compared with the same period in 1985. The import penetration level (by value) of all porcelain-on-steel imports increased from *** percent in 1983 to *** percent in 1985; there was a slight decline in import penetration during January-May 1986 (*** percent) when compared with the same period in 1985 (*** percent).

Table 16.--Porcelain-on-steel cooking ware: Total U.S. imports, 1983-85, January-May 1985, and January-May 1986

Country	1983	1984	1985	Interim period ended May 31--	
				1985	1986
Customs value (1,000 dollars)					
China.....	282	1,370	3,305	1,250	799
Japan.....	23,869	17,748	11,824	4,698	4,653
Mexico.....	2,104	4,009	2,927	1,298	2,093
Spain 1/.....	***	***	***	***	***
Taiwan.....	21,557	25,602	19,514	9,157	7,227
All other countries.....	5,099	4,306	4,777	1,436	1,653
Total.....	***	***	***	***	***
Quantity (1,000 units)					
China.....	472	613	1,977	936	461
Japan.....	5,318	4,073	2,932	1,122	1,331
Mexico.....	1,096	2,348	1,845	856	1,348
Spain 1/.....	***	***	***	***	***
Taiwan.....	5,768	7,468	6,690	2,739	3,181
All other countries.....	1,394	1,857	2,684	960	872
Total.....	***	***	***	***	***

1/ Imports of porcelain-on-steel cooking ware from Spain are c.i.f. value, through June 30 for the interim periods, and based on data reported in response to the Commission's questionnaires.

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

Cumulative effects of Spanish imports with other imports under investigation

The Trade and Tariff Act of 1984, at section 612(a)(2)(A), amends title VII of the Tariff Act of 1930 by adding a new subsection that establishes--

Cumulation--for the purposes of clauses (i) and (ii), the Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market.

The Conference Report accompanying the Act notes that--

The provision requires cumulation of imports from various countries that each account individually for a small percentage of total market penetration but when combined may cause material injury. The conferees do intend, however, that the marketing of imports of accumulated [sic] be reasonably coincident. Of course, imports

Table 17.--Porcelain-on-steel cooking ware: U.S. producer's shipments and U.S. imports as a ratio to apparent consumption, 1983-85, January-June 1985, and January-June 1986

Item and Period	U.S. producer's shipments	Imports from---					All other countries	Apparent consumption 1,000 dollars
		China	Japan	Mexico	Spain	Taiwan		
				Percent				
	*	*	*	*	*	*	*	

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

Note--Because of rounding, figures may not add to 100 percent.

of like products from countries not subject to investigation would not be included in the cumulation. 1/

Porcelain-on-steel cooking ware from China, Taiwan, and Mexico are currently under investigation. These imports are marketed in the same geographic areas and at coincident periods of time. In addition, some imports from Taiwan and China are also sold in continuity programs. However, counsel for the foreign respondents argue that cumulation is not warranted in this investigation because Spanish porcelain-on-steel cooking ware is not marketed in the same channels of distribution as other imports and the domestic product. 2/ In addition, counsel argues that the Spanish product is not a like product with the domestic product, or most of the imports, because it is of higher quality. 3/ Counsel for the U.S. producer maintains that all of the imports currently under investigation are like products and marketed in the same channels of distribution. 4/

The cumulated effects of Spanish imports with other imports under investigation is presented below with regard to import levels and market penetration. Spanish imports are cumulated with allegedly subsidized imports from Mexico separately from the allegedly dumped imports from China, Mexico, and Taiwan as follows: 5/

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>January- May 1985</u>	<u>January- May 1986</u>
Imports from Spain and Mexico:					
Imports, 1,000 dollars..	\$***	\$***	\$***	\$***	\$***
Market penetration percent..	***	***	***	***	***
Imports from Spain, China, Mexico, and Taiwan:					
Imports, 1,000 dollars..	\$***	\$***	\$***	\$***	\$***
Market penetration percent..	***	***	***	***	***

1/ H.R. Report No. 98-1156, 98th Cong., 2d sess., reprinted in 131 Congressional Record 11531, 11578, Oct. 5, 1984.

2/ Conference transcript, pp. 55 and 56, 132 and 133.

3/ Conference transcript, pp. 55 and 56, 132 and 133.

4/ Conference transcript, pp. 26 and 28.

5/ Commerce preliminarily determined the estimated net subsidy for imports of allegedly subsidized imports from Mexico to be 13.33 percent. With regard to allegedly dumped imports from China, Mexico, and Taiwan, Commerce has preliminarily determined dumping margins (in percent ad valorem) of 51.38 percent, 60.59 to 93.73 percent, and 11.27 to 53.0 percent, respectively. On Mar. 7, 1986, Commerce issued a preliminary negative countervailing duty determination for Taiwan.

Prices

Porcelain-on-steel cooking ware prices are typically quoted to retailers and other purchasers on a per unit basis, according to established pricelists. General Housewares reports transaction prices based on published list prices, f.o.b. factory (Terre Haute), with the purchaser paying freight on *** percent of all shipments. General Housewares maintains * * *. 1/

All four importers responding to the Commission questionnaires supplied pricing information. Haviland China quotes prices to its customers f.o.b. warehouse, with prices based on published pricelists. * * *. A ***-percent discount is offered for shipments to a single warehouse destination rather than to individual stores. JMP-Newcor quotes delivered prices to its customers, also exclusively supermarkets. Discounts are offered * * *. 2/ Megaware quotes prices f.o.b. port of entry nearest to the customer's location. * * *. Copco quotes prices f.o.b. Chicago, based on list price. Freight * * *, and * * *.

General Housewares reported that they offer two different types of coupon or rebate programs to retail customers on roasters, with values of either \$1.00 or \$2.00. Total roaster sales were \$*** in 1985, and the rebates redeemed were \$***, or *** percent of sales. All of the importers of the Spanish cooking ware reported advertising allowances, with JMP-Newcor and Haviland China offering supermarket customers allowances of *** percent, and Megaware reporting allowances of *** percent on approximately *** percent of total sales. In addition, JMP-Newcor includes a *** percent breakage allowance. No importers offered rebate programs.

General Housewares and all importers of the Spanish product reported that their respective firms' geographic market areas included the entire United States. In addition, all firms market porcelain-on-steel cooking ware through sales representatives. General Housewares reported a delivery leadtime of * * * from the receipt of an order. Megaware reported a delivery leadtime from Spain of * * *. Haviland China maintains U.S. warehouses, and can fill an order within * * *. Copco reported leadtimes of * * *. JMP-Newcor was not able to determine this due to the nature of the continuity programs through which they sell the Spanish product.

With the exception of Copco, which * * *, nearly *** percent of Spanish porcelain-on-steel cooking ware is sold through programs such as supermarket continuity programs and short-term promotional open stock programs in supermarkets. 3/ Copco accounted for *** percent of 1985 imports of Spanish porcelain-on-steel cooking ware. General Housewares, during the period under investigation, sold primarily to department and specialty stores, as well as mass-merchandisers, military commissaries, catalogue showrooms, and supermarkets.

1/ Staff report to the Commission, invs. Nos. 701-TA-265-266 (Preliminary) and 731-TA-297-299 (Preliminary), Porcelain-on-steel cooking ware from Mexico, the People's Republic of China, and Taiwan, at A-26.

2/ Staff interview with James Mills, president, JMP-Newcor, July 18, 1986. |

3/ Refer to app. D for a detailed description of these continuity and promotional programs.

Prices for porcelain-on-steel cooking ware were requested from the petitioner and four importers of the Spanish product. Representative large volume articles drawn from more than 500 different cooking ware items were selected for price comparisons. Prices were requested on sales direct to retailers for the following items:

Product 1- 2-quart teakettle (or closest equivalent) with wooden or phenolic handle.

Product 2- Least expensive decorated seven-piece set, with stainless steel rims on vessel and cover, phenolic handles, including 1 to 2-quart saucepan, 2 to 3-quart saucepan, 4 1/2 to 5-quart covered dutch oven and 8 to 10-inch open skillet.

Product 3- 1 to 2-quart covered saucepan, with stainless steel rims.

Price trends.---Price series were collected from General Housewares on sales to various types of retail outlets, as detailed above, and from importers of the Spanish cooking ware on sales to supermarkets for continuity programs. Trends in prices are difficult to examine because of inconsistencies in the pricing data, such as changes in size and design of individual specifications of porcelain-on-steel cooking ware. For example, General Housewares produced a 1-1/2 quart teakettle from *** through ***, but produced a 2-quart teakettle during the rest of the period under investigation.

Price comparisons are complicated by questions of homogeneity of the domestic and Spanish products. Spanish porcelain-on-steel is generally of a heavier gauge than the domestic product. Also, only one of the importers of the Spanish product, Copco, reported sales to retail ***. JMP and Haviland, which account for *** percent of Spanish imports, ***, and Copco, was able to provide some price data for ***. Megaware, which also reports sales to mass merchandisers and department stores, has not imported any of the items for which pricing was requested since ***. 1/

Import relief granted under section 201 of the Trade Act of 1974 (see discussion in report on "previous investigations") was in effect from January 2, 1980, to January 17, 1984. Based on responses to the Commission's questionnaires, there is no evidence that the end of relief had either a depressing or suppressing effect on the prices of General Housewares' products for which prices were reported.

General Housewares.---From *** to ***, General Housewares produced teakettles of 1-1/2-quart size only. Prices for this article declined during the period, fluctuating between a high of \$*** in *** and a low of \$*** in the corresponding period of *** (table 18). Prices for its 2-quart teakettle remained stable during the *** to ***. The price of General Housewares' 2-quart teakettle throughout *** was \$***.

Prices for the least expensive decorated seven-piece set fell from a high of \$*** to a low of \$***. General Housewares discontinued production and sales of ***, and in ***, introduced a new seven-piece set, with heat tempered, glass covers. Prices for this set *** from \$*** in *** to \$*** per set in ***, ***. Prices *** during *** by *** percent, to \$***.

1/ Megaware reported ***.

Table 18.--Porcelain-on-steel cooking ware: General Housewares' prices for selected items for sales to department, specialty, and mass-merchandise stores, by quarters, January 1983-June 1986

Period	(Price per unit)				
	Teakettle 1/	7-piece set 2/	7-piece set 3/	7-piece set 4/	1-quart saucepan 4/ 2-quart saucepan 4/
	*	*	*	*	*

1/ * * *.

2/ Least expensive decorated 7-piece set.

3/ Set includes heat-tempered glass covers and decorative packaging.

4/ Pfaltzgraff pattern sold under licensing agreement with Pfaltzgraff.

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

General Housewares produced the specified saucepan only under a licensing agreement with Pfaltzgraff Co., from * * *. 1/ It does not make saucepans with a stainless steel rim as a standard open stock item. Prices for 1- and 2-quart saucepans produced under the agreement with Pfaltzgraff * * *, with no apparent pattern. Prices for 1-quart saucepans were initially \$*** in January-March 1983, * * * to \$*** during * * *, and then * * * to \$*** per unit in * * *. Prices * * * to \$*** per unit during * * *, and additional sales during this year were * * *. Prices in * * * moved from \$*** in * * * and then * * * to \$*** per unit during * * *.

Prices for 2-quart saucepans * * * during * * *, falling from a price of \$*** per unit to \$*** during * * *, a * * * of *** percent. During * * *, prices were at \$*** per unit, and as with 1-quart saucepans, additional sales were * * *. Prices in * * * from \$*** in * * * to \$*** in October-December.

Prices of 7-piece sets produced under this agreement * * * throughout * * *, moving between a high price of \$*** and a low price of \$***. Prices * * * to \$*** per set in * * *, and * * *.

Import prices.--Teakettles imported from Spain were consistently priced above General Housewares' teakettles (table 19). JMP-Newcor imports a 2-1/2 quart teakettle, for which prices * * * from \$*** per unit in * * * to \$*** per unit in * * *, a * * * of *** percent. Prices * * * to \$*** in * * *, and then * * * through the period under investigation, reaching a high price for the 3-year period of \$*** in * * * and a low of \$*** during * * *. Prices for teakettles imported by Haviland China * * * from \$*** in * * * to \$*** in * * *, * * *. Prices * * *, * * * to \$*** per unit and * * * through * * *.

Prices for an eight-piece set were submitted by Haviland China, with price * * *. Per set prices were initially \$*** during the first half of 1983, with a *** percent * * *, prices to \$***. Prices were * * * through * * *, when prices increased to \$***. Prices * * * through * * *. Copco reported a list price of \$*** per set for imported seven-piece sets. Actual transaction prices reported included * * *, and ranged from \$*** to \$*** per set. * * * prices in * * * were at \$*** during * * * and \$*** in * * *. Megaware reported a * * * price of \$*** per seven-piece set, for sales to retailers during * * *.

Saucepan prices were reported by both JMP-Newcor and Haviland China. JMP's prices * * *, with the low price of \$*** per unit occurring during * * * and the high price of \$*** occurring in * * *. Haviland China began importing a 1-1/2 quart saucepan in * * * and prices were at \$*** per unit from this quarter through * * *.

Lost sales

General Housewares alleged five lost sales in 1985, valued at \$***, because of competition from the Spanish product. The allegations involved several types of porcelain-on-steel cooking ware, including seven-piece sets, stockpots, and frying pans. The staff contacted all five firms for which these allegations were reported, and telephone conversations with representatives of these firms are summarized below.

1/ The licensing agreement specified that * * *.

Table 19.--Porcelain-on-steel cooking ware: Importers' prices for selected items imported from Spain, for sales to supermarkets, by quarters, January 1983-June 1986

Period	(Price per unit)				
	JMP-Newcor		Haviland China		
	2-1/2-qt. teakettle	2-qt. saucepan	2-qt. teakettle	8-piece decorated set	1-1/2-qt. saucepan
	*	*	*	*	*

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

General Housewares alleged that a sale of 7-piece sets, valued at \$***, was lost during 1985 to * * * due to competition by Spanish imports. * * *. A sale of \$*** of stockpots was allegedly lost to * * * during 1985. * * *, the cooking ware buyer for * * *, stated that * * *. General Housewares reported a lost sale of frying pans and stockpots, valued at \$***, to * * *. A purchaser with * * * explained that * * *. A sale of \$*** of frying pans and open stock items to * * * was allegedly lost in 1985 because of competition from Spanish imports. * * *, a purchaser with * * *, stated that * * *. General Housewares alleged a lost sale in 1985 totaling \$*** to * * *. * * * was unable to comment on this allegation.

Exchange rates

Table 20 presents indexes of the nominal and real exchange rates between the U.S. dollar and the Spanish peseta, and indexes of producer prices in the United States and Spain, by quarters, from January-March 1983 (the base period) through January-March 1986. The exchange rates, presented in dollars per peseta, indicate changes in the general price level of Spanish products purchased with U.S. dollars. During this period, the Spanish currency depreciated rather steadily from January-March 1983 to January-March 1985, declining by 28 percent against the dollar. The peseta then began to recover in 1985, rising nearly 22 percent against the dollar from January-March 1985 to January-March 1986. Adjusted for inflation, the real value of the Spanish currency followed the same trend as the nominal rate, however, at a much less severe rate. The real value of the peseta erratically fell 13 percent during January-March 1983 to January-March 1985 before beginning a rapid appreciation during 1985. During 1985, the Spanish peseta appreciated 17 percent against the dollar to a level nearly 2-percent above the value during the base period.

Table 20.--Indexes of producer prices in the United States and Spain, 1/ and indexes of the nominal and real exchange rates between the U.S. dollar and the Spanish peseta, 2/ by quarters, January 1983-March 1986

(January-March 1983=100)				
Period	U.S. Producer Price Index	Spanish Producer Price Index	Nominal- exchange- rate index	Real- exchange- rate index
			----Dollars per peseta----	
1983:				
January-March.....	100.0	100.0	100.0	100.0
April-June.....	100.3	102.8	93.1	95.4
July-September.....	101.2	105.2	86.3	89.7
October-December....	101.8	109.1	84.0	90.0
1984:				
January-March.....	102.9	113.7	84.1	93.0
April-June.....	103.6	116.6	84.9	95.6
July-September.....	103.3	118.1	78.6	89.9
October-December....	103.0	119.7	76.2	88.5
1985:				
January-March.....	102.9	124.0	72.1	87.0
April-June.....	103.0	126.0	74.7	91.3
July-September.....	102.2	127.0	77.8	96.6
October-December....	102.9	128.2	81.7	101.8
1986:				
January-March.....	101.3	<u>3/</u>	88.1	<u>3/</u>

1/ Producer price indicators--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.

2/ Exchange rates expressed in U.S. dollars per Spanish peseta.

3/ Data not available.

Source: International Monetary Fund, International Financial Statistics.

APPENDIX A

FEDERAL REGISTER NOTICES OF THE COMMISSION AND COMMERCE

SUMMARY: The Commission hereby gives notice of the institution of a preliminary countervailing duty investigation No. 701-TA-279 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. section 1671b(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 Spain of cooking ware of steel, enameled or glazed with vitreous glasses (porcelain), not having self-contained electric heating elements, and teakettles of steel, enameled or glazed with vitreous glasses, all the foregoing, provided for in item 654.08 of the Tariff Schedules of the United States, except kitchen ware (currently reported under item 654.0828 of the Tariff Schedules of the United States Annotated), which are alleged to be subsidized by the Government of Spain. As provided in section 703(a), the Commission must complete preliminary countervailing duty investigations in 45 days, or in this case by August 14, 1986.

The Commission also gives notice of the institution of a preliminary antidumping investigation No. 731-TA-336 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. section 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 Spain of cooking ware of steel, enameled or glazed with vitreous glasses (porcelain), not having self-contained electric heating elements, and teakettles of steel, enameled or glazed with vitreous glasses, all the foregoing, provided for in item 654.08 of the Tariff Schedules of the United States, except kitchen ware (currently reported under item 654.0828 of the Tariff Schedules of the United States Annotated), provided for in item 654.08 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 countervailing duty investigations in 45 days, or in this case by August 14, 1986.

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

EFFECTIVE DATE: June 30, 1986.

FOR FURTHER INFORMATION CONTACT: Maria Papadakis (202-523-0439), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20438. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on June 30, 1986 on behalf of the Porcelain-On-Steel Committee of the Cookware Manufacturers Association, Walworth, WI, and General Housewares Corp., Terre Haute, IN.

Participation in the Investigations

Persons wishing to participate in the investigations 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 Chairman, 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 these investigations upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigations must be served on all other parties to the investigations (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 Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on July 22, 1986 at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Maria Papadakis (202-523-0439) not later than July 18, 1986 to arrange for their appearance. Parties in support of the

(Investigations Nos. 701-TA-279 (Preliminary) and 731-TA-336 (Preliminary))

Porcelain-on-Steel Cooking Ware From Spain

AGENCY: United States International Trade Commission.

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

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

Written Submissions

Any person may submit to the Commission on or before July 24, 1986 a written statement of information pertinent to the subject of the investigations, 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). 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 section 201.6 of the Commission's rules (19 CFR 201.6).

Authority: These investigations are 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).

By order of the Commission.

Issued: July 3, 1986.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-15451 Filed 7-8-86; 8:45 am]

BILLING CODE 7020-02-M

International Trade Administration**[A-469-602]****Porcelain-on-Steel Cooking Ware From Spain; Initiation of Antidumping Duty Investigation****AGENCY:** International Trade Administration, Import Administration, Department of Commerce.**ACTION:** Notice.

SUMMARY: On the basis of a petition filed in proper form with the Department of Commerce, we are initiating an antidumping duty investigation to determine whether porcelain-on-steel cooking ware from Spain is being, or is 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 these products materially injure, or threaten material injury to, a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before August 14, 1986, and we will make ours on or before December 8, 1986.

EFFECTIVE DATE: July 25, 1986.

FOR FURTHER INFORMATION CONTACT: Charles Wilson, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-5288.

SUPPLEMENTARY INFORMATION:**The Petition**

On June 30, 1986, we received a petition filed in proper form on behalf of the Porcelain-on-Steel Committee of the Cookware Manufacturers Association and General Housewares Corp. with respect to porcelain-on-steel cooking ware from Spain. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of porcelain-on-steel cooking ware from Spain 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 materially injure, or threaten material injury to, a United States industry.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the

allegations necessary for the initiation of an antidumping duty investigation, and whether it contains information reasonably available to the petitioners supporting the allegations. We have examined the petition on porcelain-on-steel cooking ware from Spain and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether porcelain-on-steel cooking ware from Spain is being, or is likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by December 8, 1986.

Scope of Investigation

The product covered by this investigation is porcelain-on-steel cooking ware including tea kettles, which do not have self-contained electric heating elements. All of the foregoing are constructed of steel, and are enameled or glazed with vitreous glasses. These products are currently provided for in items 654.0815, 654.0824, and 654.0827 of the *Tariff Schedules of the United States Annotated (TSUSA)*. Kitchen ware, currently reported under item 654.0828 of the *TSUSA* is not subject to this investigation.

United States Price and Foreign Market Value

In its sales at less than fair value allegation, the petitioners based United States price on price quotations, FOB Bilbao, from one of the possible respondents. As provided in 19 CFR 353.36(a)(7) petitioners based foreign market value on General Houseware Corp.'s costs of production adjusted for Spanish labor rates. They included ten percent for selling, general, and administrative expenses and eight percent for profit. Based on the comparison of United States price and foreign market value, petitioners allege a dumping margin of 39 percent.

Notification of ITC

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

Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by August 14, 1986, whether there is a reasonable indication that imports of porcelain-on-steel cooking ware from Mexico materially injure, or threaten material injury to, a United States industry. If its determination is negative the investigation will terminate; otherwise, it will proceed according to the statutory and regulatory procedures.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

July 21, 1986.

[FR Doc. 86-16783 Filed 7-24-86; 8:45 am]

BILLING CODE 3510-DS-B

[C-469-601]

Initiation of a Countervailing Duty Investigation: Porcelain-on-Steel Cooking Ware From Spain

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Spain of porcelain-on-steel cooking ware, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action, so that it may determine whether imports of the subject merchandise from Spain materially injure, or threaten material injury to, a U.S. industry. The ITC will make its preliminary determination on or before August 14, 1986. If our investigation proceeds normally, we will make a preliminary determination on or before September 23, 1986.

EFFECTIVE DATE: July 25, 1986.

FOR FURTHER INFORMATION CONTACT: Alain Letort or Gary Taverman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: 202/377-0186 (Letort) or 202/377-0161 (Taverman).

SUPPLEMENTARY INFORMATION:

Petition

On June 30, 1986, we received a

petition in proper form filed by the Porcelain-on-Steel Committee of the Cookware Manufacturers Association, of Walworth, Wisconsin, and the General Housewares Corporation of Terre Haute, Indiana. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters in Spain of porcelain-on-steel cooking ware receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act). In addition, the petition alleges that such imports materially injure, or threaten material injury to, a U.S. industry producing a like product. Since Spain is a "country under the Agreement" within the meaning of section 701(b) of the Act, Title VII of the Act applies to this investigation, and the ITC is required to determine whether imports of the subject merchandise from Spain materially injure, or threaten material injury to, a U.S. industry.

Initiation of Investigation

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

Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Spain of porcelain-on-steel cooking ware, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our preliminary determination on or before September 23, 1986.

Scope of the Investigation

The products covered by this investigation are porcelain-on-steel cooking ware, including tea kettles, which do not have self-contained electric heating elements. All of the foregoing are constructed of steel, and are enameled or glazed with vitreous glasses. These products are provided for in items 654.0815, 654.0824, and 654.0827 of the *Tariff Schedules of the United States Annotated (TSUSA)*. Kitchen ware, currently provided for under item 654.0828 of the *TSUSA*, is not subject to this investigation.

Allegations of Subsidies

The petition lists a number of practices by the government of Spain which allegedly confer subsidies on manufacturers, producers, or exporters in Spain of porcelain-on-steel cooking ware. We are initiating an investigation on the following programs:

- Privileged Circuit Exporter Credits
- Warehouse Construction Loans
- Preferential Long-Term Loans and Loan Guarantees
- Preferential Loans and Benefits Conferred by the Instituto Nacional de Industria (INI)
- Regional Investment Incentives
- Expropriation of Land for New Construction
- Energy Discounts

We are not initiating an investigation on the following programs:

- *Desgravacion Fiscal a la Exportacion*

Petitioners also allege that, under the program called "Desgravacion Fiscal a la Exportacion" (DFE), exporters receive excessive rebates of indirect turnover taxes that are levied on each intermediate sale of a product up to, but not including, the final sale at the retail level. We found this program to confer an export subsidy in previous Spanish countervailing duty cases (see, e.g., *Final Affirmative Countervailing Duty Determination; Oil Country Tubular Goods from Spain*, 49 FR 47060, July 30, 1984). However, Spain has formally notified signatories to the General Agreement on Tariffs and Trade (GATT) that this program was abolished on January 1, 1986, and replaced by the value-added tax system used by the European Community (see GATT document SCM/25/Add.2 dated 26 February 1986). Because this program has been abolished, and benefits provided under it could not affect merchandise subject to any potential suspension of liquidation, we are not initiating an investigation on this program.

• Upstream Subsidy Allegation

Petitioners allege that "upstream subsidies," within the meaning of section 771A(a) of the Act, are being paid or bestowed by the government of Spain, on producers or manufacturers of porcelain-on-steel cooking ware.

First, petitioners allege that producers or manufacturers of porcelain-on-steel cooking ware in Spain receive "upstream subsidies" through the use of subsidized carbon steel and stainless steel products. Second, petitioners allege that these subsidized steel inputs bestow a competitive benefit on manufacturers or producers of porcelain-on-steel cooking ware because

they are not available at comparable prices from other, unsubsidized sources. Third, petitioners allege that these inputs have a significant effect on the cost of manufacturing porcelain-on-steel cooking ware because they comprise 20 to 40 percent of the cost of manufacturing these products.

While petitioners have provided evidence that subsidies to steel products, if passed through to manufacturers of porcelain-on-steel cooking ware, may have a significant effect on the cost of manufacturing porcelain-on-steel cooking ware, they have failed to provide any evidence that these subsidies are, in fact, passed on, i.e., that they confer a competitive benefit upon porcelain-on-steel cooking ware from Spain (see *Final Affirmative Countervailing Duty Determination; Cast-Iron Pipe Fittings from Brazil*, 50 FR 8755, March 5, 1985).

In order for the Department to accept an allegation of competitive benefit by reason of subsidized inputs, petitioners must provide information suggesting that (1) manufacturers of porcelain-on-steel cooking ware in Spain are related to Spanish producers of carbon steel or stainless steel, (2) transactions between the parties are conducted on other than an arms-length basis, (3) the relevant inputs are not available at comparable prices from other sources, or (4) Spanish producers of carbon steel and stainless steel undercut prices charged by other suppliers. A simple assertion, such as that made by petitioners, that any of the situations mentioned above exist, does not provide sufficient evidence to support an allegation that upstream subsidies are being received. Therefore, we have no "reasonable grounds," within the meaning of section 771A of the Act, to believe or suspect that upstream subsidies are being paid or bestowed on porcelain-on-steel cooking ware from Spain. Accordingly, we will not initiate an investigation on this allegation at this time. We will, however, reconsider this allegation on the basis of any additional information provided during the investigation.

Notification of ITC

Section 702(d) of the Act requires us to notify the ITC of this action, and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information in our files. We will also allow the ITC access to all privileged and proprietary information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written

consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by August 14, 1986, whether there is reasonable indication that imports of porcelain-on-steel cooking ware from Spain materially injure, or threaten material injury to, a U.S. industry. If that determination is negative, this investigation will terminate; otherwise, it will continue according to statutory procedures.

This notice is published pursuant to section 702(C)(2) of the Act.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

July 21, 1986.

[FR Doc. 86-16784 Filed 7-24-86; 8:45 am]

BILLING CODE 3510-08-01

APPENDIX B

LIST OF WITNESSES APPEARING AT THE PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the
United States International Trade Commission's conference:

Subject: Porcelain-on-steel cooking ware from Spain

Invs. Nos.: 701-TA-279 and 731-TA-336 (Preliminary)
Date and time: July 22, 1986 -- 9:30 a.m.

Sessions were held in connection with the investigations in the
Hearing Room of the United States International Trade Commission,
701 E St., N.W., in Washington, DC.

In support of the imposition of countervailing and antidumping duties:

Kilpatrick & Cody--Counsel
Washington, D.C.
on behalf of

General Housewares Corp.

Joseph W. Dorn)--OF COUNSEL

In opposition to the imposition of countervailing and antidumping
duties:

Klayman & Gurley--Counsel
Washington, D.C.
on behalf of

Megaware Inc.

Issa Batarse, President, Megaware, Inc.

Larry Klayman)
Rachelle Cherol)--OF COUNSEL

Bell, Boyd & Lloyd--Counsel
Washington, D.C.
on behalf of

Johann Haviland China Corp.

Ray Cleeland, Chairman, Johann Haviland China Corp.

Patrick J. Roach)--OF COUNSEL

George V. Egge--Counsel
Washington, DC
on behalf of

Esmaltaciones San Ignacio, S.A.
Vitrex, S.A.

Jose Luis Baroja, Commercial Director, Esmaltaciones
San Ignacio, S.A.

Adolfo Otaduy Lasa, Esmaltaciones San Ignacio, S.A.

Cayetano Lopez, Director General, Vitrex, S.A.

George V. Egge)--OF COUNSEL

APPENDIX C

APPARENT CONSUMPTION, IMPORT PENETRATION, IMPORT LEVELS, AND
CUMULATION BASED ON OFFICIAL IMPORT STATISTICS OF THE DEPARTMENT OF COMMERCE

This appendix explains adjustments to the official import statistics and presents data on apparent consumption, import penetration, import levels, and cumulated effects of imports of Spanish porcelain-on-steel cooking ware with imports of this merchandise from China, Taiwan, and Mexico.

Because of major discrepancies between the questionnaire respondents' reported imports and the official statistics of the Department of Commerce, questionnaire data were used as the basis for analysis in the report. The differences stem from two major factors. First, one questionnaire respondent (***) reported ***. Second, another questionnaire respondent (***) reported ***. These imports thus ***. Apparent consumption, import penetration, import levels, and cumulated effects of Spanish imports are reported in table C-1 using the unadjusted, official statistics of the Department of Commerce.

Table C-1.--Porcelain-on-steel cooking ware: Apparent U.S. consumption, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	Interim period ended June 30--	
				1985	1986
Teakettles....1,000 units..	***	***	***	***	***
Teakettles..1,000 dollars..	***	***	***	***	***
All other.....1,000 units..	***	***	***	***	***
All other...1,000 dollars..	***	***	***	***	***
Total...1,000 dollars..	***	***	***	***	***

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

Table C-2.-Porcelain-on-steel cooking ware: U.S. producer's shipments and U.S. imports as a ratio to apparent consumption, 1983-85, January-June 1985, and January-June 1986

Item and Period	U.S. producer's shipments	Imports from --					All other countries	Apparent consumption 1,000 dollars
		China	Japan	Mexico	Spain	Taiwan		
				Percent				
	*	*	*	*	*	*	*	

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

Note--Because of rounding, figures may not add to 100 percent.

Table C-3.--Porcelain-on-steel cooking ware: U.S. imports of teakettles, 1983-85, January-May 1985, and January-May 1986

Country	1983	1984	1985	Interim period ended May 31--	
				1985	1986
Customs value (1,000 dollars)					
China.....	14	47	332	123	56
Japan.....	14,343	10,840	6,289	2,516	2,771
Mexico.....	93	45	74	20	64
Spain.....	817	362	459	194	53
Taiwan.....	10,065	11,326	6,210	2,605	2,141
All other countries.....	721	536	790	323	315
Total.....	26,053	23,156	14,154	5,782	5,400
Quantity (1,000 units)					
China.....	8	10	90	37	20
Japan.....	2,919	2,309	1,512	575	572
Mexico.....	45	17	24	3	31
Spain.....	173	82	72	31	8
Taiwan.....	2,084	2,826	1,677	644	583
All other countries.....	129	100	886	347	282
Total.....	5,358	5,347	4,261	1,636	1,497
Quantity (1,000 pounds)					
China.....	10	27	219	89	43
Japan.....	5,875	4,619	2,822	1,105	1,191
Mexico.....	67	28	47	8	35
Spain.....	403	179	199	102	23
Taiwan.....	4,299	5,380	4,091	1,568	1,184
All other countries.....	280	225	502	204	339
Total.....	10,934	10,459	7,880	3,076	2,814

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

Table C-4.--Porcelain-on-steel cooking ware: U.S. imports of cooking ware other than teakettles, 1983-85, January-May 1985, and January-May 1986

Country	1983	1984	1985	Interim period ended May 31--	
				1985	1986
Customs value (1,000 dollars)					
China.....	268	1,323	2,973	1,127	743
Japan.....	9,526	6,908	5,535	2,182	1,882
Mexico.....	2,012	3,964	2,853	1,279	2,029
Taiwan.....	11,492	142,758	13,304	6,552	5,086
Spain.....	4,073	6,202	7,164	3,627	2,501
All other countries.....	4,379	3,770	3,987	1,113	1,338
Total.....	31,750	36,442	35,815	15,879	13,579
Quantity (1,000 units)					
China.....	464	603	1,886	899	441
Japan.....	2,399	1,763	1,421	547	758
Mexico.....	1,051	2,331	1,822	853	1,317
Taiwan.....	3,684	4,642	5,013	2,095	2,597
Spain.....	1,225	1,573	1,908	870	606
All other countries.....	1,265	1,756	1,798	613	590
Total.....	10,088	12,668	13,847	5,878	6,309
Quantity (1,000 pounds)					
China.....	278	1,308	3,825	1,631	882
Japan.....	4,283	3,244	2,898	1,197	781
Mexico.....	2,265	3,773	2,566	1,200	2,212
Taiwan.....	7,842	9,980	10,150	4,936	3,626
Spain.....	2,609	3,882	4,700	2,275	1,675
All other countries.....	2,860	3,287	2,987	1,002	1,036
Total.....	20,137	25,473	27,125	12,241	10,212

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

Table C-5.--Porcelain-on-steel cooking ware: Total U.S. imports, 1983-85, January-May 1985, and January-May 1986

Country	1983	1984	1985	Interim period ended May 31--	
				1985	1986
Customs value (1,000 dollars)					
China.....	282	1,370	3,305	1,250	799
Japan.....	23,869	17,748	11,824	4,698	4,653
Mexico.....	2,104	4,009	2,927	1,298	2,093
Taiwan.....	21,557	25,602	19,514	9,157	7,227
Spain.....	4,890	6,564	7,623	3,821	2,554
All other countries.....	5,099	4,306	4,777	1,436	1,653
Total.....	57,803	59,598	49,969	21,661	18,979
Quantity (1,000 units)					
China.....	472	613	1,977	936	461
Japan.....	5,318	4,073	2,932	1,122	1,331
Mexico.....	1,096	2,348	1,845	856	1,348
Taiwan.....	5,768	7,468	6,690	2,739	3,181
Spain.....	1,398	1,655	1,980	901	614
All other countries.....	1,394	1,857	2,684	960	872
Total.....	15,446	18,014	18,108	7,514	7,807
Quantity (1,000 pounds)					
China.....	287	1,335	4,044	1,720	925
Japan.....	10,158	7,864	5,719	2,302	1,972
Mexico.....	2,332	3,801	2,613	1,208	2,247
Taiwan.....	12,141	15,360	14,241	6,504	4,810
Spain.....	3,012	4,061	4,899	2,377	1,698
All other countries.....	3,140	3,512	3,489	1,207	1,375
Total.....	31,071	35,932	35,005	15,317	13,026

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

The following tabulation presents the cumulated effects of Spanish imports with China, Mexico, and Taiwan:

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>January- June 1985</u>	<u>January- June 1986</u>
Imports from Spain and Mexico:					
Imports.1,000 dollars..	\$6,994	\$10,573	\$10,550	\$5,129	\$4,647
Market penetration percent..	***	***	***	***	***
Imports from Spain, China, Mexico, and Taiwan:					
Imports.1,000 dollars..	\$28,833	\$37,544	\$33,369	\$15,536	\$12,673
Market penetration percent..	***	***	***	***	***

DISCUSSION OF SUPERMARKET CONTINUITY AND PROMOTIONAL PROGRAMS

This appendix discusses the characteristics of supermarket continuity programs and promotional programs. Two of the importers in these investigations, JMP and Haviland, use their imports of Spanish porcelain-on-steel cooking ware exclusively for supermarket continuity programs. One other importer, Megaware, uses the majority of its imports (***) percent by value), for use in short-term promotional programs. Although there are some common characteristics between these two types of programs, they will be discussed individually. 1/

Continuity programs

Supermarket continuity programs are used by grocery stores for one primary purpose--to attract and hold customers to their store(s). As a secondary goal, the stores may try to make a profit off of the cookware sales. These continuity programs come in two types: stamp programs and profit programs. Haviland sponsors only a stamp program, and JMP has both types, with the profit-type programs accounting for about *** percent of its annual sales. The key aspect to both of these types is that the purchase of cookware is tied to grocery purchases, and the programs typically run 14 to 16 weeks. In addition, both programs are attractive to consumers because the programs allow them to buy the cookware over a long period of time, with small outlays of cash each time, and for prices which are less than normal retail value.

In a stamp-saving program, the consumer buys for a nominal amount, or receives for free, a savings stamp after purchasing a specified amount of groceries. After saving a certain amount of stamps in a booklet provided by the store, the consumer may exchange these for a particular cookware item. Over the period of the program, the consumer may thus purchase and collect an entire set of cookware. In the stamp-saving program, the supermarket may set the minimum purchase requirement and stamp price in such a manner that the store will either subsidize, break even, or make a profit on the cookware sales.

Similarly, in a profit program, the consumer may buy cookware which is featured weekly on an item-by-item basis. Each week, the store offers at a discounted price a particular piece of cooking ware. When a consumer has purchased the minimum amount of groceries required, she or he may then buy the featured item at the special price. Over the course of the program, the consumer may collect a set of cooking ware. Unlike the stamp-saving program, however, the supermarket tries to make a profit on these sales of the cooking ware.

Haviland's and JMP's porcelain-on-steel continuity programs are designed to run sequentially with their other continuity programs. Both firms sponsor what they call "tabletop" approaches; that is, they also market dishes, china, glassware, crystal, and flatware through continuity programs. The porcelain-on-steel cooking ware that is sold is designed specifically to coordinate with these other items so that the consumer may get an entire range of coordinating housewares. Haviland estimates that two-thirds of the people participating in

1/ The above discussion is based on interviews, telephone conversations, and conference testimony of officials of Haviland, JMP, and Megaware.

its porcelain-on-steel continuity programs are those who have already purchased the preceding dinnerware product. In addition, in both profit and stamp programs, consumers are given the option to buy the cookware item at the full retail price. Officials estimate that if the programs are run correctly, about 20 percent of the program's sales will be at the retail value. Officials from JMP and Haviland estimate that about 2 to 7 percent of a supermarket's traffic will participate in any given continuity program, and the typical consumer will buy about five to seven pieces of cookware.

JMP and Haviland offer a wide range of services to supermarkets running continuity programs. First, these programs operate on a guaranteed sales basis; that is, any stock remaining at the end of the period is bought back by JMP or Haviland. The companies also provide the advertising brochures, display stands, and savings booklets to the store, as well as additional marketing assistance. The store provides its prime display space--in the front by the cash registers--for display of the cookware. Finally, continuity programs are offered on a limited basis; depending on the product and area, JMP and Haviland require "rest" periods between programs of 18 months to 5 years.

Officials of both Haviland and JMP believe that continuity programs constitute a separate channel of distribution because of the features discussed above, and also because continuity programs seem to be insulated from standard retail market pressures on porcelain-on-steel cooking ware. For example, the styles of the cookware sold in the continuity programs are usually much older than those sold through normal retail channels (some patterns are as old as 10 years); there is very little price pressure from the retail market on continuity prices; and market research shows that the consumer who participates in a continuity program does so on impulse and does not comparison shop once the decision is made to buy the continuity program cookware. 1/

Promotional programs

Megaware offers 6-week promotional programs for the sale of its imported Spanish porcelain-on-steel cooking ware. Megaware imports only frying pans with nonstick coatings and a 9-1/2-quart stockpot. These short-term programs are offered only in supermarkets, operate on a guaranteed sale basis, are also given prime floor space in the store, and have a rest period of 1 year between promotions.

1/ Staff interview with officials of JMP; Conference transcript pp. 118-133.

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

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