

# **COLOR PICTURE TUBES FROM CANADA, JAPAN, THE REPUBLIC OF KOREA, AND SINGAPORE**

**Determinations of the Commission in  
Investigations Nos. 731-TA-367  
through 370 (Final) Under the Tariff  
Act of 1930, Together With the  
Information Obtained in the  
Investigations**

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United States International Trade Commission / Washington, DC 20436

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## C O N T E N T S

	<u>Page</u>
Determination.....	1
Views of the Commission.....	3
Views of Vice Chairman Anne E. Brunsdale.....	15
Additional and dissenting views of Chairman Liebeler.....	59
Information obtained in the investigations.....	A-1
Introduction.....	A-1
Background.....	A-1
Summary of previous and current investigations involving color picture tubes or television receivers and parts thereof.....	A-2
The product.....	A-3
Description and uses.....	A-3
Manufacturing process.....	A-6
Like product issues.....	A-8
Screen sizes of 30 inches and over.....	A-8
The Sony Trinitron tube.....	A-9
U.S. tariff treatment.....	A-9
Color picture tubes classified in TSUS item 687.35.....	A-9
Color picture tubes classified in TSUS item 684.96.....	A-11
Effect of the antidumping duty order on color television receivers from Korea on the color picture tube investigation on Korea.....	A-12
U.S. tariff treatment of Japanese color picture tubes in kits and incomplete receivers entering the United States from third countries such as Mexico.....	A-14
Nature and extent of sales at LTFV.....	A-15
Commerce's final LTFV determination on Canada.....	A-16
Commerce's final LTFV determination on Japan.....	A-16
Commerce's final LTFV determination on Korea.....	A-16
Commerce's final LTFV determination on Singapore.....	A-17
The U.S. market.....	A-17
Apparent U.S. consumption.....	A-17
U.S. producers.....	A-19
General Electric.....	A-19
Philips ECG.....	A-20
RCA Corp.....	A-21
Sony.....	A-21
Toshiba-Westinghouse.....	A-21
Zenith.....	A-22
U.S. importers.....	A-22
Canada.....	A-22
Japan.....	A-22
Korea.....	A-23
Singapore.....	A-24
Channels of distribution.....	A-24
Consideration of alleged material injury.....	A-24
U.S. capacity, production, and capacity utilization.....	A-25
Establishment product lines.....	A-26
Production of color picture tubes 30 inches and over.....	A-27
Glass shortages.....	A-28
U.S. producers' shipments.....	A-29

## CONTENTS

	<u>Page</u>
<b>Information obtained in the investigations--Continued</b>	
<b>Consideration of alleged material injury--Continued</b>	
U.S. producers' purchases of color picture tubes.....	A-34
U.S. producers' inventories.....	A-34
Employment, wages, and productivity.....	A-35
Financial experience of U.S. producers.....	A-38
Color picture tubes.....	A-38
Overall establishment operations.....	A-42
Investment in productive facilities.....	A-45
Capital expenditures.....	A-45
Research and development expenses.....	A-45
Impact of imports on U.S. producers' growth, investment, and ability to raise capital.....	A-46
<b>Consideration of the question of threat of material injury.....</b>	<b>A-47</b>
U.S. importers' inventories.....	A-48
U.S. importers' current orders of color picture tubes.....	A-48
Ability of foreign producers to generate exports.....	A-50
Canada.....	A-50
Japan.....	A-50
Korea.....	A-52
Singapore.....	A-53
<b>Consideration of the causal relationship between the LTFV imports     and the alleged material injury.....</b>	<b>A-54</b>
U.S. imports.....	A-54
Korea.....	A-59
Canada.....	A-60
Japan.....	A-60
Singapore.....	A-61
Market penetration of imports.....	A-62
Prices.....	A-67
Trends in domestic prices.....	A-68
Trends in import prices.....	A-69
Japan.....	A-69
Canada.....	A-72
Korea.....	A-72
Singapore.....	A-72
Price comparisons.....	A-72
Imports from Japan.....	A-72
Imports from Canada.....	A-75
Imports from Korea.....	A-75
Imports from Singapore.....	A-76
Purchase prices.....	A-76
Price trends for U.S.-produced tubes.....	A-76
Price trends for imports from Japan.....	A-78
Price trends for imports from Canada.....	A-80
Price trends for imports from Korea.....	A-80
Price trends for imports from Singapore.....	A-80
Price comparisons with respect to imports from Japan.....	A-81
Price comparisons with respect to imports from Canada.....	A-83
Price comparisons with respect to imports from Korea.....	A-84

## CONTENTS

	<u>Page</u>
<b>Information obtained in the investigations--Continued</b>	
<b>Consideration of the causal relationship between the LTFV imports and the alleged material injury--Continued</b>	
<b>Prices--Continued</b>	
Purchase prices--Continued	
Price comparisons with respect to imports from Singapore.....	A-84
The related party price question.....	A-85
Domestic color picture tubes.....	A-85
Imports from Japan.....	A-85
Imports from Canada.....	A-85
Imports from Korea.....	A-85
Imports from Singapore.....	A-85
Bid competition.....	A-86
Purchases by Sanyo.....	A-86
Purchases by Sharp.....	A-86
Purchases by Matsushita.....	A-86
Purchases by Philips.....	A-86
Lost sales.....	A-87
Lost revenue.....	A-91
Exchange rates.....	A-92
Appendix A. Notice of the Commission's institution of final antidumping investigations.....	B-1
Appendix B. List of participants in the Commission's hearing in the investigations.....	B-5
Appendix C. Notices of the Department of Commerce's final LTFV determinations on color picture tubes.....	B-11
Appendix D. U.S. Customs Service ruling on the classification of color picture tubes according to chief use.....	B-49
Appendix E. The Department of Commerce's October 1986 clarification concerning color picture tubes from Korea.....	B-55
Appendix F. The Department of Commerce's October 31, 1986, notification to the U.S. Customs Service concerning color picture tubes from Korea..	B-73
Appendix G. The Department of Commerce's March 5, 1987, notice concerning color television receivers and color picture tubes from Korea.....	B-77
Appendix H. The Department of Commerce's July 1, 1987, notice concerning color television receivers and color picture tubes from Korea.....	B-81
Appendix I. U.S. Customs Service letter concerning the classification of certain television apparatus imported from Mexico.....	B-85
Appendix J. Supplementary tables on color television receivers and tubes.....	B-101
Appendix K. Purchase prices reported in response to Commission questionnaires.....	B-109

## CONTENTS

## Figures

Page

1. Color television picture tube.....	A-4
2. Shadow mask and phosphor screen.....	A-4
3. Color television picture tube manufacturing process.....	A-7

## Tables

1. Color picture tubes: Apparent U.S. consumption, 1984-86, January-June 1986, and January-June 1987.....	A-18
2. Color picture tubes: Major U.S. importers and their shares of the quantity of reported 1986 imports.....	A-23
3. Color picture tubes: U.S. producers' capacity, production, and capacity utilization, 1984-86, January-June 1986, and January-June 1987.....	A-26
4. Color picture tubes: U.S. production, by firms, 1984-86, January-June 1986, and January-June 1987.....	A-27
5. Color picture tubes: U.S. producers' shipments, 1984-86, January-June 1986, and January-June 1987.....	A-31
6. Color picture tubes: U.S. producers' domestic shipments by screen size, 1984-86, January-June 1986, and January-June 1987.....	A-33
7. Color picture tubes: U.S. producers' purchases, 1984-86, January-June 1986, and January-June 1987.....	A-35
8. Color picture tubes: U.S. producers' end-of-period inventories as of Dec. 31 of 1983-86, June 30, 1986, and June 30, 1987.....	A-36
9. Color picture tubes: Average number of U.S. producers' total employees and production and related workers producing all products and those producing color picture tubes; and hours worked by, wages paid to, and total compensation paid to such workers, 1984-86, January-June 1986, and January-June 1987.....	A-37
10. Color picture tubes: Income-and-loss experience of U.S. producers on their operations producing color picture tubes, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987.....	A-39
11. Color picture tubes: Selected income-and-loss data of U.S. producers on their operations producing color picture tubes, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987.....	A-40
12. Color picture tubes: Contribution margin and operating income of 5 U.S. producers on their trade sales, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987.....	A-42
13. Color picture tubes: Contribution margin on U.S. producers' trade sales of selected screen sizes, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987.....	A-43
14. Color picture tubes: Income-and-loss experience of U.S. producers on the overall operations of their establishments within which color picture tubes are produced, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987.....	A-44

## CONTENTS

## Tables--Continued

	<u>Page</u>
15. Color picture tubes: Value of property, plant, and equipment of U.S. producers, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987.....	A-45
16. Color picture tubes: Capital expenditures by U.S. producers, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987.....	A-46
17. Color picture tubes: U.S. importers' inventories as of Dec. 31 of 1984-86, June 30, 1986, and June 30, 1987.....	A-49
18. Color picture tubes: Salient data on Canada's color picture tube industry, 1984-86, and projections for 1987 and 1988.....	A-51
19. Color picture tubes: Salient data on Japan's color picture tube industry, 1984-86, and projections for 1987 and 1988.....	A-52
20. Color picture tubes: Salient data on Korea's color picture tube industry, 1984-86, and projections for 1987 and 1988.....	A-53
21. Color picture tubes: Salient data on Singapore's color picture tube industry, 1984-86, and projections for 1987 and 1988.....	A-54
22. Color picture tubes: U.S. imports, by quantity, 1984-86, January-June 1986, and January-June 1987.....	A-55
23. Color picture tubes: U.S. imports, by value, 1984-86, January-June 1986, and January-June 1987.....	A-57
24. Color picture tubes: Unit values of U.S. imports, 1984-86, January-June 1986, and January-June 1987.....	A-60
25. Color picture tubes: U.S. imports by screen size, 1984-86, January-June 1986, and January-June 1987.....	A-62
26. Color picture tubes: The quantity of imports and market shares of imports subject to the investigations, by countries, 1984-86, January-June 1986, and January-June 1987.....	A-63
27. Color picture tubes: The value of imports and market shares of imports subject to the investigations, by countries, 1984-86, January-June 1986, and January-June 1987.....	A-64
28. Color picture tubes: Market shares of total U.S. imports, by screen size, 1984-86, January-June 1986, and January-June 1987.....	A-65
29. 13-inch color picture tubes: Ranges and weighted-average selling prices of domestic color picture tubes sold to related and unrelated parties, 1984-86 and January-July 1987.....	A-68
30. 19-inch color picture tubes: Ranges and weighted-average selling prices of domestic color picture tubes sold to related and unrelated parties, 1984-86 and January-July 1987.....	A-68
31. 20-inch color picture tubes: Ranges and weighted-average selling prices of domestic color picture tubes sold to related and unrelated parties, 1984-86 and January-July 1987.....	A-69
32. 25-inch color picture tubes: Ranges and weighted-average selling prices of domestic color picture tubes sold to related and unrelated parties, 1984-86 and January-July 1987.....	A-69
33. 13-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to related parties, by import sources, 1984-86 and January-July 1987.....	A-70

## CONTENTS

## Tables--Continued

	<u>Page</u>
34. 13-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to unrelated parties, by import sources, 1984-86 and January-July 1987.....	A-70
35. 19-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to related parties, by import sources, 1984-86 and January-July 1987.....	A-70
36. 19-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to unrelated parties, by import sources, 1984-86 and January-July 1987.....	A-70
37. 20-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to related parties, by import sources, 1984-86 and January-July 1987.....	A-71
38. 20-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to unrelated parties, by import sources, 1984-86 and January-July 1987.....	A-71
39. 25-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to related parties, by import sources, 1984-86 and January-July 1987.....	A-71
40. 25-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to unrelated parties, by import sources, 1984-86 and January-July 1987.....	A-71
41. 13-inch color picture tubes sold to related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-73
42. 13-inch color picture tubes sold to unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-73
43. 19-inch color picture tubes sold to related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-73
44. 19-inch color picture tubes sold to unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-74
45. 20-inch color picture tubes sold to related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-74
46. 20-inch color picture tubes sold to unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-74

## CONTENTS

## Tables--Continued

	<u>Page</u>
47. 25-inch color picture tubes sold to related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-75
48. 13-inch color picture tubes: Ranges and weighted-average purchase prices of domestic color picture tubes purchased from related and unrelated parties, 1984-86 and January-July 1987.....	A-77
49. 19-inch color picture tubes: Ranges and weighted-average purchase prices of domestic color picture tubes purchased from related and unrelated parties, 1984-86 and January-July 1987.....	A-77
50. 20-inch color picture tubes: Ranges and weighted-average purchase prices of domestic color picture tubes purchased from related and unrelated parties, 1984-86 and January-July 1987.....	A-77
51. 25-inch color picture tubes: Ranges and weighted-average purchase prices of domestic color picture tubes purchased from related and unrelated parties, 1984-86 and January-July 1987.....	A-78
52. 13-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from unrelated parties, by import sources, 1984-86 and January-July 1987.....	A-78
53. 13-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from related parties, by import sources, 1984-86 and January-July 1987.....	A-78
54. 19-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from unrelated parties, by import sources, 1984-86 and January-July 1987.....	A-79
55. 19-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from related parties, by import sources, 1984-86 and January-July 1987.....	A-79
56. 20-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from unrelated parties, by import sources, 1984-86 and January-July 1987.....	A-79
57. 20-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from related parties, by import sources, 1984-86 and January-July 1987.....	A-79
58. 25-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from related parties, by import sources, 1984-86 and January-July 1987.....	A-80
59. 13-inch color picture tubes purchased from unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-81
60. 13-inch color picture tubes purchased from related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-81

## CONTENTS

## Tables--Continued

	<u>Page</u>
61. 19-inch color picture tubes purchased from unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-82
62. 19-inch color picture tubes purchased from related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-82
63. 20-inch color picture tubes purchased from unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-83
64. 20-inch color picture tubes purchased from related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-83
65. 25-inch color picture tubes purchased from related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987.....	A-83
66. Exchange rates: Nominal-exchange-rate equivalents of selected currencies in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in specified countries, indexed by quarters, January 1984-September 1987.....	A-93
J-1. Color television receivers: U.S. shipments by U.S. producers of color picture tubes and their affiliates, and U.S. shipments by Japanese- and Korean-owned producers located in the United States, 1984-86, January-June 1986, and January-June 1987.....	B-102
J-2. Color television receivers produced in the United States: U.S. shipments by U.S. producers and by Japanese- and Korean-owned producers located in the United States, by companies, 1984-86, January-June 1986, and January-June 1987.....	B-103
J-3. Color television receivers produced outside the United States: U.S. shipments by U.S. producers and by Japanese- and Korean- owned producers located in the United States, by companies, 1984-86, January-June 1986, and January-June 1987.....	B-104
J-4. Color picture tubes: Purchases and intracompany transfers by the color-television-receiver-producing affiliates of U.S. producers of color picture tubes and by Japanese- and Korean-owned producers located in the United States, 1984-86, January- June 1986, and January-June 1987.....	B-105
J-5. Color picture tubes: Purchases and intracompany transfers by the color-television-receiver-producing affiliates of U.S. producers of color picture tubes, by companies, 1984-86, January-June 1986, and January-June 1987.....	B-106
J-6. Color picture tubes: Purchases by Japanese- and Korean-owned color television receiver producers located in the United States, by companies, 1984-86, January-June 1986, and January- June 1987.....	B-107

## CONTENTS

## Tables--Continued

	<u>Page</u>
K-1. Color picture tubes: Weighted-average purchase prices of domestic color picture tubes purchased from unrelated and related parties, by screen size, 1985-87.....	B-110
K-2. Color picture tubes: Weighted-average purchase prices of imported Japanese color picture tubes purchased from unrelated and related parties, by screen size, 1985-87.....	B-110
K-3. Color picture tubes: Weighted-average purchase prices of imported Canadian color picture tubes purchased from unrelated and related parties, by screen size, 1985-87.....	B-110
K-4. Color picture tubes: Weighted-average purchase prices of imported Korean color picture tubes purchased from unrelated and related parties, by screen size, 1985-87.....	B-110
K-5. Color picture tubes: Weighted-average purchase prices of imported color picture tubes from Singapore purchased from unrelated and related parties, by screen size, 1985-87.....	B-110
K-6. Color picture tubes: Weighted-average purchase prices of domestic color picture tubes purchased from unrelated and related parties, by screen size and by supplying producers, 1985-87.....	B-110
K-7. Color picture tubes: Weighted-average purchase prices of imported Japanese color picture tubes purchased from unrelated and related suppliers, by screen size and by supplying producers, 1985-87....	B-111
K-8. Color picture tubes: Weighted-average purchase prices of imported Canadian color picture tubes purchased from unrelated and related suppliers, by screen size and by supplying producers, 1985-87....	B-111
K-9. Color picture tubes: Weighted-average purchase prices of imported Korean color picture tubes purchased from unrelated and related suppliers, by screen size and by supplying producers, 1985-87....	B-111
K-10. Color picture tubes: Weighted-average purchase prices of imported color picture tubes from Singapore purchased from unrelated and related suppliers, by screen size and by supplying producers, 1985-87.....	B-111
K-11. Color picture tubes: Individual bid competition prices for 13-inch color picture tubes purchased by Sanyo from unrelated domestic and import sources, by country of origin and suppliers, 1985-87.....	B-111
K-12. Color picture tubes: Individual bid competition prices for 19-inch color picture tubes purchased by Sanyo from unrelated domestic and import sources, by country of origin and suppliers, 1985-87..	B-111
K-13. Color picture tubes: Individual bid competition prices for 20-inch color picture tubes purchased by Sanyo from unrelated domestic and import sources, by country of origin and suppliers, 1985-87..	B-112
K-14. Color picture tubes: Individual bid competition prices for 25-inch color picture tubes purchased by Sanyo from unrelated domestic and import sources, by country of origin and suppliers, 1985-87..	B-112
K-15. Color picture tubes: Individual bid competition prices for 19-inch color picture tubes purchased by Sharp from unrelated domestic and import sources, by country of origin and suppliers, 1985-87..	B-112

## CONTENTS

## Tables--Continued

	<u>Page</u>
K-16. Color picture tubes: Individual bid competition prices for 20-inch color picture tubes purchased by Sharp from unrelated domestic and import sources, by country of origin and suppliers, 1985-87..	B-112
K-17. Color picture tubes: Individual bid competition prices for 25-inch color picture tubes purchased by Sharp from unrelated domestic and import sources, by country of origin and suppliers, 1985-87..	B-112
K-18. Color picture tubes: Purchase prices for imported Japanese 13-inch color picture tubes purchased by Matsushita from a related party source, by suppliers, 1985-87.....	B-112
K-19. Color picture tubes: Individual bid competition prices for 19-inch color picture tubes purchased by Matsushita from unrelated domestic sources and from a related source in Japan, by country of origin and by suppliers, 1985-87.....	B-113
K-20. Color picture tubes: Purchase prices for imported Japanese 20-inch color picture tubes purchased by Matsushita from a related party source, by suppliers, 1985-87.....	B-113
K-21. Color picture tubes: Individual bid competition prices for 25-inch color picture tubes purchased by Matsushita from unrelated domestic sources and from a related source in Japan, by country of origin and suppliers, 1985-87.....	B-113
K-22. Color picture tubes: Purchase prices for imported 20-inch color picture tubes purchased by Philips from an unrelated source in Singapore, by suppliers, 1985-86.....	B-113
K-23. Color picture tubes: Purchase prices for domestic 19-inch color picture tubes purchased by Philips from an unrelated and a related source, by suppliers, 1986 and 1987.....	B-113
K-24. Color picture tubes: Individual bid competition prices for imported Japanese 20-inch color picture tubes purchased by Philips from unrelated sources in Japan and domestic 20-inch tubes purchased from a related source, by suppliers, 1985-87....	B-114
K-25. Color picture tubes: Purchase prices for domestic 25-inch color picture tubes purchased by Philips from an unrelated and a related source, by suppliers, 1986 and 1987.....	B-114

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

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC

Investigations Nos. 731-TA-367 through 370 (Final)

COLOR PICTURE TUBES FROM CANADA, JAPAN, THE  
REPUBLIC OF KOREA, AND SINGAPORE

Determination

On the basis of the record 1/ developed in the subject investigations, the Commission determines, 2/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from Canada, Japan, the Republic of Korea (Korea), and Singapore of color picture tubes, 3/ provided for in items 684.96 and 687.35 of the Tariff Schedules of the United States (TSUS), that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted these investigations effective June 30, 1987, following preliminary determinations by the Department of Commerce that imports of color picture tubes from Canada, Japan, Korea, and Singapore were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade

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

2/ Chairman Liebeler determines that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of LTFV imports from Canada, Japan, the Republic of Korea, and Singapore.

3/ Color picture tubes are defined as cathode ray tubes suitable for use in the manufacture of color television receivers or other color entertainment display devices intended for television viewing.

Commission, Washington, DC, and by publishing the notice in the Federal Register of July 29, 1987 (52 F.R. 28353). The hearing was held in Washington, DC, on November 19, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

## VIEWS OF THE COMMISSION 1/

We determine that an industry in the United States is materially injured by reason of imports of color picture tubes (CPTs) from Canada, Japan, the Republic of Korea, and Singapore that were sold at less than fair value (LTFV). <sup>2/</sup> Our determination is based on the poor condition of the domestic industry producing CPTs, as evidenced by adverse trends in the level of production, shipments, inventories, employment, and the financial indicators, and a cumulative assessment of the volume and effects of the imports from the four countries.

Like product/domestic industry

In order to assess material injury, the Commission is required to determine the relevant domestic industry. The term "industry" is defined 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 . . ." <sup>3/</sup> "Like product," in turn, is defined as "a product which is like; or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . ." <sup>4/</sup>

In considering like product questions, the Commission examines the characteristics and uses of the merchandise, typically including the following

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1/ Chairman Liebeler makes a negative determination. She joins with the majority on the definitions of like product and domestic industry, and with their discussions of cumulation and the condition of the industry; the Chairman differs on the question of causation. See Additional and Dissenting Views of Chairman Liebeler, infra at 55.

2/ Material retardation is not an issue in this investigation and will not be discussed further.

3/ 19 U.S.C. § 1677(4)(A).

4/ 19 U.S.C. § 1677(10).

factors: (1) physical appearance, (2) end uses, (3) customer perceptions, (4) common manufacturing facilities and employees, (5) production processes, (6) channels of distribution, and (7) interchangeability of the product. <sup>5/</sup>

The imports that are the subject of these final investigations are color picture tubes. <sup>6/</sup> CPTs are cathode ray tubes suitable for use in the manufacture of color television receivers or other color entertainment display devices intended for television viewing. Commerce included within the scope of these investigations CPT imports that enter the United States as parts of assemblies (i.e., incomplete television receiver assemblies that have a CPT as well as other components), but it decided to exclude kits (which contain all parts necessary for assembly into complete television receivers) except for kits produced in Japan that are transshipped through Mexico. <sup>7/ 8/</sup> Commerce also excluded from its Korean investigation CPTs that are subject to

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5/ See Color Television Receivers from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-134 and 135 (Final), USITC Pub. 1514 at 3-6 (1984); and Industrial Phosphoric Acid from Belgium and Israel, Invs. Nos. 701-TA-285 and 286 (Preliminary) and 731-TA-365 and 366 (Preliminary), USITC Pub. 1931 at 4-6 (1986).

6/ The article subject to an investigation is defined by the scope of the Department of Commerce's (Commerce) investigation. The scope of these investigations is color picture tubes which are provided for in the Tariff Schedules of the United States, Annotated (TSUSA) items 687.3512, 687.3513, 687.3514; 687.3516, 687.3518, and 687.3520 except those covered by an outstanding antidumping order. The corresponding Harmonized System (HS) numbers are 8540.11.00.10, 8540.11.00.20, 8540.11.00.30, 8540.11.00.40, 8540.11.00.50 and 8540.11.00.60. 52 Fed. Reg. 44171.

7/ These incomplete kits and assemblies are provided for in TSUSA items 684.9656, 684.9658, and 684.9660.

8/ CPTs used for projection televisions, as well as medium and high resolution CPTs that are used almost exclusively for computer display, were not subject to the Commerce final determination and are accordingly not involved in these investigations.

an outstanding antidumping order on color television receivers from Korea. Thus, Korean CPTs that were imported as parts of color television receiver kits or as parts of incomplete color television receiver assemblies are not included within this investigation. <sup>9/</sup>

CPTs are manufactured in a variety of different sizes. Regardless of size, however, they all have the same general appearance and the same end uses. <sup>10/</sup> For the most part, CPTs of different sizes may be produced on the same production equipment and by the same employees, and all CPTs generally share the same distribution process. <sup>11/</sup> Also, despite alleged quality or other differences, most CPTs of the same screen size are interchangeable. <sup>12/</sup>

Several respondents argued that CPTs of 30 inches and above are a separate like product. They asserted that these larger CPTs use more advanced technology than the smaller models, are more expensive, and are purchased by different consumers. We determine, however, that the larger CPTs do not constitute a separate like product, because the similarities between the large and small models far outweigh the differences. We base this determination on the fact that all picture tubes, regardless of size, are made of the same essential materials and perform the same function. <sup>13/</sup> Moreover, for the most part, all CPTs are a product of similar manufacturing processes. <sup>14/</sup>

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9/ 52 Fed. Reg. 44186-44187.

10/ See generally Report of the Commission (Report) at A-3-6.

11/ Id. at A-24.

12/ Memorandum EC-K-451 at 11 (Nov. 17, 1987).

13/ Report at A-6-8.

14/ Id.

That is, even though the technological requirements of the larger models are somewhat more advanced, both sizes are produced with the same basic technology. <sup>15/</sup>

We conclude, therefore, that there is one domestic product—all color picture tubes. <sup>16/</sup> Accordingly, we determine that there is one domestic industry, consisting of the six United States producers of color picture tubes.

#### Condition of the industry

In determining the condition of a domestic industry, the Commission considers, among other factors, capacity, capacity utilization, production, shipments, inventories, employment and profitability. <sup>17/</sup> Examination of these factors indicates to us that the domestic industry is suffering material injury.

Apparent U.S. consumption of CPTs decreased by 190,000 units, or 1.4 percent, from 1984 to 1985, but increased by 1.3 million units, or 9.7 percent, between 1985 to 1986. Apparent consumption again fell, however, by

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<sup>15/</sup> Id. at A-8-9.

<sup>16/</sup> We note that several respondents have sought to have their products excluded from any final affirmative determination on the ground that they occupy discrete market niches and do not compete with the domestic product. See Post-Hearing Brief of Sony at 20-33; Post-Hearing Brief of Mitsubishi (Canada) at 2-3. These CPTs, although different in some respects from those of other domestic and foreign producers, perform the same function as other merchandise subject to these investigations and, accordingly, are included herein. See e.g., Certain Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Invs. Nos. 731-TA-351 and 353 (Final), USITC Pub. 2014 at 10, n.24 (1987).

<sup>17/</sup> 19 U.S.C. § 1677(7)(C)(iii).

7.7 percent in interim 1987 compared with interim 1986. <sup>18/</sup> On a value basis, apparent U.S. consumption followed the same trend, decreasing from \$1.07 billion in 1984 to \$1.06 billion in 1985, and rising to \$1.17 billion in 1986. In interim 1987, value showed a slight increase over interim 1987, from \$557 million to \$561 million. <sup>19/</sup>

U.S. producers' end-of-period capacity to manufacture CPTs declined 5.7 percent from 1984 to 1985, retraced part of that decline in 1986, and showed another decline in interim 1987 over interim 1986. <sup>20/</sup> Average-for-period capacity fell steadily from 1984 through 1986, but rose in interim 1987. <sup>21/</sup> Capacity utilization underwent a significant decrease from 1984 to 1985, increased in 1986 to a level below that of 1984, and in interim 1987 rose when measured by end-of-period capacity and declined slightly when measured by average-for-period capacity. <sup>22/</sup>

Production of color picture tubes declined from 12.6 million units in 1984 to 10.9 million in 1985, but rose in 1986 to 11.7 million. <sup>23/</sup> Production then increased slightly for January-June 1987 as compared with the corresponding period in 1986. <sup>24/</sup> Intracompany shipments fell steadily over the period of investigation. <sup>25/</sup> U.S. producers' domestic shipments of

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18/ Report at A-18, table 1.

19/ Id.

20/ Id. at A-25-26, table 3.

21/ Id.

22/ Id.

23/ Id. at A-25, A-27, table 4.

24/ Id.

25/ Id. at A-30.

color picture tubes 20 inches and under also fell during the period of investigation, while shipments of color picture tubes 25 inches and over rose. 26/

Inventories declined from 1984 to 1985, but then rose steadily throughout the remaining period of investigation, from 647,000 units as of December 31, 1985 to 758,000 units as of December 31, 1986, and 1.42 million units as of June 30, 1987. 27/ The ratio of inventories to U.S. producers' shipments declined from 1984 to 1985, rose slightly in 1986, and increased in interim 1987 as compared with interim 1986. 28/

The number of production and related workers producing color picture tubes decreased by 10.4 percent in 1985, by 7.6 percent in 1986, and by 2.3 percent in interim 1987 compared with interim 1986. 29/ Hours worked by such workers decreased by 12.1 percent in 1985 and 7.9 percent in 1986, but increased by 0.7 percent in the interim 1986-87 period. 30/ Total wages fell throughout the period, as did total compensation except for a slight increase (2.1 percent) in 1986. 31/ 32/

Aggregate net sales of CPTs declined by 5.1 percent from \$998.7 million in 1984 to \$947.3 million in 1985, and rose by 6.5 percent to \$1.0 billion in 1986. Net sales also rose during the interim 1987 period as compared with the

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26/ Id. at A-32.

27/ Id. at A-34-36.

28/ Id.

29/ Id. at A-36.

30/ Id.

31/ Id. at A-36-37, table 9.

32/ We note that domestic labor productivity showed a generally increasing trend over the period of investigation. Id. at A-38.

interim 1986 period. <sup>33/</sup> The CPT industry suffered substantial operating and net losses over the entire period of investigation, with overall operating and net losses increasing substantially from 1984 to 1985, and declining slightly in 1986 and in interim 1987 compared with interim 1986. <sup>34/</sup> Thus, we find that the domestic industry producing CPTs is suffering material injury.

#### Cumulation

The Commission is required to cumulatively assess the volume and effect of imports subject to investigation from two or more countries if the imports (1) compete with other imports and with the domestic like product, (2) are subject to investigation, and (3) are marketed within a reasonably coincident period. <sup>35/</sup>

The imports from Canada, Japan, the Republic of Korea, and Singapore are all subject to investigation, as they were included within the Commerce notice of final determination of LTFV sales. <sup>36/</sup> Furthermore, the subject imports from all four countries were marketed within a reasonably coincident period of time. Finally, despite the fact that color television producers affiliated

<sup>33/</sup> Id. at A-38.

<sup>34/</sup> Id. at A-38-39, table 10.

<sup>35/</sup> 19 U.S.C. § 1677(7)(C)(iv); H.R. Rep. No. 1156, 98th Cong., 2d Sess. 173 (1984).

<sup>36/</sup> In these final investigations, we included all imports that were within the scope of the Commerce final determinations. Thus, all CPTs originating in Japan and transshipped through Mexico prior to entry into the United States have been included. As we noted in our preliminary determination in these investigations, such Mexican transshipments were to be included if warranted by further development of the facts. Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Invs. Nos. 731-TA-367-370 (Preliminary), USITC Pub. 1937 at 14, n.35 (1987). Commerce determined that such imports have Japan as their country of origin and that they are consequently within the scope of the investigation concerning CPTs from Japan. Also, we have investigated only those CPTs from Korea that were subject to the Commerce final LTFV notice.

with a foreign CPT producer consume a large portion of the imports, there is a substantial U.S. merchant market for both imported and domestic CPTs.

Consequently, we determine that there is sufficient competition among the imports from the four countries in question and between those imports and the domestic product for purposes of mandatory cumulation.<sup>37/</sup> The volume and effects of the imports from the subject countries are accordingly cumulatively assessed.

Material injury by reason of LTFV imports of color picture tubes from Canada, Japan, the Republic of Korea, and Singapore <sup>38/</sup>

In making final determinations in antidumping cases, the Commission must determine whether material injury being suffered by the domestic industry is "by reason of" the imports under investigation.<sup>39/ 40/</sup> In determining whether the domestic industry is materially injured by reason of LTFV imports of color picture tubes from Canada, Japan, the Republic of Korea, and

<sup>37/</sup> See, e.g., Certain Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Invs. Nos. 731-TA-351 and 353 (Final), USITC Pub. 2014 at 15-16 (1987); Tapered Roller Bearings and Parts Thereof, and Certain Housings Incorporating Tapered Rollers from Hungary, the People's Republic of China, and Romania, Invs. Nos. 731-TA-341, 344, and 345 (Final), USITC Pub. 1983 at 13-14 (1987).

<sup>38/</sup> Vice Chairman Brundale does not join in this section of the opinion. See her Additional Views, infra.

<sup>39/</sup> 19 U.S.C. § 1673d(b). See Hercules, Inc. v. United States, 11 CIT \_\_\_, Slip op. 87-114 at 58 (Oct. 20, 1987).

<sup>40/</sup> With respect to the problems of utilizing explicit elasticity analysis in Title VII causation analyses, Commissioner Eckes refers to his discussion with the Director of Economics preceding the vote on these investigations. See SE-87-43, Transcript of the Commission Meeting of December 16, 1987 at 11-20, and Memorandum EC-K-471 to the Commission from the International Economist discussing estimates of demand and supply elasticities.

Singapore, the statute directs the Commission to consider, among other factors, (1) the volume of imports of the merchandise that is the subject of the investigation, (2) the effect of imports of that merchandise on prices in the United States for the like product, and (3) the impact of such imports on domestic producers of the like product. <sup>41/</sup>

We find that the increasing volume and market penetration of total subject imports, together with declining market share and declining prices for the domestic product, demonstrates that imports are a cause of material injury to the domestic industry. <sup>42/</sup>

The volume of imports subject to the investigations from the four countries nearly doubled between 1984 and 1986, rising from 1.1 million units to 1.9 million units in that period. <sup>43/</sup> Import volume declined somewhat in interim 1987 compared with interim 1986, from 877,000 units to 667,000 units. <sup>44/</sup> Total market penetration for those imports similarly increased, from 8.2 percent in 1984 to 13.4 percent in 1986, although there was a decline from 12.4 percent in interim 1986 to 10.3 percent in interim 1987. <sup>45/</sup>

<sup>41/</sup> 19 U.S.C. § 1677(7)(B).

<sup>42/</sup> As previously noted, we included within imported volume those Japanese CPTs that were transshipped through Mexico, but excluded merchandise from Korea that Commerce has determined is subject to the outstanding antidumping order on color television receivers from Korea and which was not included within the scope of the Commerce determination in this investigation. See note 36 and accompanying text.

<sup>43/</sup> Report at A-63, table 26.

<sup>44/</sup> Id. We place little weight on the interim decline in imports, as it may have been due to the pendency of these investigations. See Anhydrous Sodium Metasilicate from France, Inv. No. 731-TA-25, USITC Pub. 1118 at 6 (1980), aff'd, Rhone-Poulenc, S.A. v. United States, 592 F. Supp. 1318 (Ct. Int'l Trade 1984).

<sup>45/</sup> Report at A-63, table 26.

From 1984 to 1986, the subject imports have increased market penetration by 5 percent, a significant portion of the 13 percent loss in the U.S.

industry's market share. <sup>46/</sup> Further, total imports significantly increased in market share in most screen sizes between 1984 and 1986. <sup>47/</sup> Imports have captured nearly all of the U.S. market for 17-inch and under CPTs, formerly an important market for domestic producers. Imports are also showing sharp increases in the 18-inch to 20-inch market, <sup>48/</sup> the segment in which U.S. producers have had the greatest shipment volume in recent years. <sup>49/</sup> However, domestic shipments in this size range have steadily declined over the period of investigation.

During the period of increased import penetration, weighted-average prices for domestic CPTs have declined for all screen sizes between 1984 and 1986, for sales for both captive and open-market consumption. <sup>50/</sup> At the same time, import prices displayed mixed trends. Although imports from Japan generally showed price increases between 1984 and 1986, in interim 1987 they underwent a sharp drop in price. <sup>51/</sup> Import prices from Korea generally declined during the period of investigation. The record shows a mixed pattern of underselling and overselling of the domestic CPTs by imports, <sup>52/</sup> which

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<sup>46/</sup> Id. at A-63, table 26 and A-65, table 28.

<sup>47/</sup> Id. at A-64.

<sup>48/</sup> Id. at A-65, table 28

<sup>49/</sup> Id.

<sup>50/</sup> Id. at A-68-69.

<sup>51/</sup> Id. at A-69-71.

<sup>52/</sup> Id. at 72-76.

is consistent with attempts by U.S. producers to recapture market share through price reductions in the face of competition from the LTFV imports. <sup>53/</sup>

Based on the foregoing, we conclude that the significant import volume and high import penetration by CPTs, combined with the pattern of declining prices and market share lost by the domestic industry, demonstrates that the domestic industry is materially injured by reason of LTFV imports from Canada, Japan, the Republic of Korea and Singapore.

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<sup>53/</sup> Commissioner Lodwick notes that in 1985 domestic producers raised prices, which improved contribution margins (sales over variable costs), but led to substantial lost sales and market share to unfair imports. As a result, they faced a higher fixed cost burden which led to greater losses. In 1986 the domestics cut prices, which led to increased volumes, but contribution margins remained low. Operating losses continued and import penetration still rose modestly from 12.6 percent to 13.4 percent.



## VIEWS OF VICE CHAIRMAN ANNE E. BRUNSDALE

Color Picture Tubes from Canada, Japan,  
the Republic of Korea, and Singapore

Inv. No. 731-TA-367-370 (Final)

December 22, 1987

I join my colleagues in the majority in their conclusions regarding like product, domestic industry, condition of the domestic industry, and cumulation. I also concur in their determination that domestic producers are materially injured by reason of unfair imports. However, I reach this conclusion through an analysis that is different from theirs. These additional views explain my approach to causation in this case. But, first, I have some preliminary comments about the proper role of economics in the analysis of cases before the Commission.

To secure an affirmative determination from the Commission in a dumping case, a sufficiently strong causal link must be established between the fact of dumping and "material" adverse

effects on the domestic industry.<sup>1</sup> The controlling statutes

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We must find that the domestic industry has been "materially injured...by reason of" dumped imports. 19 U.S.C. 1671(a),  
(Footnote continued on next page)

are clear on the need for the causal link, but they do not tell us how the Commission is supposed to decide whether the two required elements, material injury and causation, exist. To be sure, the statutes give us a long list of factors, seventeen in all, that we should "consider" and "evaluate" in assessing both the condition of the domestic industry and the causal relationship between that condition and the presence of dumped imports.<sup>2</sup> And the statutes repeatedly advise us to "consider" and "evaluate" any other factors that we find appropriate for analyzing causation in any particular case.<sup>3</sup> But they do not

(Footnote continued from previous page)

1671b(a), 1671d(b), 1673, 1673b(a), 1673d(b). See also Trade Agreements Act of 1979, Report of the Committee on Ways and Means to Accompany H.R. 4537, H.R. Rep. No. 317, 96th Cong., 1st Sess. (1979) [hereinafter cited as 1979 House Report]. The 1979 House Report stated that "the bill contains the same causation elements as present law, i.e., material injury must be 'by reason of' the subsidized or less than fair value imports." Id. at 46-47. See also Trade Agreements Act of 1979, Report of the Committee on Finance on H.R. 4537, S. Rep. No. 249, 96th Cong., 1st Sess. (1979) at 38, 87 [hereinafter cited as 1979 Senate Report].

<sup>2</sup>

Section 771(7) of the Trade Agreements Act of 1979. The seventeen factors are: domestic prices, output, sales, profits, productivity, return on investment, market share, capacity utilization, cash flow, inventories, employment, wages, growth, ability to raise capital, investment in the business, and import volume, and import prices. 19 U.S.C. 1677(7)(B), (C).

<sup>3</sup>

The introductory language of Section 1677(7)(B) indicates that the listed factors are to be considered "among other" (Footnote continued on next page)

tell us how these factors are to be "considered" or  
<sup>4</sup>  
 "evaluated."

As used in the statutes, many of the enumerated factors appear to be simply criteria for measuring the impact on the domestic industry. Thirteen of these factors (output, sales, profits, productivity, return on investment, capacity utilization, cash flow, inventories, employment, wages, growth, ability to raise capital, and investment in the business) are almost always used by the Commission solely for determining the existence of material injury. Rarely are they central to the Commission's causation analysis. The Commission generally "considers" or "evaluates" these factors by treating them as historical facts caused by other factors, potentially including dumped imports. In most cases, I do not disagree with this  
<sup>5</sup>  
 general approach.

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(Footnote continued from previous page)  
 factors." Section 1677(7)(C)(iii) more broadly mandates that the Commission "evaluate all relevant economic factors which have a bearing on the state of the industry, including but not limited to [the listed factors]." And subsection (ii) of that same section broadly tells us that the Commission should evaluate the "factors affecting domestic prices."

<sup>4</sup>  
 See 19 U.S.C. 1671, 1671b, 1671d, 1673, 1673b, 1673d (the Commission is to "determine" whether material injury, the threat of material injury, or material retardation has occurred). See also 19 U.S.C. 1677(7) (the Commission shall "consider" certain factors and "evaluate" them when "determining" whether material injury, the threat of material injury, or material retardation has occurred). The statute offers no methodology for examining the factors the Commission must analyze in its "consideration" and "evaluation."

<sup>5</sup>  
 Some of these factors (wages and productivity) could play an important causative role in determining the condition of the industry. For example, in this case some of the decline in domestic employment may be accounted for by the rise in productivity. See Report at A-38.

The other factors identified in Section 771(7) of the Trade Agreements Act of 1979 play a central role in the Commission's determination of whether the requisite link exists between material injury and dumped imports -- import volume (in both absolute and relative terms (e.g., market share)), import prices,<sup>6</sup> and domestic prices. I am certainly not the only Commissioner who focuses most heavily on these three factors when analyzing causation.<sup>7</sup>

Although the statute clearly sanctions (indeed, it mandates) that we analyze these factors, it says nothing about what method we should use in doing so. With respect to import volume,

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See, e.g., 1979 House Report, supra note 1, at 46 (referring to analysis of volume and price); see also 1979 Senate Report, supra note 1, at 86-87 (referring to volume and price of imports and the price of domestic products).

While the movement of market share and prices certainly do not tell the whole story, increasing domestic market share and rising domestic prices are generally perceived as positive characteristics in the Commission's analysis, and decreasing domestic market share and falling prices are generally seen as characteristics of an injured industry.

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See, e.g., Certain Line Pipes & Tubes from Canada, Inv. No. 731-TA-375 (Preliminary), USITC Pub. 1965, at 13-23 (March 1987) (Views of Commissioners Seeley Lodwick and David Rohr); Certain Fresh Cut Flowers from Canada, Chile, Colombia, Costa Rica, Ecuador, Israel, and the Netherlands, Inv. Nos. 701-TA-275 through 278, 731-TA-327 through 331 (Final), USITC Pub. 1956 (March 1987) (Views of Commissioners Eckes, Lodwick, and Rohr); Stainless Steel Pipes and Tubes from Sweden, Inv. No. 701-TA-281 (Final), USITC Pub. 1966, at 33-43 (Additional Views of Commissioner David B. Rohr); Certain Stainless Steel Butt-Weld Pipe Fittings from Japan, Inv. No. 731-TA-376 (Preliminary), USITC Pub. 1978, at 12-15 (May 1987).

Section 771(7)(B) tells us that when we "evaluat[e]" import volume in our analysis, we must "consider" whether the absolute or relative volume or increases in volume are "significant."<sup>8</sup> With respect to prices, Section 771(7)(C) tells us that when we analyze the effects on domestic prices, we should "consider" whether there has been price undercutting by the dumped imports and whether "the effect of [dumped imports]" has been to depress prices or prevent price increases to a "significant degree."<sup>9</sup> We are also told that we should "evaluate" generally the "factors affecting domestic prices."<sup>10</sup> But, to repeat, nowhere in the statute or in the legislative history are we told how we are supposed to "evaluate" or "consider," or determine the "significance" or "the effects" of, import and domestic product volumes and prices.<sup>11</sup>

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19 U.S.C. 1677(7)(B), (C)(i). See also 1979 Senate Report, supra note 1, at 86-87.

<sup>9</sup>

19 U.S.C. 1677(7)(B), (C)(ii). See also 1979 Senate Report, supra note 1, at 87.

<sup>10</sup>

19 U.S.C. 16777(7)(C)(iii)(II).

<sup>11</sup>

The broadest congressional consideration of the analysis of "material injury" is found in the legislative history of the Trade Agreements Act of 1979. See 1979 Senate Report, supra note 1, at 86-88. When explaining the factors the Commission is to examine, the Report states: "With respect to volume of imports, the ITC would consider whether the volume of imports is significant, or whether there is any significant increase in  
(Footnote continued on next page)

From my reading of the statutes and the legislative history, it is clear that Congress intended for the Commissioners to select methods of analysis that would most likely lead to accurate results, given the standards of proof in the statute and the facts at issue in the case under consideration. While the statutes identify factors the Commission should consider, they do not presume to suggest that those factors must be analyzed in every case through a particular method. To the contrary, they expressly leave the method of analysis to the discretion of the ITC: "The determination of the ITC with respect to causation is...complex and difficult, and is a matter for the judgment of the ITC."<sup>12</sup>

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(Footnote continued from previous page)  
 that volume, absolutely or relative to production or consumption in the United States. With respect to prices in the United States of the like product, the ITC would consider whether there has been significant price undercutting by the imported merchandise, and whether such imports have depressed or suppressed such prices to a significant degree." Id. at 86-87. The report continues by requiring the Commission to consider "all relevant economic factors which have a bearing on the state of that industry and certain factors are specified [in the statute]." Id. at 87. No particular methodology is suggested.

The 1979 House Report offers even less guidance. See 1979 House Report, supra note 1, at 46-47 ("the significance of the various factors affecting an industry will depend upon the facts of each particular case."). The report states that, depending on the facts of the case, only a small volume of imports may be necessary to cause material injury, but that the same volume may not be significant in another case. Id. at 46. The report draws a similar conclusion about prices, stating that a small price differential may have a determinative effect on sales elasticity in some cases, but not in others. Id. This section of the report does seem to indicate a preference for economic analysis of the factors present in each case.

<sup>12</sup>

1979 Senate Report, supra note 1, at 75.

As I have noted above, like my colleagues I have generally assessed the condition of the industry by looking at the reported trends in the factors that measure the industry's condition. One can look at the behavior of a particular factor over time and tell at a glance whether the industry is doing better or worse with respect to that factor than it did in previous periods. Like my colleagues, I have used trend analysis in this case to evaluate whether the domestic CPT industry is suffering any material injury.

I do not, however, generally use trend analysis to resolve the issue of causation. Many factors besides dumped imports affect the prices received by domestic producers. The operating and financial performance of any industry depends on a great many factors within the broad areas of costs of production, the level and characteristics of domestic demand, the level and characteristics of domestic supply, and the volume and prices of both fairly traded and unfairly traded imports from many different countries. We can never determine with total precision the exact impact of any one of the many factors within these broad areas. Nevertheless, our responsibility in a dumping case is to isolate the relevant impact of dumped imports and then to assess whether that impact is "material."

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That does not mean that we should weigh the impact of dumped imports against the impact of other factors. It simply means that we should satisfy ourselves that the relevant adverse impact of dumped imports is itself sufficiently large to be "material" within the bounds of Section 771(7)(A) of the Tariff Act of 1930.

In my view, trend analysis is not a sufficiently rigorous analytical tool to allow us to identify the effects of dumped imports and to separate these effects from the effects of other factors operating in the marketplace. I find it extremely difficult to evaluate the extent to which movements in one factor have caused movements in other factors simply by observing the size of those movements and whether they occurred at about the same time.<sup>14</sup> Accordingly, I generally resolve the issue of causation by applying the time-tested tools of elementary economics to the facts gathered by the staff and reported in the investigation.<sup>15</sup>

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Long ago scholars recognized the difficulty of such an approach and labelled it a fallacy: post hoc, ergo propter hoc (literally, "after this, therefore because of this"). See K. Guinagh, Dictionary of Foreign Phrases and Abbreviations, 3rd ed. (1983). The phrase refers to the fallacy of arguing that two events are linked simply because of their relationship in time, with one occurring after the other. We cannot automatically label a subsequent event as the effect of an earlier event simply because it occurred later. There must be a connection, or causal link, between the two events before we can label the later event as an "effect."

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The use of standard tools of economics has the added advantage of increasing the predictability of the results of our investigations. It is true that the facts differ in every case, and necessarily must be considered on a case-by-case basis. But it is nonetheless possible to make our decisions more predictable and transparent by placing heavy and explicit reliance on the tools provided by economics and statistics. It seems obvious to me that if the Commission administers the dumping and countervailing duty provisions in such a way that the results of cases are difficult to predict and equally difficult to understand, it will lead to a belief on the part of both U.S. producers and importers that our decisions are arbitrary and irrational. In my view, sound economic and statistical analysis, and less reliance on isolated snippets of anecdotal evidence, will lead to more predictable application of our trade laws, which in turn will lead to greater confidence in the integrity of our proceedings.

Of Causation Analysis and Elasticities

Much, probably undue, attention has been devoted in this case to so-called elasticity analysis. To me, elasticity analysis means nothing more than the use of sound economics in analyzing the facts at issue in a case. As explained by the Director of the Commission's Office of Economics: "Elasticity analysis is simply microeconomic analysis, involving a systematic study of the responsiveness of quantities demanded and supplied to price changes resulting from particular actions."<sup>16</sup>

As I noted at the outset of this opinion, there is nothing in the statutes or the legislative history to tell us how we must analyze the factors pertaining to the issue of causation in a case. I use standard tools of economics because they help me focus my analysis on the effects of the dumped imports. Domestic output, prices, and revenues are always determined by a host of factors besides the imports under investigation. The concept of elasticity is particularly useful for evaluating whether the reported facts relating to the volume and prices of imports have a material causal relationship with the facts relating to domestic prices, production, and financial performance.

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Memorandum from the Director, Office of Economics, Memorandum EC-K-470 (December 11, 1987), at 1. A copy of this memorandum is attached to this opinion as Appendix "A".

While they may be troubling to some, elasticities are just simple tools of standard economics. "Elasticity" is nothing more than a fancy term used in economics to refer to the extent to which one particular factor responds to a second factor; and an "elasticity estimate" is nothing more than a quantitative evaluation of the degree of that responsiveness. Whether or not we ever expressly use the terms in our analysis, three elasticity estimates are lurking not far beneath the surface of every Commission Title VII investigation.

(1) The Elasticity of Domestic Demand. The revenue received by domestic producers obviously depends on both the price and the volume of the goods that they sell. It is axiomatic for most goods that, as prices rise, the quantity demanded in the market falls, other things being equal. In other words, because customers do not have unlimited resources, they will seek out substitutes as prices increase. It is equally true that the opposite also generally occurs. As prices fall, the quantity demanded generally increases. That is, customers will find the cheaper product more attractive in light of the prices of available alternatives. The "elasticity of domestic demand"<sup>17</sup> simply refers to the relationship between changes in the price of

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To be precise, it is the ratio of the percent change in quantity demanded to percent change in price.

domestic products and changes in the amount of those products that will be purchased. When we ask a witness, "How sensitive is demand to changes in price?", we might equally ask "How elastic is domestic demand?". Both questions mean the same thing.

(2) The Elasticity of Domestic Supply. The elasticity of domestic supply measures how domestic producers collectively respond to rising or falling prices. As prices rise, producers are generally willing to produce more of the product and, as prices fall, they generally produce less of the product, other things being equal. The degree to which producers are able and willing to expand or contract production varies from industry to industry. When we ask, "How responsive is domestic output of a product to changes in the price of that product?", we are asking the same question as "What is the elasticity of domestic supply?".<sup>18</sup>

(3) The Cross Elasticity of Demand between the Domestic Product and the Price of the Imported Product. In nearly every dumping case the parties debate the degree to which the domestic and imported products are "fungible" or "close substitutes." This debate is an essential element of the analysis of whether lower import prices will actually result in lower sales and

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To be precise, the elasticity of domestic supply is simply the ratio of the percent change in quantity supplied divided by the percent change in price.

prices for domestic products. Unless customer tastes change, if the imported and domestic products are not close substitutes, a decline in the price of the imports will not persuade many customers to buy the imports in lieu of the domestic alternative. The higher the degree of substitutability, the greater the likelihood that a given decline in the price of the imports will directly translate into lost domestic sales. The degree of substitutability or "fungibility" between the domestic product and the imported product under investigation is related to the "cross-elasticity of demand." The term refers to the relationship between the price of the import product and demand for the domestic product.<sup>19</sup> When we ask "How fungible are the imported and domestic products?", it is akin to asking "How high is the cross-elasticity of demand?".

It is plain to me that the vigorous use of these three concepts is not only allowed by the statutes and legislative history,<sup>20</sup> but is essential in almost all cases. Indeed,

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To be precise, it is the percentage change in the quantity demanded of the domestic product divided by the percentage change in the price of the imported product.

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The Senate Report on the Trade Agreements Act of 1979 notes: "Similarly, for one type of product, price may be the key factor in making a decision as to which product to purchase, and a small price differential resulting from the amount of the subsidy or the margin of dumping can be decisive; (Footnote continued on next page)

unless the issue of causation can be resolved, as in some cases,  
<sup>21</sup> through a short-cut "worst case" analysis, we necessarily must rigorously "consider" the relationship of movements in prices and volumes of domestic and imported products in order to evaluate the magnitude of the effect that one has on the other. The strength of the relationship between these factors is not just a "theory"; it is, rather, a conclusion of fact that unavoidably lies at the heart of every Title VII case.

Whether or not it is expressly admitted in our opinions, the Commission does at least implicitly consider elasticities in every case. As noted by the economic consultants for respondents Matsushita, Hitachi, Mitsubishi, and Toshiba in this case:

The concept of price elasticity is basic to microeconomic theory. It is also basic to the Commission's analyses of causation in all cases because such analyses reflect at least implicit judgments about

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(Footnote continued from previous page)  
 for others, the size of the differential may be of lesser significance." 1979 Senate Report, supra note 1, at 88.

The House Report, in discussing the various factors affecting the domestic industry, states: "For one type of product, price may be the key factor in determining the amount of sales elasticity, and a small price differential resulting from the amount of the subsidy or the margin of dumping can be decisive; in others the size of the margin may be of lesser significance." 1979 House Report, supra note 1, at 46.

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See, e.g. Certain Welded Steel Pipes and Tubes from Taiwan, Inv. No. 731-TA-349, USITC Pub. 1994, at 79-88 (July 1987) (Additional Views of Vice Chairman Anne E. Brunsdale).

the relationships among supply, demand, and prices for specific products.... The concept of elasticity is no  
more than common sense.<sup>22</sup>

And petitioners likewise conceded, as they must, that:

As part of the traditional analysis, the Commission has always analyzed the relationship between the volume supplied and price. It has also traditionally included in its analysis the structure of the U.S. market and the responsiveness of demand in that market to  
<sup>23</sup>  
price.

As I noted above, when we ask a witness "How sensitive is demand to changes in price?", we might equally ask "How elastic is domestic demand?". While the questions are essentially the same, in some cases the answer to the question posed in terms of elasticity will provide far more helpful evidence.

I reach that conclusion for two reasons. First, elasticity is a much more precise concept than sensitivity. An elasticity estimate computed for two factors literally reflects the observed quantitative relationship between the percent change in one

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Posthearing Brief on Behalf of Matsushita Electronics Corporation and Matsushita Electric Corporation of America, Appendix B, Responses to Commissioners' Questions Concerning Supply and Demand Elasticities (ICF Incorporated), at 1 (November 25, 1987).

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Posthearing Brief of Petitioners, Appendix E, Responses to Posthearing Questions by Vice Chairman Brunsdale and to Certain Commissioners' Requests for an Evaluation of Office of Economics Memorandum EC-K-451, at 9 (November 25, 1987).

factor and the percent change in the other factor. The higher the computed elasticity, the more responsive one factor is to the other. We can thus compare elasticities from investigation to investigation, using them to evaluate the relative importance of the factors under consideration. This use of elasticities is like asking in our cases: "On a scale of one to 100 (or compared to some other known industry), how sensitive is domestic demand to changes in price?"

Second, by actually stating the relationship of volumes and prices in terms of estimated numerical elasticities, or ranges of elasticities, the parties and the Commission thereby make explicit what otherwise is at best merely implicit in the analysis of causation in any case. As noted by the Commission's Director of the Office of Economics in this case: "Both the petitioner and the respondent acknowledge that anyone systematically examining market relationships implicitly uses elasticity estimates; I feel it is preferable to make one's <sup>24</sup> estimates explicit."

Elasticity estimates are like other expert opinion evidence or statistical surveys. While their precision will obviously depend on the skill and judgment of the expert computing them and the reliability of the data on which they are based, they are no

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<sup>24</sup>

Memorandum EC-K-470 supra note 16, at 3.

more theoretical than estimates of reject rates on a production line or expert opinion testimony from a coroner about the cause of death of a crime victim. The reliability and relevance of elasticities can be questioned on the same basis that lawyers and other scholars question other surveys and opinion testimony. But just like other statistical evidence and opinion testimony, elasticity estimates are not hypothetical theories, they are firmly grounded in facts.

As a final observation, it should be noted that while I routinely look at elasticities, I certainly cannot claim the credit for being the first to explicitly introduce analysis of elasticity data in Commission opinions. The Commission and various commissioners have expressly considered elasticities in many cases through the years. These cases include: Television Receiving Sets from Japan (Views of Chairman Alberger, Vice Chairman Calhoun, and Commissioner Bedell commenting on the lack of any "cross-elasticity studies");<sup>25</sup> Sugar From the European Community (Views of Chairman Alberger, Vice Chairman Calhoun, and Commissioner Stern considering the elasticity of demand);<sup>26</sup> Heavyweight Motorcycles, and Engines and Power Train Subassemblies Therefor (Views of Commissioner Haggart considering

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<sup>25</sup> Inv. No. 751-TA-2, USITC Pub. 1153, at 20 (June 1981).

<sup>26</sup> Inv. No. 104-TAA-7, USITC Pub. 1247, at 17, n. 9 (May 1982).

the elasticity of demand and the elasticity of import  
<sup>27</sup>  
 supply); Certain Aramid Fiber (extensive discussion of  
 elasticity evidence adopted by the Commission through non-review  
<sup>28</sup>  
 of that portion of Initial Determination); Certain Fresh  
<sup>29</sup>  
Potatoes From Canada; and Fall-Harvested Round White Potatoes  
From Canada (Views of Chairman Eckes considering elasticity  
<sup>30</sup>  
 studies by the U.S. Department of Agriculture); Stainless  
Steel and Alloy Tool Steel (Views of Commissioner Stern  
 considering econometric analyses of supply and demand  
<sup>31</sup>  
 elasticities prepared by the Commission staff); Nonelectric  
Cooking Ware (Views of Commissioners Stern and Alberger  
<sup>32</sup>  
 considering elasticity of demand); Certain Iron-Metal  
Castings from India (Views of Vice Chairman Calhoun considering  
<sup>33</sup>  
 elasticity of substitution).

<sup>27</sup> Inv. No. TA-201-47, USITC Pub. 1342, at 50 (February 1983).

<sup>28</sup> Inv. No. 337-TA-194, USITC Pub. 1824, Initial Determination at 102 (March 1986).

<sup>29</sup> Inv. No. 731-TA-124 (Preliminary), USITC Pub. 1364, at 18 (March 1983)

<sup>30</sup> Inv. No. 731-TA-124 (Final), USITC Pub. 1463, at 25 (December 1983).

<sup>31</sup> Inv. No. TA-201-48, USITC Pub. 1377, at 35 (May 1983).

<sup>32</sup> Inv. No. TA-201-39, USITC Pub. 1008, at 10 (November 1979).

<sup>33</sup> Inv. No. 303-TA-13, USITC Pub. 1098, at 16 (September 1980).

Thus, the use of elasticities in causation analysis merely expresses relationships between the data collected in Commission investigations. Their use is not a theoretical exercise. In fact, elasticities lurk beneath the surface of current Commission analyses and have been used by the Commission in the past. I can find no logical reason for not using elasticities, which add sound analysis, logic, and predictability to Commission opinions.

The Problem of Captive Sales and "Downstream/Upstream" Causation of Injury in This Case

This case starkly poses the question of how the Commission should properly consider causation of injury when the product subject to investigation and produced by the domestic industry is an intermediate product, largely consumed by affiliated, "captive"

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customers. In this case, as in several other recent cases, the producers of the intermediate product (CPTs) sell some of their output in the open market and consume the rest captively, in the production of finished products (televisions) by their related companies. In such cases the Commission often confronts, as here, either or both of the following two arguments:

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See, e.g., Industrial Phosphoric Acid from Belgium and Israel, Inv. Nos. 701-TA-286 and 731-TA-365 and 366 (Final), USITC Pub. 2000 (August 1987); Iron Ore Pellets from Brazil, Inv. No. 701 TA-235 (Final), USITC Pub. 1880 (July 1986).

(1) The "no competition" argument. The gist of this argument is that the foreign and domestic producers do not compete with respect to the captive sales, and as a consequence captive imports should not be cumulated and cannot be a cause of injury to the domestic industry.

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(2) The "derivative injury" argument. The gist of this argument is that any injury associated with captive sales is derivative of injury occurring downstream at the finished product level and as such is not cognizable injury under the antidumping laws.

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Both arguments purport to lead to a bottom-line conclusion

that the Commission can consider the impact of unfair imports only in the open-market segment of the industry. Obviously such a rule could have a conclusive impact in a case involving an intermediate product with very small open-market sales. While these arguments have been present in a number of recent cases involving intermediate products, the Commission has not previously addressed them in any detail. Because of the

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See, e.g., Post-Hearing Brief on Behalf of Matsushita, supra note 22, at 5; Post-Hearing Brief of Hitachi, Ltd, Hitachi America, Ltd., Nissei Sangyo America, Ltd., Hitachi Consumer Products of America, Inc., and Hitachi Electronic Devices (Singapore) PTE., Ltd., at 8 (November 25, 1987).

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See, e.g., Post-Hearing Brief of Matsushita, supra note 22, at 2-7.

difficulties associated with intermediate products and captive markets, I feel I should explain my views on these issues in some detail.

The "No Competition" Argument. I last stated my views on captive market issues in Industrial Phosphoric Acid From Belgium<sup>37</sup> and Israel. As I said there, the domestic industry in cases involving intermediate products should include both captive and open market sales. In my view there is no reason why captive shipments should be treated any differently from open-market shipments for purposes of analyzing cumulation and causation.

As I explained in Phosphoric Acid, integrated firms producing an intermediate product that they then use to make an end product have simply decided to avoid participating in the open market for the intermediate product by investing<sup>38</sup> downstream. Nevertheless, their captive production is not shielded from the forces affecting the open market for that

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Inv. Nos. 701-TA-286 and 731-TA-365 and 366 (Final), USITC Pub. 2000, at 39-43 (August 1987) (Dissenting Views of Vice Chairman Anne E. Brunsdale).

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Reasons for doing this may include efficiency, assurance of a reliable supply, quality control, and cost savings (e.g., savings on middleman fees, sales or marketing costs, promotional costs, or inspection fees). For a discussion of other reasons firms would choose to integrate vertically, see B. Klein, R. Crawford, and A. Alchian, Vertical Integration, Appropriate Rents and the Competitive Contracting Process, 21 J. of Law & Econ. 297 (1978).

product. If the price of the intermediate product falls in the open market and end users can purchase that product at a lower price, integrated producers will have to reduce the cost of their intermediate product; otherwise their end products will not be competitive. If the open-market price of the intermediate product falls low enough, integrated producers may even have to turn to the open market to keep the cost of their end products <sup>39</sup> low. Integrated producers must pay close attention to the market price of the intermediate product to ensure the competitiveness of their end products and to respond to opportunities for buying and selling the intermediate product in <sup>40</sup> the open market. This is especially true when, as in this case, the market for the finished product (here televisions) is <sup>41</sup> highly competitive. Because transactions in the open market necessarily affect captive producers, the Commission cannot accurately gauge the effects of dumped or subsidized imports on a

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Conversely, if the price goes high enough, they will want to produce more for the open market.

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Respondents' economic expert, Mr Riley, recognized the relationship between captive and open market sales in his testimony before the Commission. See Tr. at 136.

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See, e.g., Tr. at 137, 80-81; see also Staff Report to the Commission, Liquid Crystal Display Television Receivers from Japan Inv. No. 751-TA-14 (Final), USITC Pub. 2042, at A-30-A-47 and Tables 6, 13, 14, and 17-21 (December 1987).

domestic industry without considering both captive and noncaptive production.

In Iron Ore Pellets from Brazil, another recent Commission case involving captive and noncaptive markets, a unanimous Commission decided to consider the effect of dumped imports on both captive and noncaptive markets.<sup>42</sup> There, as in the present case, domestic firms produced an intermediate product, sold some of it in the open market, and consumed the rest captively. The Commission rejected the petitioner's request to analyze the effect of dumped imports on only the open market, stating that "since there is no statutory provision allowing the separation of captive and merchant producers in the domestic industry, we include both in the domestic industry."<sup>43</sup> In that case the Commission analyzed causation by looking at the captive and open markets as a whole.<sup>44</sup>

<sup>42</sup>

Iron Ore Pellets from Brazil, Inv. No. 701-TA-235 (Final), USITC Pub. 1880, at 6 (July 1986).

<sup>43</sup>

Id. This view is also cited in an earlier unanimous Commission decision, Hydrogenated Castor Oil from Brazil, where the Commission included in the domestic industry a producer that used a substantial portion of its hydrogenated castor oil captively. The Commission in that case noted the necessity of analyzing the impact of unfair imports on the entire market, even if captive sales were a significant part of the market. See, Hydrogenated Castor Oil from Brazil, Inv. No. 731-TA-236 (Final), USITC Pub. 1804, at 4 (January 1986).

<sup>44</sup>

Iron Ore Pellets from Brazil, supra note 42, at 6.

The facts of this case show that there is a viable open market for CPTs amounting to roughly 37 percent of total domestic production in 1986.<sup>45</sup> There is a reasonably high degree of substitutability between the various imported and domestic products,<sup>46</sup> and competition in the market for the finished product, television receivers, is strong.<sup>47</sup> Finally, there is anecdotal evidence (confirming basic economic reality) that generally CPT prices, for both captive and open market sales, are directly affected by prices in the open market.<sup>48</sup> Based on previous Commission decisions and the facts showing that open market transactions have an immediate impact on captive sales, I believe that, to analyze correctly the effect of the dumped imports in these investigations, I must cumulate captive and open-market sales and focus on injury caused to the industry as a whole.<sup>49</sup>

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Report at A-29-A-31.

<sup>46</sup>

Memorandum from the Director, Office of Economics, EC-K-451 (November 17, 1987), at 11-12; Memorandum from the Director, Office of Economics, EC-K-471 (December 11, 1987), at \_\_\_. See also discussed infra at 49-51.

<sup>47</sup>

See supra note 41.

<sup>48</sup>

Tr. at 72-73, 81.

<sup>49</sup>

My analysis in this regard assumes that there is a reasonable degree of substitutability between the various  
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The "Derivative Injury" Argument. The petitioners and respondents seem to agree in this case that the fortunes of the CPT producers and their affiliated producers of finished televisions are closely tied together. Not surprisingly the parties use this essential uncontested fact to arrive at dramatically different conclusions about the proper standard for evaluating causation of injury in this case. Respondents attribute the domestic industry's unprofitability to fierce competition in the television receiver market which forces down prices for component parts such as tubes. And they contend that the derivative injury which thus is caused to tube producers is not cognizable under the antidumping laws.<sup>50</sup> Petitioners deny that the prices received by CPT producers have anything to do

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domestic and imported CPTs, and that sales are captive in this industry because of commercial convenience, not because of serious barriers to competition. An entirely different case might be presented if a large percentage of sales were captive because of market features, such as long-term supply contracts with severe termination penalties, or serious technological incompatibilities between the tubes produced by the various domestic and import producers. For example, if a large portion of the industry were characterized by the facts pertaining to Sony and its Trinitron tube, injury to the domestic CPT industry caused by captive sales of CPT imports could be assessed only through consideration of the downstream affects on prices of finished televisions and the consequent upstream impact on the demand for other picture tubes. I consider this matter further in the discussion which follows.

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Post-Hearing Brief on Behalf of Matsushita, supra note 22, at 2-6.

with the prices received by their affiliates for finished televisions, but nonetheless contend that the Commission can and should look at injury "downstream" at the finished product level in considering injury to CPT producers.<sup>51</sup> In support of this argument petitioners cite the Commission's opinion and a General Counsel memorandum in Titanium Sponge from Japan and the United Kingdom.<sup>52</sup>

In my view, petitioners and respondents have both missed the target. The issue in this case is not whether unfair CPT imports have caused injury downstream in the finished television market (as petitioners invite us to find). Nor is the issue whether competition for finished televisions has caused injury upstream in the market for CPTs (as respondents argue in this case). Rather the issue is whether the facts in this case and the antidumping law allow the Commission to conclude that any unfair price advantage gained from dumping CPTs is likely to flow downstream to affect conditions in the market for television receivers and then back upstream to affect conditions in the

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Tr. at 43-47; Posthearing Brief of Petitioners, supra note 23, at 10, n.7.

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Inv. Nos. 731-TA-161 and 162, USITC Pub. 1600 at 4 (November 1984); General Counsel Memorandum GC-H-302.

market for domestically produced CPTs. In my view the law allows the analysis of downstream/upstream causation of injury, and such analysis is particularly appropriate given the facts in this case.

The antidumping law directs the Commission to assess whether the dumped imports under investigation are a cause of material injury to the domestic industry producing the product that is "like" the imports under investigation.<sup>54</sup> The statute says nothing about whether this injury must be caused "directly" or

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As I discuss above, there is a sufficiently large open market for CPTs that prices for captive sales will inevitably be directly affected by prices in the open market. As a consequence I need not reach the downstream/upstream issue here. I do so because it is at least implicit in the arguments by the parties and may well be of central importance in future cases.

The issues of law and fact entailed in the analysis of downstream/upstream causation gain greater importance as the open market for CPTs becomes smaller and the CPT market is more dominated by true captive sales. If it is true as a matter of technological incompatibility or commercial reality that both domestic and imported CPTs are sold essentially only to affiliated television receiver producers, then dumped CPT imports can affect the demand for (and prices of) domestic CPTs only insofar as they affect costs and prices in the television receiver market. In my view, this analysis is central to the issue posed by Sony, since its Trinitron tube is not sold to or produced by any non-affiliated company. If, as I believe it does, the Trinitron tube competes strongly with other CPTs, it does so indirectly because Sony television receivers compete strongly with television receivers containing other CPTs. In my view this is the principal reason why respondent Sony and its CPTs should not be excluded from this case.

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19 U.S.C. 1671d(b), 1673d(b), 1677(4), and 1677(10).

"indirectly," or whether the Commission can or cannot trace injury through cost and price effects involving other products. Rather, it tells us simply that we should "evaluate all relevant economic factors which have a bearing on the state of the industry...[producing the like product],"<sup>55</sup> and that we should "focus on the conditions of trade, competition, and development regarding the industry concerned."<sup>56</sup> The statutory mandate is more than sufficiently broad to allow us, if the facts support it, to trace the effects of dumped imports through whatever path they ultimately take in causing injury to the domestic industry producing the like product.

The following facts suggest that tracing injury downstream through sales of finished television receivers and then back upstream to sales of domestically produced CPTs is appropriate in this case:

(i) The intermediate product in this case, the CPT, is the single most expensive component of a finished television receiver.<sup>57</sup> As we recently found in Liquid Crystal Display

<sup>55</sup> 19 U.S.C. 1677(7)(C)(iii).

<sup>56</sup> 1979 Senate Report, supra note 1, at 88.

<sup>57</sup> Joint Pre-Hearing Brief on Behalf of Matsushita, Hitachi, Mitsubishi and Toshiba (November 13, 1987), at 36.

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Television Receivers From Japan, the picture tube accounts for roughly 30 percent of the total unit cost of a finished color television.<sup>59</sup> Because of its high percentage value, we can be confident that changes in the price of this component have a real and direct impact on the total cost of the finished product. In addition, CPTs have virtually no other uses than use in a<sup>60</sup> finished television set.

(ii) Dumped CPTs are incorporated into finished television receivers which compete head-to-head with televisions containing domestically produced CPTs.<sup>61</sup> We can thus be confident that any cost advantage for television receiver producers resulting from the use of dumped imports is in fact being enjoyed by them in competition with television receiver producers who use domestic CPTs.

(iii) The downstream link between dumped imports and costs and prices in the finished television market is clear. The dumped imports "sold" in the captive market are all actually

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Inv. No. 751-TA-14, USITC Pub. 2042 (December 1987).

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Id. at A-14, Table 1 (non-confidential data).

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See Report at A-3.

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Report at A-17, A-24.

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transferred to affiliated television receiver producers.

There is thus no question that any price advantage from dumping is in fact being directly passed-through as a cost advantage for the television producers using the dumped imports. Any price benefit from dumping can be found somewhere in the pockets of the same producers that imported the dumped CPTs. By definition this cost advantage would allow them to charge lower prices for their finished television receivers than they otherwise would

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charge.

(iv) The upstream link between competition in the market for finished television receivers and the prices that can be paid for components such as CPTs is clear. As respondents have forcefully argued, it is a "basic economic reality...that prices in the CPT industry are a function of television prices."<sup>64</sup> Respondents

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See, e.g., Report at A-27.

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The market for finished televisions is highly competitive. See supra note 41. In such a market, cost advantages directly translate into price affects.

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Post-Hearing Brief of Matsushita, supra note 22, at 2. Petitioners claimed at the hearing that prices in the CPT industry are not affected by prices of finished television receivers. See Tr. at 72-73, 81. Respondents have repeatedly disagreed and appear to contend that CPT prices are dictated exclusively by television receiver prices. Their witness, Richard Kraft, testified to the direct relationship between CPT prices and television receiver prices. See Tr. at 136, 172. On balance, I am persuaded that the respondents are more nearly

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concede that: "[l]ow television prices...put substantial pressure on domestic producers to lower their costs.... They...cut costs by lowering the tube prices paid to their related CPT producers, which in turn reduce[s] the CPT industry's profits."<sup>65</sup>

Given these facts, we can be confident that any price advantage resulting from dumping flowed through to the finished television receiver market at least to some significant degree, and thereby had an impact in the overall market for domestically produced CPTs.

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correct, at least insofar as we are considering the nature of pricing in the captive market and we are ignoring the effects of open market sales discussed earlier in this opinion.

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Post-Hearing Brief of Matsushita, supra, note 22, at 4. Respondents actually contend that it is competition from a surge of imports of finished television receivers that has driven down prices in the television receiver market, which in turn has driven down prices for domestic CPTs. Id. at 2-4. It may well be true that the greatest part of the injury suffered by the CPT industry in recent years has been caused by finished television receiver imports. Nonetheless, certain legislative history suggests that the Commission is prohibited from "weighing" causes of injury, see 1979 Senate Report, supra note 1, at 57-58, 75, and it thus appears to be outside our province to determine if the CPT industry has actually been injured more severely by imports of finished televisions than imports of dumped CPTs. Our job is to assess whether the injury caused by dumped imports is "material." In that process the respondent's admission that there is a direct link between television receiver prices and the prices paid for CPTs gives us good reason to believe that dumped imports have had downstream/upstream affects in this case.

Causation Analysis: Material Injury by Reason of Unfair Imports

The statute requires that the Commission consider three factors in its analysis of causation, as well as any others it deems relevant. The three are the volume of imports subject to investigation, as well as the effects of those imports on the domestic producers and on the prices they receive for their like products.<sup>66</sup>

Import Volume. The evidence on import volume in this case shows that imports, whether measured by value or quantity, rose between 1984 and 1986 and fell by a small amount in the first half of 1987. Over the 1984-86 period, the value of the cumulated imports increased from \$75 million to \$133 million,<sup>67</sup> while the penetration ratio rose from 7.0 to 11.4 percent.<sup>68</sup> When measured by quantity, the total number of imports increased from 1.1 million to 1.9 million units over the period,<sup>69</sup> while

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See 19 U.S.C. 1677(7)(B), (C).

<sup>67</sup>

Report at A-64 (Table 27). The value of imports increased slightly in the first half of 1987, when compared with the first half of 1986, from \$57.15 million to \$57.19 million. Id.

<sup>68</sup>

Id. Imports in the first half of 1987 captured 10.2 percent of the domestic market, compared with 10.3 percent in the first half of 1986. Id.

<sup>69</sup>

Id. at A-63 (Table 26). In interim 1987, the total number  
(Footnote continued on next page)

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the penetration ratio rose from 8.2 to 13.4 percent. This evidence of increasing market share suggests that imports would have a material impact on the volume of sales by the domestic producers.

Effect on Domestic Prices and Producers. In my consideration of the aggregate effects of imports on domestic prices and revenues,<sup>71</sup> I find elasticity estimates useful for evaluating the magnitude of changes in consumption, production,<sup>72</sup> and prices resulting from imports.

(i) Elasticity of domestic supply. After a careful consideration of the facts, the Office of Economics estimated before the hearing that the elasticity of domestic supply was probably in the range of 5 to 10.<sup>73</sup>

Respondents offer no estimate of their own, but contend that

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of imports was 667,000 units, compared with 877,000 units in the same period in 1986. Id.

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Id. When comparing the first half of 1986 and 1987, the market share of imports fell from 12.4 to 10.3 percent. Id.

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For additional discussion of the usefulness of aggregate data when considering price and revenue effects, see Certain Welded Carbon Steel Pipes and Tubes from Taiwan, Inv. No. 731-TA-349 (Final), USITC Pub. 1994, at 63-79 (July 1987) (Additional Views of Vice Chairman Anne E. Brunsdale).

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See the discussion on elasticities, supra.

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See Memorandum EC-K-451, supra note 46, at 6.

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the domestic supply response was more limited. In support of this proposition they rely principally on two assertions of fact: that limitations in glass availability would constrain increases in CPT production and that U.S. producers were not capable of producing flat square tubes that outside customers wanted.<sup>75</sup> Based on the record, it appears that both assertions are overstated.<sup>76</sup>

Petitioners agree with the staff's conclusion that supply is elastic and urge that the true elasticity "bumps the upper limit of the 5 to 10 range."<sup>77</sup> In support of their view they cite the relatively low capacity utilization rates for domestic producers.<sup>78</sup>

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Post-Hearing Brief of Matsushita, supra note 22, Appendix B, at 5-6.

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Id.

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See, Report at A-28-A-29 (domestic glass shortage was not a serious constraint and was remedied by importing glass); and Report at A-32 (flat square tubes accounted for a substantial percentage of domestic production, particularly in 1986 and 1987). The issue of availability of glass was apparently misunderstood. The relevant concern is the impact of CPT production increases on the price of glass. Glass accounts for approximately 30 percent of the manufacturing costs of CPTs, see Report at A-29, so increases in the price of glass will have a significant effect on the cost of CPTs. Available evidence on this issue is limited, but suggests that glass prices may have increased in response to increases in CPT production, see id., which tends to lower the supply elasticity.

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Posthearing Brief of Petitioners, supra note 23, Appendix E, at 1.

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Id. at 1-2.

On balance I am satisfied that the staff's estimate of 5 to 10 is reasonable, though I tend to favor the lower end of the range.

(ii) Elasticity of demand. Prior to the hearing, and after a careful consideration of the facts, the staff advised us that the demand for CPTs was derived from the demand for finished television receivers and estimated (based on a published estimate for television receivers of -5.42) that the elasticity of demand for CPTs might fall within a range of -1.5 to -2.5.<sup>79</sup> The parties appear to agree with the staff's methodology and concur<sup>80</sup> that demand for CPTs is elastic. The parties seemingly<sup>81</sup> disagree on whether the cited estimate of the elasticity of demand for television receivers is higher or lower than the published figure. Respondents offer no evidence in support of their assertion that "the demand for TV receivers may be less elastic than -5.42."<sup>82</sup> Petitioners offer a number of reasons why the elasticity of demand for television receivers is greater than -5.42, and hence the elasticity of demand for CPTs is

<sup>79</sup>

Memorandum EC-K-451, supra note 46, at 13..

<sup>80</sup>

Post-Hearing Brief of Petitioners, supra note 23, Appendix E, at 6; Post-Hearing Brief of Matsushita, supra note 22, Appendix B, at 7.

<sup>81</sup>

Id.

<sup>82</sup>

Post-Hearing Brief of Matsushita, supra note 22, Appendix B, at 7.

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greater than -1.5 to -2.5.

After considering the evidence in the record and the analysis by staff and the parties, I am persuaded that the demand for CPTs is at least as elastic as -1.5 to -2.5.

(iii) Elasticity of substitution. The evidence regarding the substitutability of imported and domestic CPTs is mixed but on balance points to a relatively high elasticity of substitution.

At the outset it should be noted that the effective competition for CPTs (and hence the substitutability of different CPTs) may be occurring most strongly through competition in the market for finished television receivers. Different CPTs effectively are close substitutes because the television receivers in which they are ultimately incorporated are close substitutes. Thus, as a general proposition, the high elasticity of substitution for television receivers (recently estimated to be 9.392)<sup>85</sup> is very telling of the elasticity of substitution for CPTs. None of the parties appears to dispute that the elasticity of substitution for finished television receivers is in the range of the reported estimate of nine.

<sup>83</sup> Post-Hearing Brief of Petitioners, supra note 23, Appendix E, at 6-7.

<sup>84</sup> See supra note 41.

<sup>85</sup> Memorandum EC-K-451, supra note 46, at 12.

Based on its careful analysis prior to the hearing, staff estimated that the elasticity of substitution for CPTs was at least as high as nine.<sup>86</sup> Respondents contend that the relevant elasticity of substitution in this case is very low. They argue that differences between tubes would require redesign and retooling of the end product, citing in particular differences between flat square tubes (which domestic producers allegedly could not produce) and standard tubes.<sup>87</sup> However, as noted above,<sup>88</sup> the evidence suggests, contrary to respondents' argument, that a substantial percentage of domestic production is in fact comprised of flat square tubes.<sup>89</sup>

I am much more persuaded by the comments offered by petitioners and the staff. Petitioners agree with the staff that the elasticity of substitution is probably higher than nine. They observe that CPTs are made to exacting and comprehensive specifications and within those specifications they are totally

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<sup>86</sup>

Id.

<sup>87</sup>

Post-Hearing Brief of Matsushita, supra note 22, Appendix B, at 6-7.

<sup>88</sup>

See supra note 76.

<sup>89</sup>

See Report at A-32.

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undifferentiated. As petitioners point out, integrated receiver and CPT producers buy products from each other on a regular basis,<sup>91</sup> and there is no evidence that there are quality or performance differences.<sup>92</sup> The staff confirmed, based on interviews with purchasers regarding the negotiation process, that imported and domestic CPTs of the same screen size<sup>93</sup> are close substitutes.

Even if there were no direct close substitutes for Sony's Trinitron tube (except, as noted above, at the finished receiver level) or for CPTs 30 inches or larger, as various respondents argued, those facts do not affect my conclusion that substitutability in the market as a whole is quite high. CPTs 30 inches and larger have comprised a minuscule percentage of all CPT imports,<sup>94</sup> and imports of Trinitron tubes have been very low.<sup>95</sup>

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Post-Hearing Brief of Petitioners, supra note 23, Appendix E, at 5.

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See, e.g., Report at A-34.

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Post-Hearing Brief of Petitioners, supra note 23, Appendix E, at 5.

93

Memorandum EC-K-471, supra note 46, at 1-4.

94

Memorandum from Acting Director, Office of Investigations, INV-K-133 (December 14, 1987), at 3.

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Report at A-61.

The information from the above elasticity analyses and from considering the weighted average margin and the relative importance of the subject imports leads me to conclude that dumped imports are a cause of material injury to the domestic industry. My conclusion is supported by the moderate, weighted average margin of dumping in this case -- 11.6 percent.<sup>96</sup> The high degree of substitutability between imported and domestic CPTs, when considered in the context of the highly elastic domestic supply, the moderately elastic domestic demand, and the moderate weighted average margin in this case, leads me to conclude that imports did have a material effect on domestic shipments and revenues. As for domestic prices, they were not substantially affected by imports, primarily because the domestic supply elasticity is high. Therefore price suppression/depression is not significant here.

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For purposes of my analysis, I assume that the margin translated into an aggregate price benefit imports otherwise would not have had. The weighted average margin is calculated by multiplying the dumping margin and the quantity of imports from each country, and then dividing the sum of those calculations by the total quantity of unfair imports. Dumping margins for each company are calculated by the Department of Commerce. See Color Picture Tubes from Canada; Final Determination of Sales at Less Than Fair Value, 52 Fed. Reg. 44,151 (Nov. 18, 1987); Color Picture Tubes from Japan; Final Determination of Sales at Less Than Fair Value, 52 Fed. Reg. 44,171 (Nov. 18, 1987); Color Picture Tubes from Korea; Final Determination of Sales at Less Than Fair Value, 52 Fed. Reg. 44,186 (Nov. 18, 1987); Color Picture Tubes from Singapore; Final Determination of Sales at Less Than Fair Value, 52 Fed. Reg. 44,190 (Nov. 18, 1987).

The Price Evidence in This Investigation

The data presented on individual sales and the pricing evidence associated with these sales were not helpful in making my determination. First, the evidence did not indicate a clear pattern of underselling; in fact, almost half of the comparisons indicated overselling by imports.<sup>97</sup> Second, a number of the price comparisons between imported and domestic CPTs are based on very few transactions, which further inhibits the reliability of the information.<sup>98</sup> Finally, in some instances, the range of prices reported that yield the weighted average price vary by such large amounts that the significance of the weighted average price is severely limited.<sup>99</sup> Although we have a great deal of information on prices in this market, it did not provide me with guidance in determining whether imports caused material injury to the domestic CPT industry.

Conclusion

I determine that imports of CPTs are a cause of material injury to the domestic industry, based on the moderately high and

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See Report at A-81-A-84 (Tables 59-65).

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See Report at B-110.

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Id.

increasing volume of dumped imports, the high degree of substitutability between imported and domestic CPTs, the highly elastic domestic supply of CPTs, and the moderate weighted average margin of dumping in this case.



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**UNITED STATES INTERNATIONAL TRADE COMMISSION**

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**WASHINGTON, D.C. 20436****December 11, 1987****EC-K-470****Memorandum**

**To:** The Commission  
**From:** Director, Office of Economics  
**Subject:** Use of elasticity estimates

Questions were raised in the color picture tubes investigation about the usefulness of "elasticity analysis" in antidumping injury investigations and in Title VII investigations in general. "Elasticity analysis" is simply microeconomic analysis, involving a systematic study of the responsiveness of quantities demanded and supplied to price changes resulting from particular actions. As pointed out by the petitioner,

". . . the Commission has always analyzed the relationship between the volume supplied and price. It has also traditionally included in its analysis the structure of the U.S. market and the responsiveness of demand in that market to price."

In other words, the petitioner stated that the Commission has always, though perhaps not explicitly, used a supply and demand analysis incorporating the idea of elasticity.

The respondent concurs, noting that "[t]he concept of price elasticity is . . . basic to the Commission's analyses of causation in all cases because such analyses reflect at least implicit judgments about the relationships among

## The Commission--Page 2

supply, demand and prices for specific products [emphasis added]." For example, when the Commission determines whether injury occurs because the imports in a particular case are or are not good substitutes for the domestic product, they base their determination on their assessment of the degree of competition between the two products. Even if the Commission's assessments are based entirely on the responses of purchasers about the facts that led to their choice of one product over the other, these assessments are consistent with a particular implicit estimate of the cross-elasticity of demand or elasticity of substitution between imports and domestic goods. For another example, suppose a respondent claims that he poses no threat of injury because he cannot expand his production and further penetrate the domestic market. He is simply suggesting that his import supply elasticity is low. By providing numerical estimates, or ranges of estimates, for elasticities, the staff provides a mechanism for all parties to make explicit their judgments on the nature of the market and allows a more comprehensive and focused discussion of the question of causation.

Admittedly, practical problems abound in estimating and using elasticities. There are many econometric problems associated with capturing all relevant influences on demand and supply (including those responsible for intertemporal shifts in these curves), accounting for the simultaneous nature of movements in supply and demand within and across markets, and assuming the stability of estimated relationships over the time period analyzed. 1/ Furthermore, an analyst must be careful in applying elasticity estimates (however obtained) to take into account any important features of the market that might skew the analysis. For example, estimates of supply elasticity based on an assumption of perfectly competitive markets must be reduced somewhat if there is evidence that oligopoly behavior would limit the production response to shifts in demand.

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1/ For an example of the difficulties associated with the estimation of elasticities, see Office of Economics Memorandum EC-K-300. The memo, and the comments of its author at the Commission Briefing and Vote on Invs. 701-TA-283 and 731-TA-346 (Aspirin from Turkey), pointed out the difficulty of estimating by statistical means supply/demand systems given available data; it did not deal with the issue addressed here, the utility of elasticity estimates generally, or with the ability of economists to make informed judgments as to appropriate ranges in which elasticities are likely to fall.





**Public Version****ADDITIONAL AND DISSENTING VIEWS OF CHAIRMAN LIEBELER**

Color Picture Tubes from  
Canada, Japan, the Republic of Korea and Singapore  
Invs. Nos. 731-TA-367-370  
(FINAL)

I determine that an industry in the United States is not materially injured or threatened with material injury by reason of imports of color picture tubes from Canada, Japan, the Republic of Korea and Singapore which are being sold at less-than-fair-value.<sup>1/</sup>

I concur with the majority in their definitions of the like product and the domestic industry, and their discussion of the condition of the industry. I also concur with their discussion of cumulation. On the issue of cumulating captive and non-captive imports I concur with Vice Chairman Brunsdale's discussion in her Additional Views. The Vice Chairman has also raised very interesting, and economically and logically sound, arguments that dumped CPTs cause "derivative injury." I

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1/ Material retardation was not an issue in these investigations and will not be discussed further.

am not convinced, however, that the Commission has the authority to consider the indirect ("upstream") affects on CPT producers of any "downstream" injury to television producers. I might have reached a different result had I been convinced that I could consider these effects. In future cases parties may wish to brief the issues raised by the Vice Chairman in her opinion.

Because my views on causation differ from those of the majority, I offer these additional and dissenting views.

#### Material Injury by Reason of Imports

In order for a domestic industry to prevail in a preliminary investigation, the Commission must determine that there is a reasonable indication that the dumped or subsidized imports cause or threaten to cause material injury to the domestic industry producing the like product. The Commission must determine whether the domestic industry producing the like product is materially injured or is threatened with material injury, and whether any injury or threat thereof is by reason of the dumped or subsidized imports. Only if the Commission finds a reasonable indication of both injury and causation, will it make an affirmative determination in the investigation.

Before analyzing the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of the this import relief law. In general, the accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.<sup>2/</sup>

The statutory language used for both parts of the analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant."<sup>3/</sup> As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

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<sup>2/</sup> Sands, Sutherland Statutory Construction § 45.02 (4th ed.).

<sup>3/</sup> 19 U.S.C. § 1977(7)(A)(1980).

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the increase in supply, ceteris paribus, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Act of 1979, Congress stated:

[T]he ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports.<sup>4/</sup>

The Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission

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<sup>4/</sup> Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury.<sup>5/</sup>

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current law, and will be, under section 735, complex and difficult, and is a matter for the judgment of the ITC."<sup>6/</sup> Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

In the legislative history to the 1974 Act, the Senate Finance Committee stated:

This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. \* \* \* The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price

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5/ Id.

6/ Id.

discrimination practices to the detriment of a  
 7/  
 United States industry.

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm results therefrom:

[T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market  
 8/  
 price.

This "complex and difficult" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt  
 9/  
 to maximize profits. Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the

7/ Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

8/ *Id.*

9/ See, e.g., P. Samuelson & W. Nordhaus, Economics 42-45 (12th ed. 1985); W. Nicholson, Intermediate Microeconomics and Its Application 7 (3d ed. 1983).

10/  
U.S. market would bear."

An assertion of unfair price discrimination should be accompanied by a factual record that can support such a conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to behave rationally. Therefore, if the factual setting in which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any injury or threat of injury to the domestic industry is not "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged

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10/ Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of

a United States industry."<sup>11/</sup>

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit an affirmative finding under the law interpreted in light <sup>12/</sup> of the cited legislative history.

The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low <sup>13/</sup> elasticity of supply of other imports).

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.<sup>14/</sup> The legislative history provides some guidance for applying

<sup>11/</sup> Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

<sup>12/</sup> Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebeler).

<sup>13/</sup> Id. at 16.

<sup>14/</sup> 19 U.S.C. § 1677(7)(B)-(C) (1980 & cum. supp. 1985).

these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn.

#### Causation analysis

Examining import penetration is important because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. The market penetration of cumulated imports of color picture tubes (CPTs) from countries subject to investigation, in terms of quantity, increased from 8.2% in 1984 to 13.4% in 1986

but declined to 10.3 % in interim 1987.<sup>15/</sup> Import penetration ratios are small and declining.<sup>16/</sup> This factor is consistent with a negative determination.

The second factor is a high margin of dumping. The higher the margin, ceteris paribus, the more likely it is

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<sup>15/</sup> In terms of value, import penetration rose from \*\*\*% in 1984 to \*\*\*\*% in 1986 and fell to \*\*\*% in interim 1987. Report to the Commission at A-57, (hereafter "Report"), Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Inv. Nos. 731-TA-367-370.

<sup>16/</sup> I recognize that 1987 decline may be due in part to the institution of these investigations.

that the product is being sold below the competitive price<sup>17/</sup> and the more likely it is that the domestic producers will be adversely affected. The weighted average dumping margin as calculated by the Department of Commerce is 11.8%, which is moderately low.<sup>18/</sup> This factor is consistent with a negative determination.

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the effect of any allegedly unfair practice on domestic producers. Purchasers consider picture tubes of the same screen size, whether imported or domestic, to be interchangeable. In order to prevent sole source dependence and to guarantee quantity requirements, purchasers can and do substitute one slightly different tube for another of the same screen size. Thus, the imported and domestic products while not perfectly homogeneous, are very close substitutes. This factor does not support a negative determination.

As to the fourth factor, evidence of declining domestic prices ceteris paribus might indicate that

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17/ See text accompanying note 8, supra.

18/ See Report at A-15.

domestic producers were lowering their prices in order to maintain market share. Weighted average domestic prices of 13 in., 19 in., 20 in. and 25 in. CPTs in sales to both related and to unrelated parties generally declined slightly during the course of the investigation. In sales to related parties prices of 13 in., 19 in., 20 in. and 25 in. declined 2.5%, 4.7%, 1.4 % and 0.1% respectively. In sales to unrelated parties prices of 13 in., 19 in. and 20 in. CPTs declined 15.6%, 2.1% and 4.2% respectively but prices of 25 in. CPTs increased 0.3%. Although prices have declined slightly since 1984, the data indicate that the downward trend is slowing. In interim 1987, prices of 13 in. and 20 in. CPTs to related parties stabilized and prices of 20 in. CPTs to unrelated parties and of 25 in. CPTs to both related and unrelated parties

<sup>19/</sup> increased. Pricing data in this case is mixed but gives slight support to an affirmative determination.

The fifth factor is foreign supply elasticity. If there is low foreign elasticity of supply (or barriers to entry) it is more likely that a producer can gain market power. Imports from countries other than Canada, Japan, Korea and Singapore represented only 2.1% of total imports

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19/ Report at A-68-A-69.

in 1986. However, there are many imports from Korea which are excluded from this investigation and covered by the antidumping order on Color Television Receivers from Korea

20/ They accounted for \*\*\*\*% of total imports in 1986.

21/ These figures suggest that foreign supply is relatively elastic. This factor is supportive of a negative determination.

These five factors must be balanced in each case to reach a sound determination. Although the imported and domestic products are homogeneous, and there have been some declines in prices, the other factors support an affirmative determination. Dumping margins are moderately low, market penetration is small,<sup>22/</sup> and there are no barriers to entry. In this case I have analyzed and weighed each of these factors and reached a negative determination.

#### THREAT

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20/ 49 Fed. Reg. 18336 (April 30, 1984).

21/ Report at A-55, Table 22.

22/ Market penetration declined between 1986 and 1987.

A finding that the domestic industry is threatened with material injury requires evidence that the threat is

real and actual injury is imminent. <sup>23/</sup> Market penetration is low and decreasing and there is no indication that it will increase. U.S. importers' inventories of color picture tubes included in the scope of the investigations decreased from \*\*\*\*\* units in 1984 to \*\*\*\*\* in 1986 and decreased further to \*\*\*\*\* units in

<sup>24/</sup> interim 1987. Only 7 of 18 importers questioned reported current orders of CPTs, totalling less than 200,000 units. Major exporters are operating at high and increasing capacity utilization rates and there is no evidence that they intend to increase their sales to the

<sup>25/</sup> United States. Recent small price declines have

23/ 19 U.S.C. sec. 1677(7)(f)(ii) (supp.III 1985).

24/ Report at A-48-49, Table 17.

25/ The capacity utilization rate of the sole Canadian producer of CPTs increased from \*\*\*\*% in 1985 to \*\*\*\*% in 1987 and is projected to increase to \*\*% in 1988. Japanese capacity utilization declined from 104% in 1984 to 89.5% in 1987 and is projected to decline slightly to 89.1% in 1988. This is still high. The capacity utilization rate in Korea has been increasing since 1986 and is projected to increase to 94.4% in 1988. Korea has announced that it intends to discourage exports to the United States. Capacity utilization in Singapore has been over \*\*\*% during the entire  
(Footnote continued on next page).

generally slowed or stopped and there is no indication that they will decline significantly in the near

26/ future. An analysis of the statutory indicia of threat supports a negative threat determination.

### Conclusion

Therefore, I determine that an industry in the United States is not materially injured or threatened with material injury by reason of less-than-fair-value imports of color picture tubes from Canada, Japan, the Republic of Korea and Singapore.

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(Footnote continued from previous page)

course of the investigation and is projected to be \*\*\*\*\*% in 1988. Report at A-50-A-54.

26/ Producers of CPTs in Japan and Korea also produce television receivers, which are currently subject to antidumping orders. It is conceivable therefore that they could shift production from televisions to CPTs. However, the antidumping order on Japanese televisions has been in effect since 1971 and that from Korea since 1984 and there has been no significant product-shifting. Therefore the prospect of such product-shifting in the near future is dim. No subsidies are involved in these investigations.

## INFORMATION OBTAINED IN THE INVESTIGATIONS

## Introduction

Following preliminary determinations by the U.S. Department of Commerce that imports of color picture tubes 1/ from Canada, Japan, the Republic of Korea (Korea), and Singapore are being, or are likely to be, sold in the United States at less than fair value (LTFV), the U.S. International Trade Commission, effective June 30, 1987, instituted investigations Nos. 731-TA-367 (Final) (Canada), 731-TA-368 (Final) (Japan), 731-TA-369 (Final) (Korea), and 731-TA-370 (Final) (Singapore), under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), to determine whether or not 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 such imports. Notice of the institution of the Commission's final investigations, and of the public hearing 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 29, 1987 (52 F.R. 28353). 2/ The public hearing was held in Washington, DC, on November 19, 1987. 3/

In its final determinations, 4/ published in the Federal Register of November 18, 1987 (52 F.R. 44161), Commerce determined that imports of color picture tubes 5/ from Canada, Japan, Korea, and Singapore are being, or are likely to be, sold in the United States at LTFV. The applicable statute directs that the Commission make its final injury determinations within 45 days after the final determinations by Commerce, or by January 4, 1988. However, the Commission's administrative deadline for transmitting its final determinations to the Secretary of Commerce is December 22, 1987. The Commission voted on these investigations on December 16, 1987.

## Background

These investigations result from a petition filed by the International Association of Machinists and Aerospace Workers; the International Brotherhood of Electrical Workers; the International Union of Electronic, Electrical, Technical, Salaried and Machine Workers, AFL-CIO-CLC; the United Steelworkers of America, AFL-CIO; and the Industrial Union Department, AFL-CIO, on

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1/ For purposes of these investigations, color picture tubes are defined as cathode ray tubes suitable for use in the manufacture of color television receivers or other color entertainment display devices intended for television viewing. Color picture tubes imported separately are provided for in item 687.35 of the Tariff Schedules of the United States (TSUS); color picture tubes may also be imported as parts of color television receiver kits or as parts of incomplete television receivers, provided for in item 684.96 of the TSUS.

2/ A copy of the Commission's notice of institution of final antidumping investigations is presented in app. A.

3/ A list of the participants in the hearing is presented in app. B.

4/ Copies of Commerce's notices of final LTFV determinations are presented in app. C.

5/ A detailed explanation of what color picture tubes are included in, or excluded from, the scope of the investigations appears in the section of this report entitled "U.S. tariff treatment."

November 26, 1986, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of color picture tubes from Canada, Japan, Korea, and Singapore. In response to that petition, the Commission instituted investigations Nos. 731-TA-367 through 370 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C § 1673b(a)) and, on January 12, 1987, determined that there was a reasonable indication of material injury by reason of such imports. 1/

**Summary of Previous and Current Investigations Involving Color Picture Tubes or Television Receivers and Parts Thereof**

The Commission has conducted two previous investigations concerning color picture tubes. Investigation No. AA1921-104, 2/ Color Television Picture Tubes from Japan, was conducted by the U.S. Tariff Commission in 1972 under the Antidumping Act, 1921. In that investigation, the Commission 3/ unanimously determined that an industry in the United States was not injured and was not likely to be injured, or prevented from being established, by reason of the importation of color television picture tubes from Japan sold at LTFV. In investigation No. TEA-W-136, 4/ conducted in 1972 under section 301(c)(2) of the Trade Expansion Act of 1962, the Commission 5/ unanimously determined that articles like or directly competitive with the television picture tubes 6/ produced by the RCA Corp. were not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of such company or appropriate subdivision thereof.

The Commission has conducted approximately 25 investigations concerning television receivers or parts of television receivers since 1970. The investigations were conducted under a variety of statutes, including the Antidumping Act, 1921; sections 332, 337, 735(b), and 751(b) of the Tariff Act of 1930; section 301 of the Trade Expansion Act of 1962; and sections 201, 203, and 603 of the Trade Act of 1974. Some of the investigations were terminated early or were not conducted for the purpose of determining injury. Of the 19 injury investigations, 14 resulted in affirmative determinations of injury; 5 resulted in negative determinations.

Antidumping orders issued as a result of the Commission's affirmative determinations in investigations Nos. AA1921-64, Tuners from Japan; 7/ AA1921-66, Television Receiving Sets from Japan; 8/ and 731-TA-134-135

1/ Color Picture Tubes From Canada, Japan, the Republic of Korea, and Singapore . . . , USITC Publication 1937, January 1987.

2/ Color Television Picture Tubes From Japan, TC Publication 529, December 1972.

3/ Commissioner Leonard did not participate in the determination.

4/ Television Picture Tubes: Certain Workers of the RCA Corp., New York, N.Y. . . , TC Publication 485, May 1972.

5/ Commissioner Sutton did not participate in the determination.

6/ The investigation included monochrome picture tubes as well as color picture tubes.

7/ Tuners From Japan . . . , TC Publication 341, November 1970.

8/ Television Receiving Sets From Japan . . . , TC Publication 367, March 1971.

(Final), Color Television Receivers from the Republic of Korea and Taiwan, 1/ are still in effect. All other import relief measures implemented as a result of Commission injury determinations have expired. The antidumping duty orders in effect on color television receivers from Japan and Korea directly affect the current investigations on color picture tubes. Commerce has determined that certain color picture tubes from Japan and Korea are exempt from the scope of the investigations on color picture tubes because antidumping duties are already being collected on such tubes pursuant to the antidumping duty orders in effect on color television receivers from Japan and Korea. A more detailed explanation of how the color picture tube investigations are affected by the current antidumping duty orders on television receivers appears in the section of this report entitled "U.S. tariff treatment."

Concurrent with the color picture tube investigations, the Commission conducted investigation No. 751-TA-14, Liquid Crystal Display Television Receivers from Japan, pursuant to section 751(b) of the Tariff Act of 1930, to review its determination in investigation No. AA1921-66, Television Receiving Sets from Japan. The purpose of investigation No. 751-TA-14 was to determine whether or not an industry in the United States would be materially injured, or would be threatened with material injury, or the establishment of an industry in the United States would be materially retarded, by reason of imports of liquid crystal display television receivers from Japan, if the antidumping duty order regarding television receivers from Japan were to be modified so as to exclude those products. The public hearing on investigation No. 751-TA-14 was held in Washington, DC, on November 12, 1987. On December 16, 1987, the Commission determined 2/ not to modify or revoke the antidumping duty order with regard to liquid crystal display television receivers from Japan.

#### The Product

##### Description and uses

For purposes of these investigations, color picture tubes have been defined by the Department of Commerce as cathode ray tubes suitable for use in the manufacture of color television receivers or other color entertainment display devices intended for television viewing. The imported product under investigation consists of such color picture tubes whether entered into the United States separately or, with certain exceptions, as parts of color television receiver kits or incomplete color television receivers.

Color picture tubes are cathode ray tubes that convert a video signal into a visual color display. The color display is produced by beams of electrons generated by an electron gun and magnetically deflected to scan-line by line--the inside faceplate of the tube. Light is created by the electron bombardment of red, blue, and green phosphor dot trios (or phosphor stripes) alternately located on the inside of the faceplate (fig. 1). 3/ The

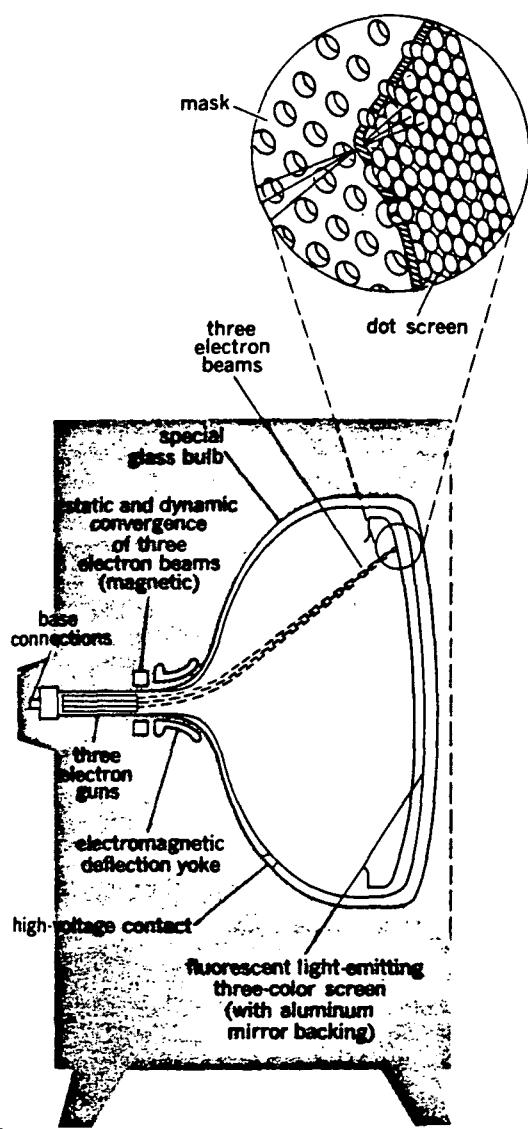
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1/ Color Television Receivers From the Republic of Korea and Taiwan . . . , USITC Publication 1514, April 1984.

2/ Chairman Liebeler and Vice Chairman Brunsdale dissenting.

3/ Since phosphors emit fluorescent light, green is used instead of yellow as a primary color. Yellow is formed by the combination of green and blue light.

Figure 1.--Color television picture tube.



Source: McGraw-Hill Encyclopedia of Science and Technology, 1977, vol. 10, p. 247.

Figure 2.--Shadow mask and phosphor screen.

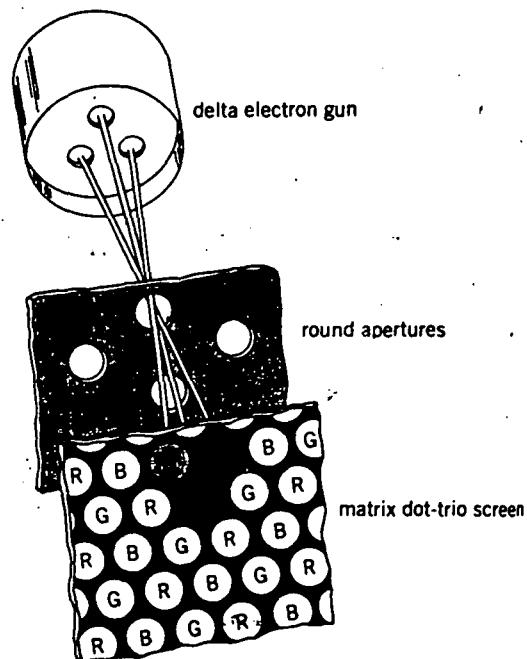


Diagram of dot-trio system, with red (R), green (G), and blue (B) phosphor dots. (RCA)

Source: McGraw-Hill Encyclopedia of Electronics and Computers, 1984, p. 138.

intensity of the light is controlled by the video signal impressed on the gun, which in turn controls the number of electrons emitted.

To produce color, essentially all color picture tubes employ the use of a shadow mask. 1/ The mask is a thin sheetmetal plate that contains thousands of tiny slots (or dots) and is positioned slightly behind the faceplate (fig. 2). 2/ The electron gun, located in the neck of the tube, contains three cathodes, each of which emits a separate electron beam. The beam emitted from each cathode passes through the holes in the shadow mask at a precise angle, striking only one of the primary color phosphor dots. The other two color phosphor dots are shadowed. The shadow mask principle requires precision alignment between the electron gun, the shadow mask, and the location of the phosphor dots on the faceplate. 3/

Color picture tubes are produced in various screen sizes. 4/ The trend in the U.S. market has been toward large (25 inch and over) screen sizes and away from smaller sizes in which the import competition has been more pronounced.

The color picture tube has advanced through several technological improvements during the past 15 years, including the replacement of the phosphor dot trio with thin parallel lines of phosphor, the separation of the phosphor on the faceplate with a black matrix or "grille," 5/ improved tube quality and brightness, and longer picture tube life (now 8 to 10 years). 6/

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1/ The shadow mask system was developed by RCA in 1948 and remains the basis of conventional color picture tube technology. The color picture tube produced by Sony, known as the "Trinitron" tube, uses an aperture grille instead of a shadow mask. More information on certain differences between the Trinitron tube and conventional picture tubes appears in the section of this report entitled "Like product issues."

2/ One of the key differences between a color picture tube and a color data display cathode ray tube has been the difference in "resolution." Whereas television tubes typically have had shadow mask openings about 0.8 millimeter apart, data display tubes have typically had openings located about 0.3 millimeter apart. The smaller the distance between apertures, the higher the resolution and clarity of the picture. High-resolution tubes are used in color data display monitors (because image clarity for close-up viewing is necessary), whereas low-resolution tubes are used for television receivers. In some cases, medium-to-high resolution tubes have been used in combination monitor/television receivers.

3/ Because of the precision alignment required for the shadow mask principle, the mask is mated to a particular faceplate during the production process in order to ensure exact alignment between the mask apertures and phosphor dots. 4/ In the United States, the measurement of a color picture tube's screen size is expressed in terms of its viewable diagonal dimension. In Japan and other countries in East Asia, the measurement is expressed in terms of its total diagonal dimension, which includes the area of the color picture tube hidden by the bezel of the television receiver. As an example, a color picture tube in the United States having a 19-inch viewable dimension would be said to have a 20-inch dimension in Japan.

5/ Phosphor stripes instead of dots and the black grille were both Zenith developments, and were introduced as the "Chromacolor" tube. Zenith officials indicate that phosphor stripes and a grille are now the industry standard for color picture tubes. \* \* \*

6/ According to officials of Zenith (field interview on Dec. 12, 1986).

In addition, the U.S. industry is also moving toward larger tubes and toward what is known as "full square" tubes 1/ and "flat square" tubes. 2/

A significant recent development is the advent of the "flat tension mask" high-resolution tube produced by Zenith Electronics Corp. The tension mask tube provides greatly increased picture clarity, contrast, brightness, and color fidelity, and is virtually glare free. To date, the tension mask tube \* \* \*. \* \* \*. \* \* \*. \* \* \*.

#### Manufacturing process 3/

Four basic components are incorporated in the construction of a color picture tube: a faceplate, a shadow mask, a funnel, and an electron gun. The faceplate, the part of the tube where the picture appears, is a thick glass plate produced from a special type of glass designed to reduce radiation exposure to the viewer; it is usually molded as a curved plate containing a funnel mounting skirt. The funnel, a glass casing which is bonded to the panel to form the body of the tube, is also produced from a special type of glass and is designed to mate with the faceplate and support the mounting of an electron gun. The shadow mask is an extremely thin, delicate sheet metal screen perforated with thousands of tiny holes etched in a precise pattern. The electron gun, which emits beams of electrons that are magnetically deflected to scan the inside of the faceplate, is a precise assembly of stainless steel stampings called grids.

The production of the color picture tube is a highly technical, capital-intensive process that begins with the production of the shadow mask assembly, which consists of the sheet metal screen and a mounting frame (fig. 3). The screen is annealed to a soft state and formed to fit the contour of the frame. After forming, it is welded to the frame, creating the mask assembly. The assembly is later used as an exposure fixture to create the color phosphor dots on the faceplate.

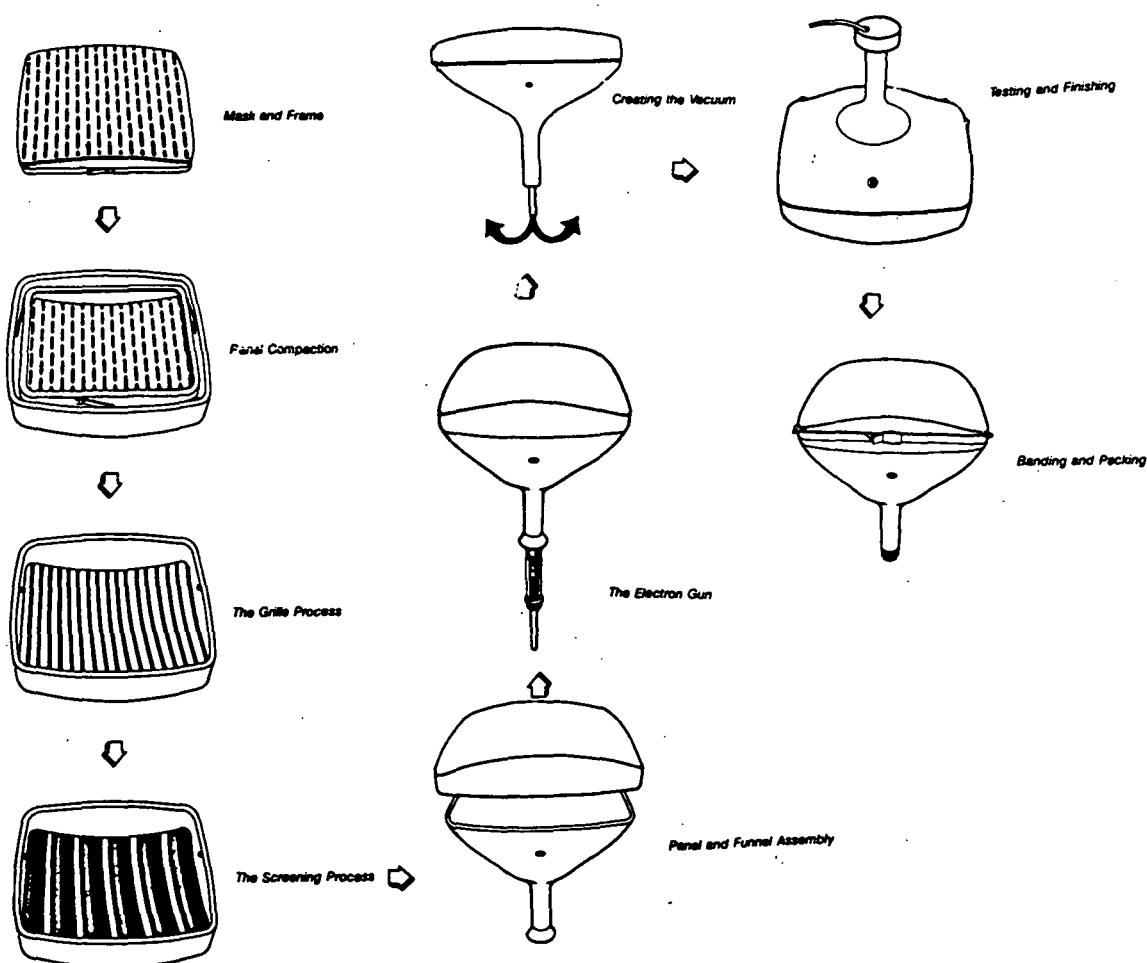
Four photographic operations are required to apply the phosphors to the faceplate and the black matrix between the phosphors. First, the interior of the faceplate is coated with polyvinyl alcohol (PVA) and exposed to ultra-violet light through the holes in the mask assembly. The exposed area of the PVA is cured by the ultraviolet light, causing it to stick to the panel. The unexposed area is washed away using a spray of deionized water. After drying, the faceplate is coated with a graphite solution called dag, and is rinsed in hydrogen peroxide that attacks the cured PVA through the dag. Using a water spray, the dag covering the PVA dots is washed away, leaving only the dag applied directly to the glass. The selective pattern of dag on the glass forms a black matrix pattern, which is designed to enhance the tube's contrast and light output.

1/ Whereas the standard color picture tube has tended to have rounded corners, the full square tube has square corners.

2/ Whereas the standard color picture tube has a convex faceplate, flat square tubes have faceplates that are nearly perfectly flat as well as having square corners.

3/ The text in this section of the report is in part obtained from a brochure entitled "The Making of a Color Picture Tube," Second Edition, July 1985, published by Zenith Electronics Corp. Most color picture tubes are produced in basically the same manner.

Figure 3.--Color television picture tube manufacturing process.



Source: Zenith Electronics Corp.

Next, the interior of the faceplate is coated with a slurry of green phosphors and dried. The coating is exposed to ultraviolet light through the holes in the mask assembly, with the angle of the light source simulating the angle of the green cathode in the electron gun. The exposed portions of the phosphorescent coating harden and stick to the glass. The unexposed portions are washed away with deionized water. These steps are then repeated using red and blue slurries. After the three types of phosphors are applied, the interior of the panel is sprayed with lacquer and coated with a thin layer of vapor-deposited aluminum.

The next step in the production process is the preparation of the funnel. It begins with an application of conductive graphite to the inside of the funnel. After the graphite is dried, a lead paste, called frit, is applied to the flat surfaces of the funnel, which then is mated to a faceplate. The frit is cured and the funnel and the faceplate, containing the mask assembly and a magnetic shield, are placed in an assembly fixture. The two pieces are aligned and the fixture is placed in an oven. In the oven, the frit melts, bonding the faceplate to the funnel.

The final steps in the production process include the insertion of the electron gun in the neck of the funnel and the evacuation of the air in the tube through a vacuum process. A metal band is then wrapped tightly around the panel of the tube in order to provide protection against an implosion of the tube. The banded tube is then cleaned and dried, and its funnel is coated with dag. Finally, electronic tests are performed to ensure that the tube is in good working order.

#### Like product issues

Domestically produced color picture tubes tend to be similar in characteristics and uses with imported tubes. In general, all picture tubes are made of the same materials, perform the same function, and tend to have a similar production process. However, there are some areas of contention among petitioners and respondents in these investigations concerning the issue of like product, 1/ including whether there is one like product encompassing all sizes of color picture tubes or whether there are different like products based on screen sizes and specifications, and particularly whether or not color picture tubes of screen sizes of 30 inches and over are separate like products from smaller color picture tubes. 2/ In addition, Sony Corp. contends that the Trinitron tube produced by Sony is not a like product with other picture tubes and occupies a "discrete and insular segment of the market," and hence it should be excluded from any affirmative determinations in these investigations.

Screen sizes of 30 inches and over.--Respondents contend that color picture tubes of 30 inches and over are a product distinct from color picture

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1/ Section 771(10) of the Tariff Act of 1930, as amended (19 U.S.C. § 1677(10)), defines the like product as a product which is like or, in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.

2/ Mitsubishi contends that its 35-inch color picture tubes are a separate like product from the color picture tubes produced in the United States.

tubes of a smaller size, and thus should not be considered a like product. 1/ They contend that color picture tubes of 30 inches and over (1) have physical characteristics that are distinctive in size, weight, design, complexity of technology, components, and value added; (2) have fundamentally different manufacturing facilities, production technology, and employees; (3) are perceived to be different from other tubes by customers and producers; and (4) are not interchangeable with, or substitutable for, smaller picture tubes. 2/

Petitioners contend that color picture tubes of 30 inches and over use the same technology as smaller color picture tubes, perform the same functions, are sold in the same channels of distribution, are produced with the same technology as smaller tubes, and simply represent an evolution of size.

The production of large-screen color picture tubes requires at least an investment in certain new equipment, including equipment for faceplate screening, banding, and handling. The handling equipment is required because of the increased glass weight of the larger tubes and the need to improve the structural integrity of the tubes against potential implosion.

The demand for color picture tubes having larger video display diagonal screens is clearly increasing. As the display diagonal of a color picture tube is increased, the viewing becomes proportionally larger. For example, a shift from a 19-inch screen to a 27-inch screen represents a 42-percent increase in the display diagonal, but a 102-percent increase in the viewing area.

The Sony Trinitron tube.--Counsel for Sony contends that the Sony tube is not a like product with other color picture tubes because, according to Sony, (1) it differs radically from conventional shadow mask tubes in its essential components, including the electron gun, the color selection mechanism (aperture grille), the shape of the screen, and other differences; (2) the production process differs markedly from that of conventional tubes; (3) the Trinitron is not interchangeable with conventional tubes; and (4) the Trinitron provides superior performance and is recognized as unique by consumers and television dealers. 3/

#### U.S. tariff treatment

Color picture tubes classified in TSUS item 687.35.--Color picture tubes are classified in TSUS item 687.35 and statistically reported under several Tariff Schedules of the United States Annotated (TSUSA) items depending on

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1/ This contention first appeared in the joint prehearing brief of Weil, Gotshal & Manges on behalf of Matsushita, Hitachi, Mitsubishi, and Toshiba.

2/ There is no U.S. production of color picture tubes of 30 inches and over. A discussion of the prospects for such production is presented in the section of this report entitled "U.S. capacity, production, and capacity utilization."

3/ App. E of the petitioners' posthearing brief mentions "the Sony tube, which utilizes a different technology and construction, and for which no substitutes apparently exist."

their viewable diagonal dimensions. 1/ Color picture tubes having a video display diagonal of 12 inches and under are reported under TSUSA item 687.3512, and those having a video display diagonal of greater than 12 inches are reported under the following TSUSA items: 13 inches, 687.3513; 14 and 15 inches, 687.3514; 16 and 17 inches, 687.3516; 18 and 19 inches, 687.3518; and 20 inches and over, 687.3520. 2/

The column 1 rate of duty 3/ for color picture tubes entered under TSUS item 687.35 is 15 percent ad valorem. 4/ The rate of duty was not subject to concessions negotiated during the Tokyo Round of the Multilateral Trade Negotiations. Imports from each of the four countries covered by the current investigations are subject to the 15 percent rate of duty.

The U.S. Customs Service (Customs) classifies color picture tubes on the basis of chief use. 5/ In order to distinguish color television picture tubes from other cathode ray tubes, Customs has ruled that a cathode ray tube having a shadow mask aperture (pitch) of greater than 0.31 millimeter is a color television picture tube. A color tube with a mask aperture of 0.31 millimeter or smaller is considered a display tube, which is classifiable under TSUS item 687.54 and is not covered under these investigations. Customs has also ruled that a cathode ray tube having an electron gun optimized for spot sizes of 0.1 millimeter or smaller is not a "color television picture tube" for tariff

1/ To determine the video display diagonal, measurements are taken of the maximum straight line dimension across that part of the faceplate used for display, and are rounded to the nearest inch. Measurements falling exactly on the 1/2 inch are rounded to the next larger integer.

2/ Picture tubes for projection televisions are not classified as color tubes because they consist of three monochrome tubes that each project images in only one color (either red, blue, or green). Such monochrome tubes do not produce color images for direct viewing. Instead, color images are produced on a projection screen by the integration of the three separate monochrome light sources via a series of magnifying and deflecting mirrored lenses. Such tubes by definition are monochrome tubes, and not color tubes, and thereby are not included in the scope of these investigations.

3/ The rates of duty in col. 1 are the 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. Imports classified in TSUS item 687.35 are not eligible for preferential tariff treatment under the Generalized System of Preferences (GSP) but are eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA) and, if products of Israel, are subject to preferential tariff treatment (currently 4.8 percent ad valorem) pursuant to the United States-Israel Free Trade Area Implementation Act of 1985. The col. 2 rate of duty that applies to certain Communist countries is 60 percent ad valorem.

In addition, pursuant to the Omnibus Budget Reconciliation Act of 1986, a user fee (to cover the cost of the U.S. Customs Service's processing of imports) of 0.22 percent ad valorem on most imports went into effect on Dec. 1, 1986.

4/ A provision in sec. 811 of H.R. 3, Omnibus Trade and Competitiveness Legislation, would suspend the duty on color picture tubes of less than 12 inches through Dec. 31, 1990, and would suspend the duty on color picture tubes of 30 inches and over through Sept. 30, 1988.

5/ The Customs ruling concerning the classification of color picture tubes on the basis of chief use is presented in app. D.

purposes. Customs has also identified other distinguishing features between color picture tubes and other cathode ray tubes.

Color picture tubes classified in TSUS item 684.96.--The petitioners in these investigations requested the Department of Commerce also to include in the scope of the investigations those color picture tubes that enter the United States as parts of color television receiver kits and as parts of incomplete color television receivers. Color television receiver kits contain all parts necessary for assembly into complete color television receivers and are provided for in TSUSA item 684.9655. 1/ Incomplete receivers contain electronic components in addition to color picture tubes and are provided for in TSUSA items 684.9656, 684.9658, and 684.9660, depending on the color picture tube screen size. 2/

The current column 1 rate of duty for color picture tubes entered under TSUS item 684.96 is 5 percent ad valorem. 3/ Imports from each of the four countries covered by the current investigations are subject to the 5 percent rate of duty. 4/

With regard to color picture tubes imported as parts of color television receiver kits, Commerce, in its final LTFV determinations, excluded such tubes from the scope of the investigations, except for color picture tubes produced in Japan that are shipped through Mexico and imported into the United States as parts of kits. 5/ Commerce excluded color picture tubes imported as parts of kits from the scope of the investigations because it previously found in the Japanese (46 F.R. 30163, June 5, 1981) 6/ and Korean (49 F.R. 18336, Apr. 30, 1984) television receiver cases that kits are to be treated for

1/ Prior to 1985, this was TSUSA item 685.1455.

2/ Prior to 1985, these were TSUSA items 685.1456, 685.1458, and 685.1460, respectively.

3/ A provision in sec. 811 of H.R. 3, Omnibus Trade and Competitiveness Legislation, would require that all color picture tubes imported as parts of color television receiver kits or as parts of incomplete color television receivers be classified separately as color picture tubes under TSUS item 687.35, i.e., would be dutiable at the 15 percent ad valorem rate for color picture tubes rather than at the 5 percent rate for kits and incomplete receivers. The provision would also suspend the duty on color picture tubes of less than 12 inches through Dec. 31, 1990, and would suspend the duty on color picture tubes of 30 inches and over through Sept. 30, 1988.

4/ Imports classified in TSUS item 684.96 are not eligible for preferential tariff treatment under the GSP but are eligible for duty-free treatment under the CBERA and pursuant to the United States-Israel Free Trade Area Implementation Act of 1985. The col. 2 rate of duty that applies to certain Communist countries is 35 percent ad valorem.

5/ A discussion of the issue of transshipment through Mexico is presented in the section of this report entitled "U.S. tariff treatment of Japanese color picture tubes in kits and incomplete receivers entering the United States from third countries such as Mexico."

6/ The original antidumping duty order on color television receivers from Japan was published in the Federal Register on Mar. 10, 1971 (36 F.R. 4597).

purposes of the antidumping statute as television receivers, not as a collection of individual parts. 1/

With regard to color picture tubes imported as parts of incomplete color television receivers, Commerce, in its final LTFV determinations, included such tubes in the scope of the investigations on Canada and Singapore unless both of the following criteria are met: (1) the color picture tube is "physically integrated" with other television receiver components in such a manner as to constitute one inseparable amalgam; and (2) the color picture tube does not constitute a significant portion of the cost or value of the items being imported. Commerce included color picture tubes imported as parts of incomplete color television receivers in the scope of the investigation on Korea unless both of the above-stated criteria are met or unless such tubes/incomplete receivers are already covered by the antidumping duty order on color television receivers from Korea (49 F.R. 18336, Apr. 30, 1984). Commerce included color picture tubes imported as parts of incomplete color television receivers in the scope of the investigation on Japan unless such incomplete color television receivers are already included within the scope of the antidumping duty finding on television receivers from Japan; 2/ Commerce has also included in the scope of the investigation color picture tubes produced in Japan that are shipped through Mexico and imported into the United States as parts of incomplete receivers.

Effect of the antidumping duty order on color television receivers from Korea on the color picture tube investigation on Korea.--The antidumping duty order on complete and incomplete television receivers from Korea 3/ was issued by Commerce pursuant to the Commission's affirmative determination in April 1984 that an industry in the United States was materially injured by reason of imports from Korea and Taiwan of color television receivers, provided for in items 685.11 and 685.14 of the TSUS, which had been found by Commerce to be sold in the United States at LTFV. Shortly after the antidumping duty order was issued, Samsung Electronics America, Inc., requested a ruling from Commerce that Korean color picture tubes that would be later combined with Korean circuit boards, but would be entered in separate shipments, were not within the scope of the television order. On January 9, 1986, in order to avoid possible circumvention of the antidumping duty order, Commerce suspended

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1/ However, Commerce stated in its final LTFV determinations on Canada and Singapore that it would determine in any future administrative review on color picture tubes from Canada and Singapore whether factual circumstances similar to those found in the Japanese color picture tube investigation warrant including kits from Canada and Singapore as transshipped color picture tubes. 2/ If what is being imported is capable of receiving "a broadcast television signal" and producing "a video image," Commerce has previously determined that such merchandise is included within the Japanese television finding (46 F.R. 30163, June 5, 1981). In addition, Commerce has found that it takes six major television components to "receive a broadcast signal and produce a video image." These are (1) the cathode ray tube, i.e., the color picture tube; (2) the tuner(s); (3) the main printed circuit board; (4) the chassis assembly; (5) the flyback transformer; and (6) the deflection yoke (46 F.R. 30167, June 5, 1981).

3/ Commerce's antidumping duty notice covered the TSUSA items applicable to complete and incomplete color television receivers, but did not include the TSUSA item applicable to color television receiver kits; however, the notice also stated that "this investigation is intended to cover all color television receivers regardless of tariff classification."

liquidation of (but did not require the collection of cash deposits on) entries from Korea of color picture tubes and printed circuit boards or assemblies containing certain electronic components.

In October 1986, Commerce clarified the scope of the television order, stating that the term "incomplete color television receiver" in the Korean color television receiver antidumping duty order includes color picture tubes and printed circuit boards, whether these components have been assembled prior to importation or are assembled subsequent to importation. Furthermore, Commerce held that these components constitute an incomplete television receiver even if they are not imported simultaneously, as long as they are subsequently combined to form an incomplete television receiver. 1/ Accordingly, on October 31, 1986, Commerce notified the U.S. Customs Service that cash deposits were henceforth to be collected on the articles covered in the January 9, 1986, suspension of liquidation. 2/ The cash deposit rates were 14.88 percent on Daewoo Electronics Co., Ltd.; 7.47 percent on Gold Star Co., Ltd.; 12.23 percent on Samsung Electronics Co., Ltd.; and 14.88 percent on all other firms except for Korea Electronics Co., Ltd., and Anam Electric Industrial Co., Ltd., both of which were excluded. On November 14, 1986, Commerce published in the Federal Register (51 F.R. 41365) the final results of its administrative review on television receivers from Korea; the weighted-average margins and the applicable cash deposit rates were 3.49 percent on Daewoo Electronics Co., Ltd.; 1.37 percent on Gold Star Co., Ltd.; 2.06 percent on Samsung Electronics Co., Ltd.; and 3.49 percent on any new exporters since March 31, 1985.

On November 26, 1986, the petition on the color picture tube investigations was filed with Commerce and with the Commission. In Commerce's notices of institution of antidumping investigations, it was tentatively decided to include in the scope of the investigations those color picture tubes entered into the United States as parts of color television receiver kits and as parts of incomplete color television receivers. On January 12, 1987, the Commission made its affirmative preliminary determinations with respect to color picture tubes, as defined by Commerce, from Canada, Japan, Korea, and Singapore.

On January 15, 1987, Commerce received letters from Samsung Electronic Devices Co., Ltd; Samsung Electronics America, Inc.; and Samsung International, Inc.; and on January 26, 1987, Commerce received letters from Gold Star Co., Ltd.; Gold Star Electronics International, Inc.; and Gold Star of America, Inc.; in which it was claimed that, according to Commerce's scope clarification of October 1986, imported color picture tubes and printed circuit boards constituted incomplete color television receivers and, therefore, were already covered under the antidumping duty order on color television receivers from Korea and should not be covered in the color picture tube investigation. Commerce, realizing that the inclusion of color picture tubes both in the antidumping duty order on Korean television receivers and in any order that might be issued on color picture tubes alone would most likely

1/ A copy of Commerce's clarification memorandum is presented in app. E. Commerce's clarification is currently the subject of litigation at the Court of International Trade.

2/ A copy of Commerce's notification to Customs concerning the clarification is presented in app. F.

result in the assessment of double duties on the same merchandise and thereby would constitute a violation of the United States' international obligations under the GATT antidumping code, tentatively determined to revoke the order on incomplete color television receivers from Korea that are imported separately and subsequently combined, and gave interested parties an opportunity to submit oral or written comments on the tentative revocation (52 F.R. 6840, Mar. 5, 1987). 1/ On July 1, 1987, after thorough analysis of the issues presented by the overlapping scope of the antidumping duty order on color television receivers from Korea and the Korean color picture tube investigation, Commerce determined (52 F.R. 24500) not to revoke in part the antidumping duty order on color television receivers from Korea. 2/ Commerce determined that a partial revocation of the television receiver order was not the appropriate means by which to resolve the issue of double coverage, and determined that it would continue to include those color picture tubes and printed circuit boards imported for assembly by a related party in the United States within the scope of the antidumping duty order on color television receivers from Korea.

In its final LTFV determination on color picture tubes from Korea, Commerce reaffirmed that the scope of the color picture tube investigation on Korea excludes those color picture tubes that fall within the scope of the color television receiver antidumping duty order on Korea. However, Commerce stated that if the scope determination of the color television receiver antidumping duty order on Korea, which is currently under appeal, were overturned, it would examine those items excluded by the court from the color television receiver order to determine whether or not they might be subject to any order on color picture tubes.

U.S. tariff treatment of Japanese color picture tubes in kits and incomplete receivers entering the United States from third countries such as Mexico.--In its final determination of sales at LTFV of color picture tubes from Japan, Commerce included in the scope of the investigation color picture tubes produced in Japan that are shipped through Mexico and imported into the United States as parts of color television receiver kits or as parts of incomplete color television receivers. A substantial number of color picture tubes produced in Japan are entering the United States from \* \* \* Mexico. The tubes are exported from Japan to Mexico, where they are matched with printed circuit boards and other electronic components produced in Mexico and then are exported to the United States as kits; the color picture tubes are not removed from their packing boxes in Mexico. In its final LTFV determination on Japan, Commerce treated these color picture tubes as Japanese tubes that are merely transshipped through Mexico, and included them in its fair value calculations on Japan. Although Customs for statistical purposes views the kits containing

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1/ A copy of Commerce's notice is presented in app. G. Commerce's notice did not cover unliquidated entries of incomplete color television receivers, imported separately, from Korea, which were entered, or withdrawn from warehouse for consumption, prior to the date of publication in the Federal Register of Commerce's preliminary determination on color picture tubes from Korea.

2/ A copy of Commerce's notice is presented in app. H.

such tubes as products of Mexico, it has since July 1, 1987, been collecting cash deposits on the color picture tube portion of the kits. 1/

#### Nature and Extent of Sales at LTFV

On November 18, 1987, Commerce published in the Federal Register its final determinations that color picture tubes from Canada, Japan, Korea, and Singapore are being, or are likely to be, sold in the United States at LTFV. Commerce's determinations were based on examinations of sales of color picture tubes for the period June 1, 1986, through November 30, 1986. The final weighted-average LTFV margins are presented in the following tabulation (in percent):

<u>Countries and exporters</u>	<u>LTFV margins</u>
<b>Canada:</b>	
Mitsubishi Electronics Industries	
Canada, Inc.....	0.65
All others.....	.65
<b>Japan:</b>	
Hitachi, Ltd.....	22.29
Matsushita Electronics Corp.....	32.91
Mitsubishi Electric Corp.....	1.34
Toshiba Corp.....	33.50
All others.....	30.02
<b>Korea:</b>	
Samsung Electron Devices Co., Ltd...	1.91
All others.....	1.91
<b>Singapore:</b>	
Hitachi Electronic Devices	
(Singapore) Pte., Ltd.....	5.33
All others.....	5.33

For each of the companies listed above, Commerce compared the United States price with the foreign market value of such or similar merchandise. In order to determine whether or not there were sufficient sales of the merchandise in the home market to serve as the basis for calculating foreign market value, Commerce established separate categories of such or similar merchandise, based on the color picture tube size measured diagonally in inches. Commerce considered any color picture tube sold in the home market that was within plus or minus two inches in screen size of the color picture tube sold in the United States to be such or similar merchandise. The methodologies used by Commerce in determining foreign market value and U.S. price merit extensive discussion in Commerce's notices, copies of which appear in appendix C.

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1/ Telephone conversation with a U.S. Customs import specialist in San Ysidro, CA, Oct. 15, 1987. Although Customs has ruled that the imported products from Mexico constitute kits for classification purposes, it has not specifically ruled on the issues of substantial transformation or the country of origin of those imports. See Customs' letter regarding the classification of color picture tubes entering from Mexico in app. I.

Commerce's final LTFV determination on Canada

Commerce made an affirmative LTFV determination on sales of the only Canadian producer of color picture tubes, Mitsubishi Electronics Industries Canada, Inc. Mitsubishi's U.S. sales examined by Commerce for the period June 1, 1986, through November 30, 1986, amounted to \*\*\* tubes, valued at \$\*\*\*. \*\*\* tubes, consisting of \*\*\* percent of the quantity and \*\*\* percent of the value of sales, were found to be at LTFV.

Commerce's final LTFV determination on Japan

Commerce made affirmative LTFV determinations on sales of each of the four Japanese producers for which data were requested. One of the four producers, Toshiba Corp., notified Commerce that it would not respond to Commerce's questionnaire because it was moving its color picture tube operation from Japan to the United States. Therefore, Commerce based its fair value comparisons for Toshiba on the best information available, which is the petition. A breakdown of the Japanese sales examined by Commerce for the period June 1, 1986, through November 30, 1986, is presented in the following tabulation:

<u>Item</u>	<u>Hitachi</u>	<u>Matsushita</u>	<u>1/</u>	<u>Mitsubishi</u>	<u>Total</u>
U.S. sales...1,000 units..	***	***		***	***
U.S. sales 1,000 dollars..	***	***		***	***
Sales at LTFV 1,000 units..	***	***		***	***
Sales at LTFV 1,000 dollars..	***	***		***	***
Share of quantity of sales at LTFV <u>2/</u> percent..	***	***		***	***
Share of value of sales at LTFV <u>2/</u> ....percent..	***	***		***	***

1/ Includes sales examined of Japanese color picture tubes considered by Commerce to have been transshipped through Mexico.

2/ Based on unrounded data.

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

Commerce's final LTFV determination on Korea

Commerce made an affirmative LTFV determination on sales of Samsung Electron Devices Co., Ltd., the Korean producer for which sales were examined. 1/ Samsung's U.S. sales examined by Commerce for the period June 1,

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1/ Since all of Gold Star's sales during the period of Commerce's investigation were covered by the antidumping duty order on Korean television receivers, Gold Star was not included in Commerce's fair value comparisons.

1986, through November 30, 1986, amounted to \*\*\* tubes, valued at \$\*\*\*. \*\*\* tubes, consisting of \*\*\* percent of the quantity and \*\*\* percent of the value of sales, were found to be at LTFV.

Commerce stated in its final determination on Korea that if the scope determination of the color television receiver antidumping duty order on Korea, which is currently under appeal, were overturned, it would examine those items excluded by the court from the color television receiver order to determine whether they might be subject to any order on color picture tubes.

Commerce's final LTFV determination on Singapore

Commerce made an affirmative LTFV determination on sales of the only producer in Singapore of color picture tubes, Hitachi Electronic Devices (Singapore) Pte., Ltd. Hitachi's U.S. sales examined by Commerce for the period June 1, 1986, through November 30, 1986, amounted to \*\*\* tubes, valued at \$\*\*\*. \*\*\* tubes, consisting of \*\*\* percent of the quantity and \*\*\* percent of the value of sales, were found to be at LTFV. 1/

The U.S. Market

The U.S. market for color picture tubes is derived from the demand by U.S. manufacturers/assemblers of color television receivers; there were 19 such manufacturers/assemblers in 1986. 2/ Virtually all shipments of color picture tubes, whether domestically produced or imported, are to color television manufacturers/assemblers. A very small portion of shipments of color picture tubes consists of tubes shipped to television dealers for replacement and warranty purposes. In addition to the market for newly manufactured color picture tubes, there is a secondary market for renewal and rebuilt color picture tubes.

Apparent U.S. consumption

The data on apparent U.S. consumption of color picture tubes appearing in table 1 are composed of U.S. producers' total domestic shipments of color picture tubes and imports of color picture tubes. Apparent U.S. consumption of the quantity of color picture tubes decreased by 1.4 percent in 1985,

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1/ Tubes produced in Singapore and imported \* \* \* were not examined by Commerce.

2/ The demand for color television receivers has increased markedly over the past decade, as the television screen has become a central focus in the home and an "all-purpose display device" for television programming, cable and pay television, video games, home computers, video cassette recorders, and direct satellite reception. (Electronic Industries Association (EIA), 1986 Electronic Market Data Book, p. 8.) The EIA states that new color picture tube sizes and shapes have spurred the demand for additional color television receivers.

Table 1  
Color picture tubes: Apparent U.S. consumption, 1984-86, January-June 1986,  
and January-June 1987

Item	1984	1985	1986	January-June--				
				1986	1987			
Quantity (1,000 units)								
<b>U.S. producers' domestic shipments:</b>								
Intracompany transfers.....	8,583	7,429	***	3,624	***			
Commercial shipments.....	3,403	3,113	***	1,812	***			
<b>U.S. imports:</b>								
Of tubes imported separately.....	793	1,701	2,322	1,193	583			
Of tubes imported as parts of kits and incomplete receivers.....	555	901	990	418	326			
<b>Total apparent consumption...</b>	<b>13,334</b>	<b>13,144</b>	<b>14,417</b>	<b>7,047</b>	<b>6,502</b>			
Value (1,000 dollars)								
<b>U.S. producers' domestic shipments:</b>								
Intracompany transfers.....	716,080	645,729	***	317,571	***			
Commercial shipments.....	267,003	261,782	***	150,753	***			
<b>U.S. imports:</b>								
Of tubes imported separately.....	56,289	98,949	126,196	60,448	43,806			
Of tubes imported as parts of kits and incomplete receivers.....	33,757	52,300	70,985	27,978	26,980			
<b>Total apparent consumption...</b>	<b>1,073,129</b>	<b>1,058,760</b>	<b>1,167,414</b>	<b>556,750</b>	<b>561,457</b>			

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

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

increased by 9.7 percent in 1986, and decreased during January-June 1987 by 7.7 percent from the level of apparent U.S. consumption in the corresponding period of 1986.

Further discussion of apparent U.S. consumption and of the market share of imports by country and by screen size appears in the section of this report entitled "Market penetration of imports."

U.S. producers

Six firms produced color picture tubes 1/ in the United States during the period covered by these investigations. 2/ The six firms, the locations of their establishments producing color picture tubes, their positions regarding the petition in the color picture tube investigations, and their shares of U.S. production of color picture tubes in 1986 are presented in the following tabulation:

<u>Producers</u>	<u>Establishment locations</u>	<u>Position on the petition</u>	<u>Share of U.S. production in 1986 (Percent)</u>
General Electric Co. 1/...	Syracuse, NY	* * * 2/	***
Philips ECG.....	Ottawa, OH, Seneca Falls, NY 3/	* * *	***
RCA Corp.....	Marion, IN Scranton, PA	* * * 2/	***
Sony Corp. of America.....	San Diego, CA	4/	***
Toshiba-Westinghouse Electronics Corp. 5/....	Horseheads, NY	4/	***
Zenith Electronics Corp... Total.....	Melrose Park, IL	* * *	<u>100.0</u>

1/ General Electric Co. ceased to produce color picture tubes in \* \* \* 1987.

2/ \* \* \*.

3/ Production at the Seneca Falls plant was permanently discontinued in 1985. The facility closed in 1987.

4/ \* \* \*.

5/ Began production in November 1986. Toshiba-Westinghouse's share of U.S. production of color picture tubes in January-June 1987 was \*\*\* percent.

General Electric paid \$6.4 billion to acquire RCA 3/ in December 1985, and in June 1986, the U.S. Department of Justice issued its approval of the merger of RCA into General Electric. The consumer electronic products division of the merged entity is currently being acquired by Thomson S.A., a French company. Although General Electric and RCA have been a combined entity for approximately 2 years, they are treated separately in the data and information presented in this report.

General Electric--General Electric Co., Cathode Ray Tube Operation, produced color picture tubes in Syracuse, NY, until \* \* \* 1987, when it discontinued the production of such tubes. In point of fact, the cessation of

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1/ In addition to the six producers of color picture tubes, there are nine firms involved in the renewal and rebuilding of color picture tubes (U.S. Department of Commerce, Bureau of the Census, Current Industrial Reports, Semiconductors, Printed Circuit Boards, and Other Electronic Components, 1986).

2/ In August 1987, Matsushita of Japan announced plans to produce color picture tubes in the United States by 1989. \* \* \*. \* \* \*.

3/ Fortune, July 6, 1987, p. 50.

production occurred over about a 2-year period. In \* \* \* 1985, General Electric had ceased to produce 10-inch and 13-inch color picture tubes owing to "severe and intense" price competition, and \* \* \*. General Electric continued to produce 19-inch through 26-inch color picture tubes 1/ in Syracuse, mainly for its color television receiver facility in Portsmouth, VA. In October 1985, General Electric announced that it would cease to produce color television receivers (it discontinued the bulk of its television receiver production in September 1986, and the last production run (a special order) was completed in November 1986), but would supply color picture tubes to Matsushita Electric Corp., Franklin Park, IL, that would produce color television receivers under the General Electric brand name. 2/

As previously stated, General Electric acquired RCA, whose color picture tube facilities in Scranton, PA, and Marion, IN, were reportedly larger and more efficient than General Electric's. An official of General Electric stated that its decision to discontinue the production of color picture tubes was not directly related to its takeover of RCA. 3/ The official stated that General Electric's facility in Syracuse had been operating in a "survival mode (for) some time." General Electric's cathode ray tube operation manager, Ronald Hughes, stated that the "decision to withdraw from a highly price-sensitive market" was made because "the relatively small production volume in the Syracuse facility made it difficult for our operation to compete effectively." 4/ A company statement said that the decision to cease production reflected "difficulty . . . experienced during recent years in the highly competitive cathode ray tube industry." 5/ \* \* \*.

Philips ECG.--Philips ECG (Philips), Seneca Falls, NY, is a wholly owned subsidiary of North American Philips Corp., which in turn is \* \* \* owned by Philips N.V. of the Netherlands. A second subsidiary, North American Philips Consumer Electronics Corp., manufactures color television receivers in Tennessee under the brand names Magnavox, Philco, and Sylvania.

Philips discontinued the production of color picture tubes at its Seneca Falls, NY, facility in 1985 and consolidated production in its Ottawa, OH, facility " \* \* \*, " as stated in a letter attached to Philips' questionnaire response in the preliminary investigations. Philips \* \* \*. 6/

Most of Philips' production during the period covered by these investigations has been in the \* \* \*. Philips introduced a \* \* \*. 7/ \* \* \*. 8/ \* \* \*.

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1/ General Electric had two production lines for 19- and 20-inch color picture tubes and one production line for 25- and 26-inch tubes.

2/ Television Digest With Consumer Electronics, Oct. 21, 1985.

3/ Television Digest With Consumer Electronics, Nov. 17, 1986.

4/ Ibid.

5/ Ibid.

6/ As related by representatives of Philips in a meeting with a member of the Commission staff on Aug. 27, 1987.

7/ Philips has certain production equipment \* \* \*.

8/ North American Philips' Annual Report 1986 (p. 8) states that Philips has programs to advance mechanization, automation, flexibility, and quality at its central facilities in Ottawa, OH, and that a new projection television tube and medium- and high-resolution designs are under development to meet the market demands of the 1990's.

RCA Corp.--RCA Corp.'s Video Component and Display Division produces \* \* \* color picture tubes at its facility in Marion, IN, and \* \* \* color picture tubes at its facility in Scranton, PA. RCA began to \* \* \*. RCA also has wholly owned subsidiaries in Brazil (RCA Electronica Ltda., Jaguare, Brazil) and Mexico (RCA S.A. de C.V., Mexico City) that produce color picture tubes. RCA closed its Canadian color picture tube plant in December 1982; the plant was purchased in 1983 by Mitsubishi.

\* \* \* sizes in recent years. The Scranton plant is \* \* \*. RCA is a vertically integrated producer and manufactures glass for its picture tubes in Circleville, OH. RCA \* \* \*. \* \* \*.

Sony--Sony Manufacturing Co. of America produces color picture tubes at its plant in San Diego, CA. Sony Manufacturing Co.'s parent company is Sony Corp. of America, New York, NY, which in turn is wholly owned by Sony Corp., Tokyo, Japan. Affiliated companies that produce color picture tubes are Sony Inazawa Corp. and Sony Mizunami Corp. in Japan and The Bridgend Plant in Wales, United Kingdom.

Sony is the only U.S. producer of color picture tubes that does not make any commercial sales of color picture tubes \* \* \*. The Sony tube, known as the Trinitron tube, is reportedly unique and cannot be used in the television receivers produced by companies other than Sony without extensive retooling; in any case, Sony has a corporate policy of not licensing Trinitron production to other companies. Likewise, the Trinitron tube is the only tube that will function in Sony's color television receivers. 1/ Sony's \* \* \*. 2/ The foreign \* \* \*.

Toshiba-Westinghouse--Toshiba-Westinghouse Electronics Corp. has produced color picture tubes in Horseheads, NY, since November 1986. 3/ An affiliated firm is Toshiba America, Inc., Lebanon, TN, which produces color television receivers. 4/ Toshiba-Westinghouse is a joint venture \* \* \* by Toshiba Corp., Tokyo, Japan and \* \* \* by Westinghouse Electric Corp., Pittsburgh, PA. 5/ Toshiba Corp. also produces color picture tubes in Fukaya, Japan and Himeji, Japan.

1/ Sony was the first Japanese firm to begin television production in the United States. In 1972, the company constructed a 5-line final assembly plant in San Diego, CA, where its color tube manufacturing commenced in 1974.

2/ Sony has \* \* \*. It has \* \* \*. \* \* \*.

3/ Westinghouse ceased color tube production at the Horseheads plant during 1976, but still maintained monochrome tube production there; \* \* \*.

4/ Toshiba America, Inc., Lebanon, TN, \* \* \*. However, representatives of Toshiba-Westinghouse appeared as witnesses for the respondents in the public hearing in these investigations.

5/ The venture and plan required an immediate "phase I" refurbishing of the existing Westinghouse facility, and also called for a further "phase II" construction, with total expenditures estimated at \$100 million (Television Digest With Consumer Electronics, Dec. 17, 1984, p. 8). Phase II plans for the company \* \* \* (telephone conversation with Robert Kaemmerer, marketing director, Toshiba-Westinghouse Electronics, Dec. 11, 1986). As of Nov. 3, 1987, \* \* \*. Representatives of Toshiba-Westinghouse stated to members of the Commission staff on Aug. 24, 1987, that if pending U.S. import legislation banning imports from Toshiba is enacted, it would \* \* \*.

Toshiba-Westinghouse produces color picture tubes in the \* \* \*. 1/ The tubes are supplied to \* \* \*.

Toshiba-Westinghouse has purchased \* \* \*. 2/ \* \* \*. Toshiba-Westinghouse is in the process of \* \* \*.

Zenith.--Zenith Electronics Corp., Glenview, IL, produces color picture tubes at its Rauland Division in Melrose Park, IL. Zenith's principal tubes produced are in the \* \* \*. 3/ \* \* \*. 4/ According to Zenith, \* \* \*. 5/

Zenith \* \* \*. It \* \* \*. Zenith \* \* \*. \* \* \*.

#### U.S. importers

Twelve firms accounted for virtually all of the imports of color picture tubes from Canada, Japan, Korea, and Singapore during 1984-86. The Commission sent questionnaires to each of the 12 firms and also to several other firms identified as possible importers. All the known major importers provided data in response to the Commission's questionnaire; virtually all these importers are manufacturers/assemblers of color television receivers in the United States. The 10 major importers and their respective shares in 1986 of total reported imports are presented in table 2. The principal importers from each of the countries covered by the investigations are discussed below.

Canada.--There are only two significant importers of color picture tubes from Canada: Mitsubishi Electric Sales America, Inc., Cypress, CA, and \* \* \*. \* \* \*. Mitsubishi is the principal importer, accounting for \*\*\* percent of the quantity of reported imports of color picture tubes from Canada in 1986. Mitsubishi's imports consist principally of \* \* \* tubes imported from the only Canadian producer of color picture tubes, Mitsubishi Electronic Industries Canada, Inc. Mitsubishi also imports some color picture tubes from Japan. Mitsubishi cited "\* \* \*" as being "very important" reasons for its importation of color picture tubes.

\* \* \* imports of color picture tubes from Canada have been confined to \* \* \*.

Japan.--The two principal importers of color picture tubes from Japan are \* \* \*. \* \* \* accounted for \*\*\* percent of the quantity of reported imports of color picture tubes from Japan in 1986, and \* \* \* accounted for \*\*\* percent. \* \* \*. \* \* \* Mexico, and then imported into the United States as parts of color television receiver kits that are viewed by the U.S. Customs Service for

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1/ Toshiba-Westinghouse's \* \* \*. \* \* \*.

2/ As stated by representatives of Toshiba-Westinghouse in an Aug. 24, 1987, meeting with members of the Commission staff.

3/ Presently, Zenith has \* \* \*. \* \* \*. \* \* \*. \* \* \*.

4/ The data provided by Zenith in response to the Commission's questionnaire include data for tension mask tubes.

5/ Zenith has entered into an agreement with C. Itoh & Co., a Japanese trading concern, whereby C. Itoh will distribute flat tension mask tubes to original-equipment manufacturers in Asia. C. Itoh said that it plans to sell about 100,000 of the tubes in the first year (New York Times, Sept. 4, 1987).

Table 2  
Color picture tubes: 1/ Major U.S. importers and their shares of the quantity of reported 1986 imports

<u>Importer</u>	<u>Source of imports</u>	<u>Share of total imports</u>
		<u>Percent</u>
* * *	* * *	***
* * *	* * *	***
* * *	* * *	***
* * *	* * *	***
* * *	* * *	***
* * *	* * *	***
* * *	* * *	***
* * *	* * *	***
* * *	* * *	***
All others.....	Various	4.7
Total.....		100.0

1/ Includes imports of color picture tubes as parts of kits and incomplete receivers.

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

statistical purposes as products of Mexico. Most of \* \* \* imports have consisted of \* \* \*. \* \* \* cited \* \* \* as being "very important" reasons for its importation of color picture tubes.

\* \* \*. \* \* \*. The principal tube sizes are \* \* \*. \* \* \* cited \* \* \* for its importation of color picture tubes.

Korea.--The only significant importers of color picture tubes from Korea are Gold Star of America, Inc., Huntsville, AL; Samsung Electronics America, Inc., Saddle Brook, NJ; Samsung International, Inc., Ledgewood, NJ; and Samsung Pacific International, Inc., LaMirada, CA. 1/ Gold Star accounted for \*\*\* percent of the quantity of reported total imports of color picture tubes from Korea in 1986, Samsung Electronics accounted for \*\*\* percent, Samsung International accounted for \*\*\* percent, and Samsung Pacific International accounted for \*\*\* percent. \* \* \* are used in their own production of color television receivers in the United States and are excluded from the scope of the color picture tube investigation on Korea because their imports are already covered by the outstanding antidumping duty order on complete and incomplete television receivers from Korea. \* \* \*; 2/ \* \* \*.

1/ Imports of the three Samsung companies are \* \* \*. \* \* \*.  
2/ \* \* \*.

Singapore.--The only significant importers of color picture tubes from Singapore are Hitachi America, Ltd., Tarrytown, NY, and \* \* \*. Hitachi accounted for \*\*\* percent of the quantity of reported imports of color picture tubes from Singapore in 1986, and \* \* \* accounted for \*\*\* percent. All imports were from the only known producer of color picture tubes in Singapore, Hitachi Electronics Devices (Singapore) Pte., Ltd. Hitachi America also imports color picture tubes from Japan. Most of Hitachi's aggregate imports \* \* \*. Hitachi cited " \* \* " as being "very important" reasons for its importation of color picture tubes.

\* \* \* imports from Singapore all consist of \* \* \*. \* \* \*. \* \* \*. \* \* \* has also imported color picture tubes from Japan during the period covered by the investigations. \* \* \* cited " \* \* \*,<sup>1/</sup> " \* \* " as being "very important" reasons for its importation of color picture tubes.

#### Channels of distribution

Color picture tubes manufactured by the U.S. producers are shipped on a transfer basis to their affiliated television receiver production operations and also shipped on a commercial basis to the merchant market. Commercial shipments accounted for 28.4 percent of the quantity of U.S. producers' total domestic shipments in 1984, 29.5 percent in 1985, \*\*\* percent in 1986, 33.3 percent during January-June 1986, and \*\*\* percent in the corresponding period of 1987. Related-party, or captive, transfers accounted for the remainder of U.S. producers' domestic shipments. The U.S. producers' commercial sales are to unrelated color television manufacturers, including manufacturers that import color picture tubes. Some of the U.S. color picture tube producers import and/or purchase imported color picture tubes from countries covered by the investigations (see the section of this report entitled "U.S. producers' purchases of color picture tubes").

Most imports of color picture tubes are consumed by U.S. television receiver manufacturing operations that are related to foreign color picture tube producers; such imports are essentially captive transfers. Among the 10 major U.S. importers in 1986, only \* \* \* has no overseas color picture tube manufacturing operations. \* \* \*.

#### Consideration of Alleged Material Injury

In order to gather data on the question of material injury to the U.S. industry producing color picture tubes, questionnaires were sent to the six firms that produced such tubes during any part of the period January 1, 1984, through June 30, 1987. Each of the six firms provided the requested data in response to the Commission's questionnaire. Accordingly, the data appearing in this section of the report represent 100 percent of the U.S. industry producing color picture tubes during the period covered by these investigations.

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<sup>1/</sup> \* \* \* stated that " \* \* \*."

U.S. capacity, production, and capacity utilization

U.S. producers' end-of-period aggregate capacity to manufacture color picture tubes decreased by 5.7 percent in 1985, increased by 4.2 percent in 1986 to a level below that of 1984, and decreased by 1.4 percent during January-June 1987 compared with the level of capacity in the corresponding period of 1986 (table 3). 1/ U.S. producers' average-for-period aggregate capacity decreased by 0.7 percent in 1985 and by 2.4 percent in 1986, and increased by 7.0 percent in January-June 1987 compared with the level of capacity in the corresponding period of the previous year. The reported capacity data are influenced by shifts in the mix of screen sizes produced. The data also disguise the industry's expenditures (see the section of this report entitled "Capital expenditures") on retooling and increased automation, and disguise the degree of activity in plant expansions and closings within the industry since 1984. General Electric closed \*\*\*, and shut down the remainder of its color picture tube facilities, representing an average annual capacity of \*\*\* tubes, in \* \* \* 1987. Philips \*\*\*, 2/ and moved the line to its facility in Ottawa, OH, where the line was reinstalled and brought into production in \* \* \*. 3/ In September 1985, Philips \*\*\*. RCA \*\*\* and Sony \*\*\*. Toshiba-Westinghouse's commencement of color picture tube production in November 1986, with an annual capacity of \* \* \*.

U.S. production of color picture tubes decreased by 13.4 percent in 1985, increased by 7.9 percent in 1986 to a level 6.5 percent below that of 1984, and increased by 6.9 percent during January-June 1987 compared with the level of production in the corresponding period of 1986. Production data for each of the producers are presented in table 4.

For each of the producers \* \* \* \* \* \*.

U.S. producers' aggregate capacity utilization decreased in 1985 and increased in 1986 to levels below the levels of capacity utilization in 1984. End-of-period capacity utilization increased as of June 30, 1987, compared with the level of capacity utilization on June 30, 1986. Average-for-period capacity utilization was unchanged in January-June 1987 compared with the level of capacity utilization in the corresponding period of the previous year. Capacity utilization rates during 1984-86 varied significantly by producer and by period, with \* \* \*. 4/ Toshiba-Westinghouse's reported \*\*\* capacity utilization for January-June 1987 (the only period for which it had significant production) was \*\*\* percent on an average-for-period basis.

1/ Capacity reported herein is somewhat greater than capacity presented in the preliminary investigations because in the preliminary investigations \*\*\* was adjusted downward to reflect \* \* \* "normal" operating level of \* \* \*. However, in these final investigations, \* \* \* has been accepted as a realistic level of capacity that can be reasonably attained in view of available machinery and equipment, labor, and other factors of production.

2/ Philips' average annual capacity in Seneca Falls for 1984 (the last full year of operation) was \*\*\* color picture tubes.

3/ Philips was assisted in its \$2.5 million relocation expense by a \$1.4 million loan, payable over 7 years with interest at the rate of 7-1/2 percent per year, from the Department of Development of the State of Ohio. The loan is secured by a lien on certain of the machinery and equipment at the Ottawa facility.

4/ \* \* \*.

Table 3

Color picture tubes: U.S. producers' capacity, 1/ production, and capacity utilization, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	<u>January-June--</u>				
				1986	1987			
<b>Capacity:</b>								
End-of-period:								
1,000 units.....	17,394	16,409	17,097	8,412	8,291			
Percentage change.....	-	-5.7	4.2	-	-1.4			
Average-for-period:								
1,000 units.....	16,984	16,864	16,452	8,185	8,757			
Percentage change.....	-	-0.7	-2.4	-	7.0			
Production:								
1,000 units.....	12,565	10,879	11,743	6,083	6,505			
Percentage change.....	-	-13.4	7.9	-	6.9			
Capacity utilization:								
On the basis of end-of-period capacity:								
Percent <u>2/</u> .....	72.2	66.3	68.7	72.3	78.5			
Percentage change.....	-	-8.2	3.6	-	8.5			
On the basis of average-for-period capacity:								
Percent <u>3/</u> .....	74.0	64.5	71.4	74.3	74.3			
Percentage change.....	-	-12.8	10.6	-	<u>4/</u>			

1/ Capacity reported herein is somewhat greater than capacity presented in the preliminary investigations because in the preliminary investigations \*\*\* was adjusted downward to reflect \*\*\* "normal" operating level of \*\*\*.

However, in these final investigations, \*\*\* has been accepted as a realistic level of capacity that can be reasonably attained in view of available machinery and equipment, labor, and other factors of production. \*\*\*.

2/ If \*\*\*.

3/ If \*\*\*.

4/ A decrease of less than 0.05 percent.

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

Establishment product lines.--Most of the U.S. establishments in which color picture tubes are produced are engaged only in the production of color picture tubes and other cathode ray tubes and components. General Electric produced only color picture tubes in its Syracuse, NY, facility, and Toshiba-Westinghouse produces only color picture tubes in its Horseheads, NY, facility. Philips produced \*\* \*. RCA has produced \*\* \*. Zenith has produced \*\* \*. \*\* \*. Sony produces color television receivers, but on separate equipment and with separate employees from color picture tube production.

Table 4

Color picture tubes: U.S. production, by firms, 1984-86, January-June 1986, and January-June 1987

Firm	(In thousands of units)			<u>January-June--</u>	
	1984	1985	1986	1986	1987
General Electric.....	***	***	***	***	***
Philips.....	***	***	***	***	***
RCA.....	***	***	***	***	***
Sony.....	***	***	***	***	***
Toshiba-Westinghouse.....	0	0	***	0	***
Zenith.....	***	***	***	***	***
Total.....	12,565	10,879	11,743	6,083	6,505

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

Production of color picture tubes 30 inches and over.--There is currently no U.S. production of color picture tubes of 30 inches and over. However, indications are that such production may begin within the next 2 years. Philips announced the future availability of a 31-inch tube to customers during the summer Consumer Electronics Show held in Chicago in June 1987; a description of the availability of the new product entitled "31V Development Program Target Schedule" was discussed. The 31-inch tube is also discussed in Philips' "Color Picture Tube Overview" of November 1987, recently presented to customers. Philips is "looking at" initially producing 31-inch tubes in its Ottawa, OH, plant on existing equipment with modifications to handle physical constraints. Philips also has plans to begin shipping the 31-inch tube to \* \* \* by \* \* \* 1989. In its posthearing submission to the Commission, Philips stated that domestic glass for the "large screen size product" is not expected earlier than the fourth quarter of 1988. \* \* \*.

Zenith introduced a 35-inch stereo receiver/monitor at its August 1987 sales meeting and a 31-inch model in November 1987. The 31-inch receiver currently uses a Matsushita picture tube and the 35-inch receiver uses a Mitsubishi color picture tube. The petitioners' posthearing brief states that "Zenith is currently studying market reaction to differences in 30-inch and over screen sizes, faceplate contours and product neck sizes before making a tube production decision. The market at present is small and untested. We estimate that sales of television receivers having a picture tube size of 30-inches and over represent less than 0.5 percent of the U.S. market. We do not anticipate any special technological problems in production because the technology employed will be essentially the same as in smaller tubes."

Corning Glass Works, a producer of glass panels and funnels for color picture tubes, stated in appendix C of the petitioners' posthearing brief that all five of its U.S. color picture tube customers have discussed larger size

tubes \* \* \* and that each has its own plan, product type(s), and timetable. Corning's assessment of the status of possible production of color picture tubes of 30 inches and over by each of six potential U.S. customers of Corning is shown in the following tabulation:

<u>Producer</u>	<u>Tube size</u>	<u>Plans</u>
* * *.....	* * *	* * *.
* * *.....	* * *	* * *.
* * *.....	* * *	* * *.
* * *.....	* * *	* * *.
* * * <u>1/</u> ....	* * *	* * *.
* * *.....	* * *	* * *.

1/ At the public hearing in these investigations, Robert R. Kaemmerer, Director of Marketing, Toshiba-Westinghouse Electronics Corp., stated that if the decision were made today to install a 30-inch color picture tube production line in its Horseheads, NY, facility, it would take a minimum of 2 years before production would commence (transcript of the hearing, p. 165).

In a November 23, 1987, letter to the Commission, Owens-Illinois, 1/ the other commercial U.S. producer of glass for color picture tubes, stated that

\* \* \* \* \*

Glass shortages.--In the preliminary investigations, it was alleged by respondents that color picture tube glass shortages caused production shortfalls of color picture tubes during the period covered by the

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1/ Owens-Illinois increased its production capacity for picture tube panels in 1985 and improved efficiency in these operations in 1986. Owens-Illinois' 1986 Annual Report (1987) stated that "Demand for glass television parts was strong and high capacity utilization contributed to a significant increase in operating profit."

The Japanese glass producer Nippon Electric Glass and the Korean glass producer Hankuk Electric Glass are licensees of Owens-Illinois; Hankuk Electric Glass is also an equity affiliate of Owens-Illinois.

investigations. 1/ In its questionnaire in the final investigations, the Commission asked producers if they experienced any production shortfalls, constraints, or other problems caused by inadequate supplies of glass at any time during the period covered by the investigations. Four of the producers responded in the negative, but \* \* \* and \* \* \* responded in the affirmative. \* \* \* stated that shortages of glass for \* \* \* tubes in 1984, 1985, and early 1986 necessitated the purchase of glass from \* \* \*, resulting in higher costs; during the same period, glass for \* \* \* tubes was on allocation. \* \* \* stated that it did not have production shortfalls owing to the glass shortages, but that scheduling problems and undetermined extra costs resulted. \* \* \* stated that during February 1984-March 1985, glass panel supplies were "very tight," resulting in production rescheduling, and that in August-December 1984, glass funnel supplies were also very tight. 2/ \* \* \* imported \*\*\* glass panels from \* \* \* in \*\*\*. Glass panel supplies were "critical" in the second half of 1986, "with production curtailment experienced;" approximately \*\*\* tubes were \* \* \* not produced because of the panel shortages. \* \* \* imported \*\*\* panels from \* \* \* in 1986. \* \* \* also stated that panel supply was very tight in early 1987, and that it imported \*\*\* panels from \* \* \*.

#### U.S. producers' shipments

There are three types of U.S. producers' shipments of color picture tubes: (1) intracompany transfers, which are for use in the color picture tube producers' own television receiver production operations or in related-party television receiver production operations, (2) domestic open-market shipments (commercial shipments), and (3) export shipments.

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1/ Glass accounts for a significant share (approximately 30 percent) of the cost of a color picture tube. There are only three U.S. producers of glass for color picture tubes: Corning Glass Works, Corning, NY, and Owens-Illinois, Toledo, OH, which sell glass commercially; and RCA Corp., which produces glass for captive use in Circleville, OH. \* \* \*. However, in 1986, Corning's Board of Directors authorized phase I of an expansion project at its State College, PA, facility; phase I will cost \$\*\*\* million and will come on-line in January 1988. The investment is exclusively for color picture tube panels and includes a new, large melting furnace, a larger glass delivery system, and larger handling and finishing equipment. The manufacturing system is designed to easily and efficiently produce products in the \* \* \* range; smaller \* \* \* tubes will also be able to be manufactured easily, as well as sizes up to \* \* \* inches. Corning also anticipates Phase II for additional funnel capacity and phase III for additional panel capacity. The total investment for Corning's large-size glass capacity during 1987-90 will be almost \$\*\*\*. Corning is related to Samsung Corning in Korea, and the Japanese glass producer Asahi is a licensee of Corning.

Television Digest With Consumer Electronics (Aug. 17, 1987), reported possible price increases for color picture tube glass, which would go into effect on Jan. 1, 1988, and stated that "If glass price increase goes through, it will result in rise in picture tube prices, and conditions in tube industry would seem favorable for such action."

2/ In an Aug. 27, 1987, meeting with a member of the Commission staff, \* \* \* of Owens-Illinois' Television Products Division, stated that there have \* \* \*.

Intracompany transfers are the major type of shipment, accounting for \*\*\* percent of the quantity of U.S. producers' aggregate shipments of color picture tubes in 1984, \*\*\* percent in 1985, \*\*\* percent in 1986, \*\*\* percent during January-June 1986, and \*\*\* percent in the corresponding period of 1987 (table 5). Intracompany transfers decreased in each period covered by the investigations; \* \* \* accounted for most of the declines. \* \* \* and \* \* \* were the largest sources of intracompany transfers of color picture tubes, accounting for \*\*\* percent and \*\*\* percent, respectively, of the quantity of such shipments in 1986.

U.S. producers' commercial shipments of color picture tubes decreased in quantity by 8.5 percent in 1985, increased by \*\*\* percent in 1986 to a level \*\*\* percent above the 1984 level, and increased by \*\*\* percent during January-June 1987. The trend was identical for the value of U.S. producers' commercial shipments. \* \* \* and \* \* \* are the largest sources of commercial shipments of color picture tubes, accounting for \*\*\* and \*\*\* percent, respectively, of the quantity of such shipments in 1986. The unit value of U.S. producers' commercial shipments of color picture tubes increased by 7.2 percent in 1985 and by \*\*\* percent in 1986, then decreased by \*\*\* percent during January-June 1987 compared with the unit value in the corresponding period of 1986. Unit values are influenced by shifts in the mix of screen sizes shipped.

U.S. producers' aggregate domestic shipments of color picture tubes (i.e., intracompany transfers plus commercial shipments) decreased in quantity by 12.0 percent in 1985, increased by 5.3 percent in 1986 to a level 7.4 percent below the 1984 level, and increased by 2.9 percent during January-June 1987 compared with the level in the corresponding period of 1986.

Respondents in these investigations claim that the beginning year (1984) for the data presented in this report was a peak year for the U.S. industry and therefore not an appropriate year to use as a benchmark for determining injury. The following tabulation presents data on 10 years of factory sales of initial equipment color picture tubes, excluding renewal tubes and tubes for export, as reported on page 90 of the Electronic Industries Association's 1987 Electronic Market Data Book (in thousands of units):

<u>Year</u>	<u>Color picture tubes</u>
1977.....	6,822
1978.....	8,181
1979.....	9,124
1980.....	10,623
1981.....	10,048
1982.....	9,275
1983.....	10,737
1984.....	11,975
1985.....	10,720
1986.....	10,810

Table 5  
Color picture tubes: U.S. producers' shipments, 1984-86, January-June 1986,  
and January-June 1987

Item	1984	1985	1986	January-June--				
				1986	1987			
Quantity (1,000 units)								
<b>Domestic shipments:</b>								
Intracompany transfers....	8,583	7,429	1/ ***	3,624	1/ ***			
Commercial shipments.....	3,403	3,113	2/ ***	1,812	2/ ***			
Subtotal.....	11,985	10,542	11,104	5,436	5,593			
Export shipments.....	***	***	***	***	***			
Total.....	***	***	***	***	***			
Value (1,000 dollars)								
<b>Domestic shipments:</b>								
Intracompany transfers....	716,080	645,729	***	317,571	***			
Commercial shipments.....	267,003	261,782	***	150,753	***			
Subtotal.....	983,083	907,511	970,233	468,324	490,671			
Export shipments.....	***	***	***	***	***			
Total.....	***	***	***	***	***			
Unit value								
<b>Domestic shipments:</b>								
Intracompany transfers....	\$83.43	\$86.92	\$***	\$87.63	\$***			
Commercial shipments.....	78.46	84.09	***	83.20	***			
Average.....	82.03	86.09	87.38	86.15	87.73			
Export shipments.....	***	***	***	***	***			
Average.....	***	***	***	***	***			

1/ Assumes that Toshiba-Westinghouse's shipments to Toshiba America, Inc., are commercial sales, as stated by Robert R. Kaemmerer, Director of Marketing, Toshiba-Westinghouse, at the public hearing in these investigations (transcript of the hearing, p. 203). If such shipments are considered to be intracompany, then total domestic intracompany shipments would amount to \* \* \*.

2/ If Toshiba-Westinghouse's shipments to Toshiba America, Inc., are considered to be intracompany, then total domestic commercial shipments would amount to \* \* \*.

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

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

U.S. producers' export shipments of color picture tubes increased in quantity by \*\*\* percent in 1985 and by \*\*\* percent in 1986, and decreased by \*\*\* percent during January-June 1987 compared with the level of export shipments in the corresponding period of 1986. \* \* \* was by far the largest exporter during the period covered by the investigations, accounting for \*\*\* percent of exports during 1984-86; \* \* \* exports were to \* \* \*. \* \* \*. \* \* \*.

U.S. producers' total shipments of color picture tubes (i.e., intracompany transfers plus commercial shipments plus export shipments) decreased in quantity by \*\*\* percent in 1985, increased by \*\*\* percent in 1986 to a level \*\*\* percent below the 1984 level, and increased by \*\*\* percent during January-June 1987 compared with the level in the corresponding period of 1986.

An examination of U.S. producers' domestic shipments of color picture tubes by screen size reveals the following salient information. Shipments of color picture tubes 20 inches and under experienced declines during the period covered by the investigations, and shipments of color picture tubes 25 inches and over increased (table 6). 1/ Industry sources expect the trend toward larger size tubes to continue. Shipments of color picture tubes 20 inches and under declined by \*\*\* percent in 1985 and by \*\*\* percent in 1986, and increased by \*\*\* percent during January-June 1987 compared with the level of shipments of such tubes in the corresponding period of 1986. Color picture tubes 20 inches and under accounted for \*\*\* percent of total U.S. producers' domestic shipments in 1984; this share decreased to \*\*\* percent by 1986 and was \*\*\* percent during January-June 1987. 2/ In contrast, the share of total domestic shipments accounted for by color picture tubes 25 inches and over tended to increase. Shipments of tubes 25 inches and over increased by \*\*\* percent between 1984 and 1986, but decreased slightly (by \*\*\* percent) during January-June 1987 compared with the level of domestic shipments of such tubes in the corresponding period of 1986. The 25-inch size, which is the major screen size produced within the 20-inch and over category, experienced declines in total domestic shipments in every period, but these declines were more than compensated for between 1984 and 1986 by increased shipments of 26- and 27-inch tubes. The three major overall screen sizes in 1984 (13-inch, 18- and 19-inch combined, and 25-inch sizes) all experienced declines in total domestic shipments in every period.

U.S. producers' domestic shipments of standard color picture tubes decreased in each period covered by the investigations, whereas shipments of full square tubes increased, as shown in the following tabulation (in thousands of units):

<u>Period</u>	<u>Standard tubes</u>	<u>Full-square tubes</u>	<u>1/</u>	<u>Total</u>
1984.....	***	***		11,985
1985.....	***	***		10,542
1986.....	8,577	2,527		11,104
January-June--				
1986.....	4,509	927		5,436
1987.....	3,890	1,703		5,593

1/ Includes so-called flat-square tubes.

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1/ There has been virtually no production of color picture tubes of 21 inches through 24 inches.

2/ In an Aug. 27, 1987, meeting with a member of the Commission staff, \* \* \* of Owens-Illinois' Television Products Division, stated that " \* \* \*. \* \* \*." Officials at Zenith made virtually the same remark.

Table 6

Color picture tubes: U.S. producers' domestic shipments by screen size,  
1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June--				
				1986	1987			
Quantity (1,000 units)								
<b>Intracompany shipments:</b>								
Screen size:								
12-inch and under.....	***	***	***	***	***			
13-inch.....	***	***	***	***	***			
14- and 15-inch.....	***	***	***	***	***			
16- and 17-inch.....	***	***	***	***	***			
18- and 19-inch.....	***	***	***	***	***			
20-inch.....	***	***	***	***	***			
21-, 22-, 23-, and 24-inch.....	***	***	***	***	***			
25-inch.....	***	***	***	***	***			
26-inch.....	***	***	***	***	***			
27-inch.....	***	***	***	***	***			
Total.....	8,583	7,429	***	3,624	***			
<b>Commercial shipments:</b>								
Screen size:								
12-inch and under.....	***	***	***	***	***			
13-inch.....	***	***	***	***	1/ ***			
14- and 15-inch.....	***	***	***	***	***			
16- and 17-inch.....	***	***	***	***	***			
18- and 19-inch.....	***	***	***	***	***			
20-inch.....	***	***	***	***	***			
21-, 22-, 23-, and 24-inch.....	***	***	***	***	***			
25-inch.....	***	***	***	***	***			
26-inch.....	***	***	***	***	***			
27-inch.....	***	***	***	***	***			
Total.....	3,403	3,113	***	1,812	***			
<b>Total domestic shipments:</b>								
Screen size:								
12-inch and under.....	***	***	***	***	***			
13-inch.....	***	***	***	***	***			
14- and 15-inch.....	***	***	***	***	***			
16- and 17-inch.....	***	***	***	***	***			
18- and 19-inch.....	6,254	5,574	4,713	2,527	2,361			
20-inch.....	***	***	***	***	***			
21-, 22-, 23-, and 24-inch.....	***	***	***	***	***			
25-inch.....	3,578	2,965	2,851	1,502	1,087			
26-inch.....	***	***	***	***	***			
27-inch.....	***	***	***	***	***			
Total.....	11,985	10,542	11,104	5,436	5,593			

See footnote at end of table.

Table 6--Continued

Color picture tubes: U.S. producers' domestic shipments by screen size,  
1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June--	
				1986	1987
Share of total (percent)					
<b>Screen size:</b>					
12-inch and under.....	***	***	***	***	***
13-inch.....	***	***	***	***	***
14- and 15-inch.....	***	***	***	***	***
16- and 17-inch.....	***	***	***	***	***
18- and 19-inch.....	52.2	52.9	42.4	46.5	42.2
20-inch.....	2/	***	***	***	***
21-, 22-, 23- and 24-inch.....	2/	***	***	***	***
25-inch.....	29.9	28.1	25.7	27.6	19.4
26-inch.....	***	***	***	***	***
27-inch.....	***	***	***	***	***
Total.....	100.0	100.0	100.0	100.0	100.0

1/ \* \* \*.

2/ \* \* \*.

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

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

#### U.S. producers' purchases of color picture tubes

All the U.S. producers of color picture tubes except for \* \* \* either imported tubes directly, purchased imported tubes from U.S. importers, or purchased tubes from another U.S. producer. U.S. producers' purchases of color picture tubes have not been substantial, amounting to a total of \*\*\* tubes, or \*\*\* percent of apparent U.S. consumption in 1986, the year of the largest purchases (table 7). 1/

The great bulk of the direct imports of color picture tubes has consisted of \* \* \*. \* \* \* the foreign-produced tubes purchased from U.S. importers consisted of tubes produced in \* \* \*.

#### U.S. producers' inventories

U.S. producers' inventories increased by 15.8 percent as of December 31, 1984, decreased by 22.0 percent as of December 31, 1985, increased by 17.2

1/ The term "U.S. producers" as referred to herein consists solely of establishments and divisions producing color picture tubes. It does not include related establishments or divisions producing color television receivers.

Table 7

Color picture tubes: U.S. producers' purchases, 1/ 1984-86; January-June 1986, and January-June 1987

(In thousands of units)

Item	1984	1985	1986	January-June--	
				1986	1987
<b>Imports:</b>					
From countries subject to the investigations.....	2/ ***	***	***	***	***
From all other countries.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
<b>Purchases (other than imports)</b>					
of tubes produced abroad:					
From countries subject to the investigations.....	***	***	***	***	***
From all other countries.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Purchases of domestically produced tubes.....	***	***	***	***	***
Total purchases.....	***	***	***	***	***

1/ Consists of purchases by the U.S. producers' establishments and divisions producing color picture tubes. Excluded are related establishments, e.g., North American Philips Consumer Electronics Corp., Knoxville, TN.

2/ These were imports by \* \* \* for which the purchase order date was in 1984; actual shipments appear to have occurred mainly in 1985.

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

percent as of December 31, 1986, and increased by 41.0 percent as of June 30, 1987, compared with the level of inventories on June 30 in the previous year (table 8). The increased inventories as of June 30, 1987, consisted mainly of increased inventories of \* \* \*. Inventories of color picture tubes as a share of U.S. producers' total shipments in the preceding period decreased by \*\*\* percentage points as of December 31, 1985, increased by \*\*\* percentage points as of December 31, 1986, and increased by \*\*\* percentage points as of June 30, 1987, compared with the share as of June 30, 1986.

#### Employment, wages, and productivity

The employment-related data obtained from the six U.S. producers of color picture tubes generally show decreasing trends throughout the period covered

**Table 8**  
**Color picture tubes: U.S. producers' end-of-period inventories as of**  
**Dec. 31 of 1983-86, June 30, 1986, and June 30, 1987**

<u>Item</u>	<u>Dec. 31--</u>				<u>June 30--</u>	
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1986</u>	<u>1987</u>
Inventories.....1,000 units..	717	830	647	758	1,010	1,424
Ratio of inventories to U.S.						
producers' total shipments						
in the preceding period						
percent..	-	***	***	***	<u>1/</u> ***	<u>1/</u> ***

1/ Based on annualized shipment data.

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

by these investigations (table 9). The number of production and related workers producing color picture tubes decreased by 10.4 percent in 1985, by 7.6 percent in 1986, and by 2.3 percent in January-June 1987 compared with the number of workers in the corresponding period of 1986. Hours worked by such workers decreased by 12.1 percent in 1985 and by 7.9 percent in 1986, but increased by 0.7 percent in January-June 1987 compared with the number of hours worked in the corresponding period of 1986. Total wages paid and total compensation paid to such workers decreased in every period except for a 2.1-percent increase in total compensation in 1986. The employment-related data for \* \* \* decreased in each year and period covered by the investigations, except for \* \* \*. Employment-related indicators for \* \* \*. No historical employment-related data exist for Toshiba-Westinghouse, since that firm did not produce color picture tubes until November 1986.

In response to a question in the Commission's questionnaire, four of the six U.S. producers reported that they reduced the number of production and related workers producing color picture tubes by at least 5 percent or 50 workers during the period covered by the investigations; \* \* \* and \* \* \* reported no reductions. \* \* \* reported the permanent reduction of \*\*\* workers in \* \* \* 1985 owing to \* \* \*, and the permanent reduction of \*\*\* workers in \* \* \* 1987 owing to \* \* \*. \* \* \* reported a permanent net decrease of \*\*\* workers in 1985 and \*\*\* workers in 1986 owing to \* \* \*. \* \* \* reported a net decrease of \*\*\* workers during the period covered by these investigations; \* \* \* associated the net decrease with " \* \* \*." \* \* \* reported a reduction in hourly staffing equivalent to \*\*\* workers in 1984, representing an increase equivalent to \*\*\* workers in 1985, and a decrease equivalent to \*\*\* workers in 1986 owing to " \* \* \*," but also reported an employment increase equivalent to \*\*\* workers in 1987 owing to " \* \* \*." \* \* \* obtained a wage concession, \* \* \*.

In early 1987, Zenith's production workers agreed to a 3-year wage freeze and a 40-percent wage reduction from bargained hourly wage rates for all new employees hired. In September 1987, Zenith announced a salaried employee reduction program in order to help return its consumer products business to profitability. Under the reduction program, \*\*\* salaried positions were identified for work force reduction, of which Zenith's color picture tube division accounted for \*\*\* percent. The total value of salary and related

Table 9

Color picture tubes: 1/ Average number of U.S. producers' total employees and production and related workers producing all products and those producing color picture tubes, and hours worked by, wages paid to, average hourly wages paid to, and total compensation paid to such workers, 1984-86, January-June 1986, and January-June 1987 2/3/

Item	1984	1985	1986	January-June--	
				1986	1987
Average number of employees....	15,930	14,175	12,661	13,066	12,021
Production and related workers producing:					
All products.....	12,184	10,685	9,656	10,001	9,213
Color picture tubes.....	9,795	8,773	8,104	8,354	8,163
Hours worked by production and related workers producing:					
All products....1,000 hours..	24,797	21,303	18,346	9,546	9,072
Color picture tubes....do....	19,752	17,370	15,995	8,143	8,204
Wages paid to production and related workers producing:					
All products..1,000 dollars..	228,502	203,671	191,653	99,492	88,731
Color picture tubes....do....	187,176	172,719	167,540	85,310	83,394
Average hourly wages paid to production and related workers producing:					
All products.....	\$9.21	\$9.56	\$10.45	\$10.42	\$9.78
Color picture tubes.....	\$9.48	\$9.94	\$10.47	\$10.48	\$10.17
Total compensation paid to production and related workers producing:					
All products..1,000 dollars..	303,536	273,909	275,271	143,774	129,151
Color picture tubes....do....	247,192	231,672	236,580	121,742	119,239

1/ Includes data for some employees and production workers at \*\*\* engaged in the production of color monitor tubes or of tube components.

2/ Toshiba-Westinghouse's \*\*\*.

3/ Includes wage and compensation data reported by \*\*\* that are believed to be understated.

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

fringe benefits of the \*\*\* salaried positions amounts to \*\*\*. Zenith also initiated a separate voluntary early retirement program for consumer products personnel under which an additional \*\*\* salaried employees have accepted early retirement; 14 percent of these employees were from Zenith's color picture tube division. The value of salaries and fringe benefits of the \*\*\* employees accepting the voluntary early retirement program amounts to \*\*\*.

All of the U.S. producers' production and related workers producing color picture tubes are unionized except for those at Sony. The unions cited by the producers consist of the four unions that are cocompetitioners in these investigations and of the Teamster's union, which represents some of RCA's production and related workers.

The U.S. industry's production of color picture tubes per 1,000 hours worked (labor productivity) amounted to 636 tubes in 1984, 626 tubes in 1985, 734 tubes in 1986, 747 tubes in January-June 1986, and 793 tubes in January-June 1987. This generally increasing trend in productivity occurred concurrent with a distinct shift in product mix toward large-size tubes in recent years.

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

Six U.S. producers of color picture tubes, accounting for all known U.S. production of such tubes, furnished usable income-and-loss data on their operations producing color picture tubes, and also on their overall establishment operations. One of the six producers, Toshiba-Westinghouse, began production in November 1986; 1/ \* \* \*. 2/

Color picture tubes.--Aggregate total net sales of color picture tubes declined by 5.1 percent from \$998.7 million in 1984 to \$947.3 million in 1985, and then rose by 6.5 percent to \$1.0 billion in 1986 (table 10). Total net sales increased by 3.9 percent from \$502.0 million in the interim period ended June 30, 1986, to \$521.8 million in the corresponding period of 1987. Most of the sales consisted of intracompany transfers of color picture tubes for captive use in television receiver operations.

Intracompany transfers declined by 8.2 percent from 1984 to 1986 and by 1.3 percent between the 1986 and 1987 interim periods. All responding firms except \* \* \* reported their intracompany transfers at market value. \* \* \*.

As a percentage of total net sales, aggregate trade sales increased in each period covered by the investigations, from 28.2 percent in 1984 to 37.5 percent in interim 1987. Trade sales rose by 24.6 percent from \$281.4 million in 1984 to \$350.6 million in 1986, and by 14.1 percent from \$171.6 million in interim 1986 to \$195.7 million in the corresponding period of 1987.

The color picture tube industry reported operating and net losses throughout the period covered by the investigations. Aggregate operating losses increased from \$34.9 million, or 3.5 percent of net sales, in 1984, to \$58.7 million, or 6.2 percent of net sales, in 1985, and then declined to \$47.6 million, or 4.7 percent of net sales, in 1986. Such losses fell from \$30.2 million, or 6.0 percent of net sales, in interim 1986 to \$28.6 million, or 5.5 percent of net sales, in interim 1987. \* \* \*. If \* \* \*'s data were excluded from the aggregate data, the operating loss margin would have been \*\*\* percent, a \* \* \* of \*\*\* percentage points from the aggregate data reported for interim 1987. The net loss margin followed the same trend as the operating loss margin. \* \* \*. Cash-flow was negative in all periods covered by the investigations.

The key financial data for each individual company are presented in table 11.

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1/ Toshiba-Westinghouse's first fiscal year ended on Mar. 31, 1987.

2/ Assumes that Toshiba-Westinghouse's shipments to Toshiba America, Inc., are commercial sales, as stated by Robert R. Kaemmerer, Director of Marketing, Toshiba-Westinghouse, at the public hearing in these investigations (transcript of the hearing, p. 203).

Table 10

Color picture tubes: Income-and-loss experience of U.S. producers on their operations producing color picture tubes, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986	Interim period ended June 30--	
				1986	1987
Value (1,000 dollars)					
Trade sales.....	281,448	289,774	350,579	171,594	***
Intracompany transfers...	717,223	657,527	658,248	330,444	***
Total net sales.....	998,671	947,301	1,008,827	502,038	521,766
Cost of goods sold.....	947,014	918,629	968,675	486,082	504,356
Gross profit.....	51,657	28,672	40,152	15,956	17,410
General, selling, and administrative expenses.....	86,575	87,338	87,749	46,167	45,975
Operating (loss).....	(34,918)	(58,666)	(47,597)	(30,211)	(28,565)
Interest expense.....	9,301	11,878	15,644	7,248	9,589
Other income or (expense).....	1,680	777	(838)	(324)	(124)
Net (loss) before income taxes.....	(42,539)	(69,767)	(64,079)	(37,783)	(38,278)
Depreciation or amortization included above..	27,915	33,293	38,690	21,655	26,073
Cash flow or (deficit) 1/.....	(14,624)	(36,474)	(25,389)	(16,128)	(12,205)
Share of net sales (percent)					
Cost of goods sold.....	94.8	97.0	96.0	96.8	96.7
Gross profit.....	5.2	3.0	4.0	3.2	3.3
General, selling, and administrative expenses.....	8.7	9.2	8.7	9.2	8.8
Operating (loss).....	(3.5)	(6.2)	(4.7)	(6.0)	(5.5)
Net (loss) before income taxes.....	(4.3)	(7.4)	(6.4)	(7.5)	(7.3)
Number of firms reporting					
Operating losses.....	5	5	4	5	***
Net losses.....	5	5	5	5	***
Data.....	5	5	5	5	6

1/ Cash flow or (deficit) is defined as net income or (loss) before income taxes plus depreciation and amortization.

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

Table 11

Color picture tubes: Selected income-and-loss data of U.S. producers on their operations producing color picture tubes, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987.

Item	1984	1985	1986	Interim period ended June 30--	
				1986	1987
Value (1,000 dollars)					
<u>Total net sales:</u>					
General Electric.....	***	***	***	***	***
Philips.....	***	***	***	***	***
RCA.....	***	***	***	***	***
Sony.....	***	***	***	***	***
Toshiba-Westinghouse....	***	***	***	***	***
Zenith 1/.....	***	***	***	***	***
Total.....	998,671	947,301	1,008,827	502,038	521,766
<u>Gross profit or (loss):</u>					
General Electric.....	***	***	***	***	***
Philips.....	***	***	***	***	***
RCA.....	***	***	***	***	***
Sony.....	***	***	***	***	***
Toshiba-Westinghouse....	***	***	***	***	***
Zenith 1/.....	***	***	***	***	***
Total.....	51,657	28,672	40,152	15,956	17,410
<u>Operating income or (loss):</u>					
General Electric.....	***	***	***	***	***
Philips.....	***	***	***	***	***
RCA.....	***	***	***	***	***
Sony.....	***	***	***	***	***
Toshiba-Westinghouse....	***	***	***	***	***
Zenith 1/.....	***	***	***	***	***
Total.....	(34,918)	(58,666)	(47,597)	(30,211)	(28,565)
Ratio to net sales (percent)					
<u>Gross profit or (loss):</u>					
General Electric.....	***	***	***	***	***
Philips.....	***	***	***	***	***
RCA.....	***	***	***	***	***
Sony.....	***	***	***	***	***
Toshiba-Westinghouse....	***	***	***	***	***
Zenith 1/.....	***	***	***	***	***
Average.....	5.2	3.0	4.0	3.2	3.3

Footnote appears at the end of the table.

Table 11--Continued

Color picture tubes: Selected income-and-loss data of U.S. producers on their operations producing color picture tubes, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986	Interim period ended June 30--	
				1986	1987
Ratio to net sales (percent)					
<u>Operating income or (loss):</u>					
General Electric.....	***	***	***	***	***
Philips.....	***	***	***	***	***
RCA.....	***	***	***	***	***
Sony.....	***	***	***	***	***
Toshiba-Westinghouse....	***	***	***	***	***
Zenith 1/.....	***	***	***	***	***
Average.....	(3.5)	(6.2)	(4.7)	(6.0)	(5.5)

1/ Income-and-loss data for Zenith include data for its tension mask tubes.

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

Because intracompany transfers accounted for between 62 and 72 percent of total net sales during the periods covered by the investigations, the Commission requested data on contribution margin and on operating income on U.S. producers' trade sales for color picture tubes. Five of the six U.S. producers, accounting for \*\*\* percent of total production of color picture tubes in 1986, provided such data. RCA did not furnish such data. These data are presented in table 12.

The contribution margin is the difference between sales value and all variable costs and expenses. Variable costs are costs that normally change in total in direct proportion to changes in volume. The term "contribution" is used because the amount remaining from a sales price after variable costs are covered contributes to covering other costs (mainly fixed costs) and producing profit.

It is likely that there are classification differences for particular costs or expenses among the reporting firms. Each firm treats a particular cost or expense either as variable or fixed on the basis of the behavior of that cost or expense in its production process. However, if each producer was consistent from year to year in its use of a classification base, the contribution margin data presented herein should reflect a reasonable trend.

Contribution margin as a share of net trade sales rose slightly from \*\*\* percent in 1984 to \*\*\* percent in 1985 and then declined to \*\*\* percent in 1986. During the interim periods ending June 30, the share fell slightly from \*\*\* percent in 1986 to \*\*\* percent in 1987. Operating loss as a share of net trade sales shows an increasing trend in each period, whereas operating loss as a share of total net sales (see table 10) indicates a different trend, rising from 1984 to 1985, and declining in 1986 and in interim 1987. \*\*\*.  
\*\*\*.

Table 12

Color picture tubes: Contribution margin and operating income of 5 U.S. producers on their trade sales, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986	Interim period ended June 30--	
				1986	1987
<b>Quantity of trade sales</b>					
1,000 units..	***	***	***	***	***
Net trade sales....1,000 dollars..	***	***	***	***	***
Variable costs/expenses.....do....	***	***	***	***	***
Contribution margin.....do....	***	***	***	***	***
Fixed costs/expenses.....do....	***	***	***	***	***
Operating income or (loss)..do....	(***)	(***)	(***)	(***)	(***)
<b>As a share of net sales:</b>					
<b>Variable costs/expenses</b>					
percent..	***	***	***	***	***
Contribution margin.....do....	***	***	***	***	***
Fixed costs/expenses.....do....	***	***	***	***	***
Operating (loss).....do....	(***)	(***)	(***)	(***)	(***)

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

Contribution margin data were also requested on selected color picture tube screen sizes. The same five firms provided such data, which are presented in table 13.

\* \* \*. \* \* \*.

With regard to 18- through 20-inch color picture tubes, the average contribution margin \* \* \*. \* \* \*.

\* \* \*. The average contribution margin on 21-inch and over color picture tubes dropped from \$\*\*\* per unit in 1984 to \$\*\*\* per unit in 1986, but rose to \$20.40 per unit in interim 1987, compared with \$\*\*\* per unit in interim 1986.

Overall establishment operations.--The income-and-loss data for U.S. producers' establishments within which color picture tubes are produced are shown in table 14. Color picture tube sales accounted for between \*\*\* and \*\*\* percent of establishment sales during the period covered by the investigations. The trends for overall establishment net sales, operating losses, and operating loss margins are similar to those for color picture tube operations during 1984 through June 30, 1987. However, operating loss margins on overall establishment operations were lower than those on color picture tube operations in all periods. Operating loss margins on overall establishment operations rose to \*\*\* percent in 1985 from \*\*\* percent in 1984, and then declined to \*\*\* percent in 1986. Such margins fell from \*\*\* percent in the interim period ended June 30, 1986, to \*\*\* percent in the corresponding period of 1987.

Table 13

Color picture tubes: Contribution margin on U.S. producers' trade sales of selected screen sizes, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986	Interim period ended June 30--	
				1986	1987
13 inch					
Number of firms reporting sales....	1	1	1	1	1
Quantity of trade sales					
.....1,000 units..	***	***	***	***	***
Net trade sales.....1,000 dollars..	***	***	***	***	***
Variable costs/expenses.....do....	***	***	***	***	***
Contribution margin.....do....	***	***	***	***	***
As a share of net sales:					
Variable costs/expenses..percent..	***	***	***	***	***
Contribution margin.....do....	***	***	***	***	***
Average sales value.....per unit..	\$***	\$***	\$***	\$***	\$***
Average variable costs.....do....	***	***	***	***	***
Average contribution margin...do....	***	***	***	***	***
18 inch through 20 inch					
Number of firms reporting sales....	3	4	4	4	4
Quantity of trade sales					
.....1,000 units..	***	646	***	***	1,087
Net trade sales.....1,000 dollars..	***	45,297	***	***	72,738
Variable costs/expenses.....do....	***	38,584	***	***	62,310
Contribution margin.....do....	***	6,713	***	***	10,428
As a share of net sales:					
Variable costs/expenses..percent..	***	85.2	***	***	85.7
Contribution margin.....do....	***	14.8	***	***	14.3
Average sales value.....per unit..	\$***	\$70.12	\$***	\$***	\$66.92
Average variable costs.....do....	***	59.73	***	***	57.32
Average contribution margin...do....	***	10.39	***	***	9.59
21 inch and over					
Number of firms reporting sales....	2	2	3	3	3
Quantity of trade sales					
.....1,000 units..	***	***	***	***	429
Net trade sales.....1,000 dollars..	***	***	***	***	44,192
Variable costs/expenses.....do....	***	***	***	***	35,438
Contribution margin.....do....	***	***	***	***	8,754
As a share of net sales:					
Variable costs/expenses..percent..	***	***	***	***	80.2
Contribution margin.....do....	***	***	***	***	19.8
Average sales value.....per unit..	\$***	\$***	\$***	\$***	\$103.01
Average variable costs.....do....	***	***	***	***	82.61
Average contribution margin...do....	***	***	***	***	20.40

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

Table 14

Color picture tubes: Income-and-loss experience of U.S. producers on the overall operations of their establishments within which color picture tubes are produced, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986	Interim period ended June 30--	
				1986	1987
Value (1,000 dollars)					
Net sales.....	***	***	***	***	***
Cost of goods sold...	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses.....	***	***	***	***	***
Operating (loss)....	(***)	(***)	(***)	(***)	(***)
Interest expense....	***	***	***	***	***
Other income or (expense).....	***	***	(***)	***	(***)
Net (loss) before income taxes.....	(***)	(***)	(***)	(***)	(***)
Depreciation or amor- tization included above.....	***	***	***	***	***
Cash-flow or (deficit) 1/.....	(***)	(***)	(***)	(***)	(***)
Share of net sales (percent)					
Cost of goods sold....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses.....	***	***	***	***	***
Operating (loss)....	(***)	(***)	(***)	(***)	(***)
Net (loss) before income taxes.....	(***)	(***)	(***)	(***)	(***)
Color picture tube sales.....	***	***	***	***	***
Number of firms reporting					
Operating losses.....	3	4	3	5	***
Net losses.....	3	4	4	5	***
Data.....	5	5	5	5	6

1/ Cash-flow or (deficit) is defined as net income or (loss) before income taxes plus depreciation and amortization.

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

Investment in productive facilities.--All six U.S. producers provided data concerning the valuation of property, plant, and equipment employed in the production of all products of their establishments, and also provided such data for their production of color picture tubes. These data are presented in table 15.

Table 15

Color picture tubes: Value of property, plant, and equipment of U.S. producers, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	(In thousands of dollars)				
	As of the end of accounting year--			As of June 30--	
	1984	1985	1986	1986	1987
<b>All products of establish- ments:</b>					
Original cost.....	508,329	586,365	616,003	601,274	***
Book value.....	205,438	219,197	237,792	225,522	***
<b>Color picture tubes:</b>					
Original cost.....	389,895	454,854	496,357	478,225	***
Book value.....	133,881	171,109	183,958	177,366	***

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

Aggregate investment in facilities used in the production of color picture tubes by the five established firms, valued at cost, increased by 27 percent from \$389.9 million in 1984 to \$496.4 million in 1986. Such investment rose by \*\*\* percent to \$\*\*\* as of June 30, 1987. In 1987, \* \* \*. The book value of such facilities followed the same trend as the original cost of investment.

Capital expenditures.--All six firms furnished data on their capital expenditures for land, buildings, and machinery and equipment used in the manufacture of all products of the reporting establishments and their capital expenditures related to the production of color picture tubes. These data are presented in table 16..

Total capital expenditures for color picture tube operations increased from \$\*\*\* in 1984 to \$\*\*\* in 1985 and \$\*\*\* in 1986. \* \* \*. During the interim period ended June 30, 1987, total capital expenditures declined to \$\*\*\*, compared with \$\*\*\* during the corresponding period of 1986. The majority of capital expenditures was for machinery, equipment, and fixtures.

Research and development expenses.--The six firms' research and development expenditures in connection with all products produced in their establishments as well as for color picture tubes were compiled from

Table 16  
Color picture tubes: Capital expenditures by U.S. producers, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	(In thousands of dollars)			Interim period ended June 30--	
	1984	1985	1986	1986	1987
<b>All products of establishments:</b>					
Land and land improvements.....	***	***	***	***	***
Building and leasehold improvements.....	***	***	***	***	***
Machinery, equipment, and fixtures.....	<u>60,774</u>	***	***	50,168	31,013
Total.....	***	***	***	***	***
<b>Color picture tubes:</b>					
Land and land improvements.....	***	0	***	0	***
Building and leasehold improvements.....	***	5,104	***	***	0
Machinery, equipment, and fixtures.....	<u>40,455</u>	***	***	45,463	26,245
Total.....	***	***	***	***	***

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

questionnaire data and are presented in the following tabulation (in thousands of dollars):

<u>Period</u>	<u>Color picture tubes</u>	<u>All products of establishments</u>
1984.....	***	***
1985.....	***	***
1986.....	***	***
January-June--		
1986.....	***	***
1987.....	***	***

Total research and development expenses related to color picture tubes increased from \$\*\*\* in 1984 to \$\*\*\* in 1986, but declined to \$\*\*\* during January-June 1987 compared with \$\*\*\* in the corresponding period of 1986.  
\* \* \*. \* \* \*. \* \* \*.

Impact of imports on U.S. producers' growth, investment, and ability to raise capital.--The U.S. producers of color picture tubes were asked to describe any actual or potential negative effects of imports of color picture tubes from Canada, Japan, Korea, and Singapore on their firm's growth,

investment, and ability to raise capital. Five producers' comments are quoted below:

\* \* \* \* \*

Consideration of the Question of  
Threat of Material Injury

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors 1/--

- (I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),
- (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
- (III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,
- (IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,
- (V) any substantial increase in inventories of the merchandise in the United States,

---

1/ Section 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, and

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation.

With regard to item (I) above, no subsidies are involved in these investigations. The available data on foreign producers' operations (items (II) and (VI) above) and on the potential for "product-shifting" (item (VIII)) are presented in the section of this report entitled "Ability of foreign producers to generate exports." Information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the causal relationship between the LTFV imports and the alleged material injury." Available information on U.S. inventories of the subject products (item (V)) is presented below.

#### U.S. importers' inventories

The eight importers that reported inventories of imported color picture tubes were all firms that use the imported tubes in their own color television receiver manufacturing facilities in the United States; none of the inventoried tubes were for resale in the commercial market. Several other such firms reported no inventories, considering any color picture tubes on hand as "work in progress."

U.S. importers' yearend inventories of color picture tubes increased by 85.8 percent in 1985 and decreased by 47.8 percent in 1986 (table 17). Inventories as of June 30, 1987, were 51.9 percent lower than they were as of June 30, 1986. As a share of imports from the countries subject to investigation, reported inventories decreased from \*\*\* percent in 1984 to \*\*\* percent in 1985 and \*\*\* percent in 1986.

#### U.S. importers' current orders of color picture tubes

The Commission's questionnaire requested importers to specify whether they imported, or intended to import, color picture tubes from Canada, Japan, Korea, or Singapore, for delivery after June 30, 1987. Eleven of the 18 importers answered in the negative and 7 answered in the affirmative; consolidated data reported by the 7 importers for their imports, or orders of

Table 17

Color picture tubes: U.S. importers' inventories as of Dec. 31 of 1984-86, June 30, 1986, and June 30, 1987

Item	Dec. 31--			June 30--	
	1984	1985	1986	1986	1987
<b>Canada:</b>					
Quantity.....1,000 units..	***	***	***	***	***
Percentage change.....	-	***	***	-	***
As a share of imports from Canada in the preceding period.....percent..	***	***	***	<u>1/</u> ***	<u>1/</u> ***
<b>Japan: 2/</b>					
Quantity.....1,000 units..	***	***	***	***	***
Percentage change.....	-	***	***	-	***
As a share of imports from Japan 3/ in the preceding period.....percent..	***	***	***	<u>1/</u> ***	<u>1/</u> ***
<b>Korea: 4/</b>					
Quantity.....1,000 units..	***	***	***	***	***
Percentage change.....	-	***	***	-	***
As a share of imports from Korea in the preceding period.....percent..	***	***	***	<u>1/</u> ***	<u>1/</u> ***
<b>Singapore:</b>					
Quantity.....1,000 units..	***	***	***	***	***
Percentage change.....	-	***	***	-	***
As a share of imports from Singapore in the preceding period.....percent..	***	***	***	***	***
<b>Total:</b>					
Quantity.....1,000 units..	134	249	130	181	87
Percentage change.....	-	85.8	-47.8	-	-51.9
As a share of total imports from the subject countries 3/ in the preceding period.....percent..	***	***	***	<u>1/</u> ***	<u>1/</u> ***

1/ Based on annualized import data.

2/ Includes inventories of color picture tubes produced in Japan and imported into the United States through Mexico as parts of color television receiver kits or as parts of incomplete color television receivers.

3/ Including imports of color picture tubes that were transshipped through Mexico \* \* \*.

4/ \* \* \* the inventories of Korean color picture tubes consisted of tubes that are excluded from the scope of the subject investigation.

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

imports, during July-December 1987 are presented in the following tabulation (in thousands of units):

<u>Source</u>	<u>Reported imports</u>
Canada.....	***
Japan.....	***
Korea.....	***
Singapore.....	***
Total.....	***

\* \* \* \* \*

#### Ability of foreign producers to generate exports

The Commission requested counsel for the respondents in these investigations to provide information on their firms' color picture tube production operations abroad. The information requested consisted of the number and names of producing firms; production, capacity, capacity utilization, home-market shipments, exports to the United States, exports to other major markets, and total exports, for each of the periods covered by the investigations; projected changes in production, capacity, or capacity utilization in 1987; and intentions or projections as to the quantity of exports of color picture tubes to the United States and to other major markets in 1988. Similar data were requested by the Commission from the U.S. embassies in each of the countries covered by the investigations. Information received on the industries producing color picture tubes in Canada, Japan, Korea, and Singapore is presented below.

Canada.--The only Canadian producer of color picture tubes is Mitsubishi Electronic Industries Canada (MEICA), Midland, Ontario. Data provided on MEICA's color picture tube operations are presented in table 18. MEICA's \* \* \*. \* \* \*.

Japan.--Five companies produce color picture tubes in Japan: Hitachi, Ltd.; Matsushita Electronic Corp.; Mitsubishi Electric Corp.; Sony Corp.; and Toshiba Corp. Aggregate data on the industry in Japan producing color picture tubes are presented in table 19.

Production, capacity, and home-market shipments increased in 1985, decreased in 1986, and are projected to decrease slightly in 1987 and increase slightly in 1988. Capacity utilization declined in both 1985 and 1986, and is projected to increase slightly in 1987 and decrease slightly in 1988. As a ratio to total shipments, Japan's exports to the United States (excluding exports to Mexico that may subsequently have been routed to the United States) were 1.5 percent in 1984, 1.9 percent in 1985, and 2.8 percent in 1986, and are projected to decrease to 0.6 percent in 1987 and 0.4 percent in 1988.

Table 18

Color picture tubes: Salient data on Canada's color picture tube industry, 1984-86, and projections for 1987 and 1988

Item	1984 1/	1985	1986	1987	1988
Production.....1,000 units..	***	***	***	***	***
Capacity.....do.... <u>2/</u>	***	***	***	***	***
Capacity utilization....percent..	***	***	***	***	***
End-of-period inventories 1,000 units..	***	***	***	<u>3/</u>	<u>4/</u>
Shipments:					
Home market.....do....	***	***	***	***	***
Exports--					
To the United States....do....	***	***	***	***	***
To all other countries <u>5/</u> 1,000 units..	***	***	***	***	***
Total.....do....	***	***	***	***	***

1/ Production commenced in March 1984.

2/ Capacity data are based on 3 shifts per day, 5 days per week, 50 weeks per year.

3/ Not provided. Inventories as of June 30, 1987, amounted to \* \* \*.

4/ Not provided.

5/ Principal destinations are \* \* \*.

Source: Baker & McKenzie, confidential submission of Oct. 14, 1987.

Table 19

Color picture tubes: Salient data on Japan's color picture tube industry, 1984-86, and projections for 1987 and 1988

Item	1984	1985	1986	1987	1988
Production.....1,000 units..	26,868	30,836	25,287	25,205	25,401
Capacity.....do....	25,828	31,085	28,633	28,164	28,520
Capacity utilization.....percent..	104.0	99.2	88.3	89.5	89.1
End-of-period inventories					
1,000 units..	1,357	1,913	2,091	1/	2/
Shipments:					
Home market.....do....	17,183	19,720	13,859	13,841	13,891
Exports--					
To the United States 3/					
1,000 units..	393	560	674	159	98
To all other countries 4/					
1,000 units..	8,434	9,120	9,655	10,933	10,881
Total.....do....	26,010	29,400	24,188	24,933	24,870

1/ Not provided. Inventories as of June 30, 1987, amounted to 1.7 million units, representing a decrease of 37.4 percent from the 2.7 million units in inventory on June 30, 1986.

2/ Not provided.

3/ Does not include exports to Mexico that may subsequently have been routed to the United States.

4/ Principal destinations include \* \* \*.

Source: Baker & McKenzie, confidential submission of Oct. 14, 1987; McDermott, Will & Emery, confidential submission of Oct. 15, 1987; Miller & Chevalier, confidential submission of Oct. 19, 1987; Mudge Rose Guthrie Alexander & Ferdon, confidential submission of Oct. 6, 1987; and Weil, Gotshal & Manges, confidential submission of Oct. 14, 1987.

Korea.--Three companies produce color picture tubes in Korea: Gold Star Co., Ltd.; Orion Electronic Co., Ltd. (an affiliate of Daewoo Corp.); and Samsung Electron Devices, Ltd.. Data on the industry in Korea producing color picture tubes are presented in table 20.

Production, capacity, \* \* \* increased in each year during 1984-86 and are projected to do the same in 1987 and 1988. Capacity utilization declined from 1984 to 1985, increased slightly in 1986, and is projected to increase further in 1987 and 1988. Home-market shipments \* \* \*. As a ratio to total shipments, Korea's reported exports to the United States were \*\*\* percent in 1984, \*\*\* percent in 1985, and \*\*\* percent in 1986; and are projected to be \*\*\* percent in 1987 and \*\*\* percent in 1988.

Table 20

Color picture tubes: Salient data on Korea's color picture tube industry, 1984-86, and projections for 1987 and 1988

Item	1984	1985	1986	1987	1988
Production 1/.....1,000 units..	5,021	6,236	9,614	12,366	15,100
Capacity 2/.....do....	5,270	6,990	10,624	13,280	16,000
Capacity utilization.....percent..	95.3	89.2	90.5	93.1	94.4
End-of-period inventories 1,000 units..	***	***	***	3/	4/
Shipments:					
Home market 5/6/.....do....	***	***	***	***	***
Exports--					
To the United States 7/ 1,000 units..	***	***	***	***	***
To all other countries 8/9/ 1,000 units..	***	***	***	***	***
Total.....do....	***	***	***	***	***

1/ Includes \* \* \*'s production of data display tubes.

2/ Includes \* \* \*'s capacity for data display tubes.

3/ Not provided. Inventories as of June 30, 1987, amounted to \* \* \*.

4/ Not provided.

5/ Includes \* \* \*'s home-market shipments to \* \* \* which are subsequently exported as color picture tubes or as parts of finished products.

6/ Includes \* \* \*'s home-market shipments of data display tubes.

7/ Excludes exports of color picture tubes that were reported by \* \* \* as home-market shipments for subsequent export.

8/ Includes exports of data display tubes by \* \* \*.

9/ Principal destinations include \* \* \*.

Source: Oppenheimer Wolff & Donnelly, confidential submission of Oct. 15, 1987; Arnold & Porter, confidential submission of Oct. 16, 1987; and Dow, Lohnes & Albertson, confidential submission of Oct. 16, 1987.

On April 17, 1987, Korea announced that it intends to freeze its overall trade surplus with the United States (the surplus was \$7.3 billion in 1986) by encouraging imports from the United States and discouraging exports to the United States. Exports to the United States would be discouraged by reducing officially supported export financing and by encouraging exporters to seek markets elsewhere. 1/

Singapore--The only producer of color picture tubes in Singapore is Hitachi Electronic Devices (Singapore) Pte., Ltd. Data provided on Hitachi's color picture tube operations are presented in table 21. \* \* \*. As a ratio to total shipments, Singapore's reported exports to the United States were \*\*\* percent in 1984, \*\*\* percent in 1985, and \*\*\* percent in 1986, but are projected by Hitachi to be \* \* \* in 1987 and 1988.

1/ U.S. International Trade Commission, "South Korea's New Trade Measures," International Economic Review, May 1987, p. 4.

Table 21

Color picture tubes: Salient data on Singapore's color picture tube industry, 1984-86, and projections for 1987 and 1988

Item	1984	1985	1986	1987	1988
Production.....1,000 units..	***	***	***	***	***
Capacity 1/.....do....	***	***	***	***	***
Capacity utilization....percent..	***	***	***	***	***
End-of-period inventories 1,000 units..	***	***	***	2/ ***	***
Shipments:					
Home market.....do....	***	***	***	***	***
Exports--					
To the United States....do....	***	***	***	***	***
To all other countries 3/ 1,000 units..	***	***	***	***	***
Total.....do....	***	***	***	***	***

1/ Capacity data prior to September 1986 were based on \* \* \*; beginning in October 1986, the data are based on \* \* \*.

2/ Inventories as of June 30, 1987, amounted to \*\*\* units, \* \* \* of \*\*\* percent from the \*\*\* units in inventory on June 30, 1986.

3/ Principal destinations are \* \* \*.

Source: Baker & McKenzie, confidential submission of Oct. 14, 1987.

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

##### U.S. imports

The quantity of total U.S. imports of color picture tubes increased by 93.1 percent in 1985 and 27.3 percent in 1986, and then decreased by 43.5 percent in January-June 1987 compared with the level of imports in the corresponding period of 1986 (table 22). The four countries subject to the color picture tube investigations accounted for well over 90 percent of all imports of color picture tubes in 1986. 1/

The c.i.f., duty-paid value of total U.S. imports of color picture tubes increased by 68.0 percent in 1985 and 30.4 percent in 1986, and then decreased by 19.9 percent in January-June 1987 compared with the value of imports in the corresponding period of 1986 (table 23).

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1/ Including color picture tubes produced in Japan that are shipped to Mexico and imported into the United States from Mexico as parts of color television receiver kits or as parts of incomplete color television receivers.

Table 22

Color picture tubes: U.S. imports, by quantity, 1984-86, January-June 1986, and January-June 1987 1/

(In thousands of units)

Item	1984	1985	1986	January-June--	
				1986	1987
<b>Color picture tubes:</b>					
Canada.....	106.2	229.4	328.4	122.4	169.4
Japan.....	350.5	500.6	310.9	155.7	94.9
Korea:					
For related parties 2/...	***	***	***	***	***
For unrelated parties 3/.....	***	***	***	***	***
Subtotal.....	151.3	776.3	1,494.3	768.7	257.3
Singapore.....	83.0	152.6	182.6	141.9	43.1
All other countries 4/....	101.8	42.1	5.5	4.1	18.4
Total.....	792.7	1,701.0	2,321.6	1,192.9	583.1
Kits: 5/					
Canada.....	0	1.2	0	0	0
Japan.....	3.0	6/	12.1	6/	5.9
Korea.....	6/	6/	0	0	0
Mexico:					
By Matsushita 7/.....	8/ ***	***	***	***	***
By * * *.....	***	***	***	***	***
By all others 9/.....	***	***	***	***	***
Subtotal.....	8/ 502.3	643.1	512.6	284.4	18.9
Singapore.....	0	0	20.0	0	0
All other countries.....	6/	17.2	20.0	6/	7.6
Total.....	505.3	661.5	564.7	284.5	32.4
Incomplete receivers:					
Canada.....	6/	6/	0	0	1.7
Japan.....	46.1	172.0	378.8	108.8	108.8
Korea.....	1.4	14.6	1.4	0.9	93.7
Mexico:					
By Matsushita 7/.....	0	***	***	0	***
By all others.....	0	***	***	0	***
Subtotal.....	0	5.2	1.3	0	87.3
Singapore.....	10/	10/	10/	10/	10/
All other countries.....	1.9	47.6	43.3	23.7	2.6
Total.....	49.4	239.4	424.9	133.4	294.1
Total, by country:					
Canada.....	106.2	230.6	328.4	122.4	171.1
Japan.....	399.6	672.6	701.8	264.5	209.6
Korea.....	152.7	790.9	1,495.7	769.6	351.0
Mexico.....	503.5	648.9	514.3	284.8	112.2
Singapore.....	83.0	152.6	202.6	141.9	43.1
All other countries.....	102.5	106.2	68.4	27.4	22.7
Grand total.....	1,347.4	2,601.9	3,311.2	1,610.7	909.7

1/ Because of a lag in reporting, official import statistics include some "carry-over" data for merchandise imported, but not reported, in prior periods (usually the previous month). Beginning in 1987, Commerce extended its monthly data compilation cutoff date by about 2 weeks in order to significantly reduce

Footnotes for table 22--Continued

the amount of carry-over. Therefore, official statistics for January 1987 include data that would previously have been carried over to February 1987. However, in order to avoid an apparent overstatement of the January 1987 data, the carry-over data from 1986 that would have been included in January 1987 official statistics as of the previous cutoff date have been excluded. Commerce isolated these 1986 carry-over data and has not included them in official statistics for 1986 or January 1987, since their inclusion in either period would result in an apparent overstatement. With respect to total imports of color picture tubes (including tubes imported in kits and in incomplete receivers) from Canada, Japan, Korea, Mexico, and Singapore, this carry-over amounted to 62,270 units.

2/ Consists of imports by related parties for use in their own U.S. production of television receivers. The data consist of \* \* \*.

3/ Consists of imports sold to unrelated parties in the United States. Virtually all such imports are by \* \* \*.

4/ Includes Mexico.

5/ Color picture tubes imported as parts of kits are excluded by Commerce from the scope of these investigations except for such tubes transshipped from Japan as parts of kits through Mexico.

6/ Less than 50 units.

7/ Commerce included such imports in its LTFV calculations and has included such imports in the scope of the investigations because it considers them to be transshipments from Japan through Mexico.

8/ Official statistics of the U.S. Department of Commerce show imports of 502,300 tubes; however, \* \* \* tubes.

9/ This is the residual obtained from subtracting Matsushita's and \* \* \*'s reported imports from official statistics.

10/ Official statistics of the U.S. Department of Commerce show significant and increasing imports of incomplete receivers from Singapore. However, it has been determined that imports of incomplete receivers from Singapore reported in official statistics are double counted (they already appear as imports of incomplete receivers from Japan). The reason for the double counting is that \* \* \*. \* \* \*, but the total quantity of incomplete receivers is reported under both Japan and Singapore.

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

Source: Compiled from official statistics of the U.S. Department of Commerce and from responses to questionnaires of the U.S. International Trade Commission.

Table 23  
Color picture tubes: U.S. imports, by value, 1984-86, January-June 1986, and January-June 1987 1/

Item	(In thousands of dollars)				
	1984	1985	1986	January-June--	
			1986	1987	
<b>Color picture tubes:</b>					
Canada.....	8,751	17,862	25,172	8,840	13,913
Japan.....	27,744	33,697	25,826	12,310	14,540
Korea:					
For related parties 2/..	***	***	***	***	***
For unrelated parties 3/.....	***	***	***	***	***
Subtotal.....	8,626	35,862	65,060	31,690	12,072
Singapore.....	5,201	8,686	9,705	7,304	2,154
All other countries 4/....	5,967	2,842	433	304	1,125
Total.....	56,289	98,949	126,196	60,448	43,806
Kits: 5/6/					
Canada.....	-	92	-	-	-
Japan.....	235	1	1,002	1	903
Korea.....	2	2	-	-	-
Mexico:					
By Matsushita 7/.....	***	***	***	***	***
By * * *.....	***	***	***	***	***
By all others 8/.....	***	***	***	***	***
Subtotal.....	30,599	***	***	16,458	***
Singapore.....	-	-	1,063	-	-
All other countries.....	9/	1,164	1,325	1	484
Total.....	30,836	***	***	16,460	***
Incomplete receivers: 6/					
Canada.....	9/	9/	-	-	142
Japan 10/.....	2,731	14,038	33,797	9,660	14,431
Korea.....	79	408	59	36	4,397
Mexico:					
By Matsushita.....	-	***	***	-	***
By all others.....	-	***	***	-	***
Subtotal.....	-	***	***	-	***
Singapore.....	11/	11/	11/	11/	11/
All other countries.....	111	1,288	3,557	1,822	164
Total.....	2,921	***	***	11,518	***
Total, by country:					
Canada.....	8,751	17,954	25,172	8,840	14,055
Japan.....	30,710	47,736	60,625	21,971	29,874
Korea.....	8,707	36,272	65,119	31,726	16,469
Mexico.....	30,667	35,349	30,201	16,477	6,784
Singapore.....	5,201	8,686	10,768	7,304	2,154
All other countries.....	6,010	5,252	5,296	2,108	1,448
Grand total.....	90,046	151,249	197,181	88,426	70,786

1/ Because of a lag in reporting, official import statistics include some "carry-over" data for merchandise imported, but not reported, in prior periods (usually the previous month). Beginning in 1987, Commerce extended its monthly data compilation cutoff date by about 2 weeks in order to significantly reduce

Footnotes for table 23--Continued

the amount of carry-over. Therefore, official statistics for January 1987 include data that would previously have been carried over to February 1987. However, in order to avoid an apparent overstatement of the January 1987 data, the carry-over data from 1986 that would have been included in January 1987 official statistics as of the previous cutoff date have been excluded. Commerce isolated these 1986 carry-over data and has not included them in official statistics for 1986 or January 1987, since their inclusion in either period would result in an apparent overstatement. With respect to total imports of color picture tubes (including tubes imported in kits and in incomplete receivers) from Canada, Japan, Korea, Mexico, and Singapore, this carry-over amounted to \$4.1 million.

2/ Consists of imports by related parties for use in their own U.S. production of television receivers. The data consist of \* \* \*. The values reported herein consist of official statistics of the U.S. Department of Commerce \* \* \*, and of the residual value obtained after subtracting the value of Korean imports for unrelated parties (obtained from questionnaire responses) from official statistics \* \* \*.

3/ Consists of imports sold to unrelated parties in the United States. Virtually all such imports are by \* \* \*. The values reported herein are obtained from responses to the Commission's questionnaire.

4/ Includes Mexico.

5/ Color picture tubes imported as parts of kits are excluded by Commerce from the scope of these investigations except for such tubes transshipped from Japan as parts of kits through Mexico.

6/ Official statistics of the U.S. Department of Commerce on kits and on incomplete receivers include the value of television components other than picture tubes; in order to eliminate the value of other components and to arrive at an estimated value of color picture tubes, the data (unless otherwise specified) have been adjusted by using the unit values of color picture tubes imported separately for each country and applying these unit values to the quantities of reported imports of color picture tubes from such countries as parts of kits or incomplete receivers. Where the resulting estimated values exceed the values as reported in official statistics, the values as reported in official statistics have been used for the data herein.

7/ Commerce included such imports in its LTFV calculations and has included such imports in the scope of the investigations because it considers them to be transshipments from Japan through Mexico. The values reported herein consist of the actual import values as reported by Matsushita in its questionnaire response, except for 1984 where the value had to be adjusted \* \* \* (see footnote 8 in table 22).

8/ The values reported herein were obtained by subtracting (1) Matsushita's and \* \* \*'s reported quantity of imports from the quantity of official statistics and (2) multiplying this residual by the unit value of \* \* \*'s color picture tubes imported as parts of kits from Mexico (\* \* \*).

Footnotes are continued on the following page.

Footnotes for Table 23--Continued

9/ Less than \$500.

10/ The value data for U.S. imports of incomplete receivers from Japan are representative of the value of the color picture tube portion of such incomplete receivers.

11/ Official statistics of the U.S. Department of Commerce show significant and increasing imports of incomplete receivers from Singapore. However, the quantities of imports of incomplete receivers from Singapore reported in official statistics are double-counted (they already appear as imports of incomplete receivers from Japan). The reported values of imports of incomplete receivers from Singapore consist of \* \* \*.

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

Source: Compiled from official statistics of the U.S. Department of Commerce and from responses to questionnaires of the U.S. International Trade Commission.

Unit values of total U.S. imports of color picture tubes are shown in table 24. The average unit value of total U.S. imports of color picture tubes decreased by 13.0 percent in 1985, increased by 2.4 percent in 1986, and increased by 41.7 percent in January-June 1987 compared with the average unit value in the corresponding period of 1986. 1/ Unit values of color picture tubes directly from each of the countries, except Singapore, subject to the investigations increased markedly in January-June 1987. The unit values are influenced by shifts in the mix of screen sizes imported.

Korea.--Total U.S. imports of color picture tubes from Korea increased by 417.9 percent in 1985 and 89.1 percent in 1986, and then decreased by 54.4 percent in January-June 1987 compared with the level of imports in the corresponding period of 1986. However, in its final LTFV determination regarding imports from Korea, Commerce excluded from the scope of the investigation imports of color picture tubes "subsequently combined into televisions by a related party" because such tubes were already covered by the April 30, 1984, antidumping duty order on complete and incomplete television receivers from Korea. Thus, table 22 presents separate data for imports from Korea that were sold to related parties and those that were sold to unrelated parties. Imports of color picture tubes from Korea that were sold to unrelated parties totaled \*\*\* units in 1986, compared with \* \* \*. Such imports \* \* \*.

Until January 9, 1986, color picture tubes imported from Korea that were subsequently combined with circuit boards imported separately to produce color television receivers in the United States were not considered to be subject to

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1/ There is no current explanation for the large increase in the unit value of color picture tubes from Japan in January-June 1987. At the public hearing in these investigations it was suggested (p. 177 of the transcript) that the increase may be a result of a change in product mix and/or of the appreciation of the yen.

Table 24

Color picture tubes: 1/ Unit values 2/ of U.S. imports, 1984-86, January-June 1986, and January-June 1987

Item	(Per unit, based on duty-paid, c.i.f. value)			January-June--	
	1984	1985	1986	1986	1987
Canada.....	\$82.40	\$77.86	\$76.66	\$72.22	\$82.14
Japan.....	76.85	70.97	86.39	83.07	142.53
Korea.....	57.02	45.86	43.54	41.22	46.92
Mexico.....	60.91	54.48	58.72	57.85	60.46
Singapore.....	62.66	56.93	53.15	51.47	49.98
All other countries.....	58.63	49.45	77.43	76.93	63.79
Average.....	66.83	58.13	59.55	54.90	77.81

1/ Includes color picture tubes imported separately or as parts of color television receiver kits or incomplete color television receivers.

2/ The unit values shown are based on tubes imported separately and on the color picture tube portion of imports of kits and incomplete receivers.

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

the antidumping duty order on complete and incomplete color television receivers from Korea. On January 9, 1986, Commerce suspended liquidation, but did not require the collection of cash deposits, on color picture tubes and printed circuit boards or assemblies containing certain electronic components, pending the agency's clarification of the scope of the antidumping duty order on complete and incomplete television receivers from Korea. Commerce subsequently issued its clarification, and effective October 31, 1986, ordered that cash deposits be collected on the articles covered in the January 6, 1986, suspension of liquidation. 1/ Commerce also provided the specific rates of duty for such imports from Korean producers.

Canada--U.S. imports of color picture tubes from Canada increased by 117.1 percent in 1985, by 42.4 percent in 1986, and by 39.8 percent in January-June 1987 compared with the level of imports in the corresponding period of 1986. All U.S. imports from Canada are included in the scope of the investigation on Canada. The principal tube size imported from Canada was in the \* \* \*.

Japan--U.S. imports of color picture tubes directly from Japan increased by 68.3 percent in 1985 and by 4.3 percent in 1986, and then decreased by 20.8 percent in January-June 1987 compared with the level of imports in the corresponding period of 1986. However, when Japanese-produced color picture tubes entering the United States as parts of kits or incomplete receivers from Mexico are added to direct imports from Japan, then U.S. imports from Japan

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1/ Commerce's clarification is currently the subject of litigation at the Court of International Trade.

increased by \*\*\* percent in 1985, decreased by \*\*\* percent in 1986, and decreased by \*\*\* percent in January-June 1987 compared with the level of imports in the corresponding period of 1986.

Singapore.--U.S. imports from Singapore increased by 83.9 percent in 1985 and by 32.8 percent in 1986, and then decreased by 69.6 percent in January-June 1987 compared with the level of imports in the corresponding period of 1986. \* \* \*.

Official statistics of the U.S. Department of Commerce show significant and increasing imports of incomplete receivers from Singapore, but such imports are in effect double counted with imports from Japan. The reason for the double counting is that \* \* \*. \* \* \*, but the total quantity of incomplete receivers is reported under both Japan and Singapore.

U.S. imports of color picture tubes by screen size are presented in table 25. The principal tube sizes imported into the United States have been 13-inch tubes, 18- and 19-inch tubes, and tubes of 20 inches and over. Imports of 13-inch tubes accounted for the largest share of total tube imports in each year and period except for 1984. Such tubes also experienced the largest rate of increase (345.0 percent) between 1984 and 1986, but decreased by 46.4 percent in January-June 1987 compared with the level of imports in the corresponding period of 1986. The share of imports accounted for by color picture tubes of 20 inches and over increased from 18.9 percent in January-June 1986 to 35.5 percent in January-June 1987.

U.S. imports of full-square color picture tubes amounted to 158,000 units in 1984; 388,000 units in 1985; 776,000 units in 1986; 280,000 units in January-June 1986; and 311,000 units in January-June 1987. Imports of full-square color picture tubes accounted for approximately 23 percent of total imports in 1986 and approximately 34 percent of total imports in January-June 1987.

U.S. imports of color picture tubes of 30 inches and over were \* \* \*. Imports of color picture tubes of 30 inches and over accounted for less than \*\*\* percent of total imports in 1986 and less than \*\*\* percent of total imports in January-June 1987. Five firms (\* \* \*) have imported color picture tubes of 30 inches and over during the period covered by these investigations.

Table 25

Color picture tubes: U.S. imports 1/ by screen size, 1984-86, January-June 1986, and January-June 1987

Screen size	1984	1985	1986	January-June--	
				1986	1987
Quantity (1,000 units)					
12-inch and under.....	***	***	***	***	***
13-inch.....	***	***	***	***	***
14- and 15-inch.....	***	***	***	***	***
16- and 17-inch.....	***	***	***	***	***
18- and 19-inch.....	502	687	860	443	134
20-inch and over.....	***	***	***	***	***
Total.....	1,347	2,602	3,311	1,611	910
Share of total (percent)					
12-inch and under.....	***	***	***	***	***
13-inch.....	***	***	***	***	***
14- and 15-inch.....	***	***	***	***	***
16- and 17-inch.....	***	***	***	***	***
18- and 19-inch.....	37.3	26.4	26.0	27.5	14.7
20-inch and over.....	***	***	***	***	***
Total.....	100.0	100.0	100.0	100.0	100.0

1/ U.S. imports include tubes imported as parts of color television receiver kits or as parts of incomplete color television receivers.

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

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

#### Market penetration of imports

Table 26 presents data on the quantity and market penetration of imports assuming that the following categories of imports are included in the scope of the investigations: (1) all imports of color picture tubes from Canada entering as color picture tubes or as parts of incomplete receivers; (2) all imports of color picture tubes from Japan entering as color picture tubes or entering as color picture tubes or as parts of incomplete receivers; 1/ (3) imports of color picture tubes from Korea that were sold to unrelated parties; (4) imports of Japanese-produced color picture tubes through Mexico by Matsushita as parts of kits or incomplete receivers, and imports of color picture tubes produced in Singapore through Mexico by \* \* \* as parts of \* \* \*; and (5) all imports of color picture tubes from Singapore that were imported as color picture tubes.

1/ Some incomplete receivers from Japan may already be covered by the antidumping duty order on color television receivers; however, the great bulk of such imports are \* \* \*. The data in table 26 assume that all such imports are included in the scope of the color picture tube investigations.

Table 26

Color picture tubes: The quantity of imports and market shares of imports subject to the investigations, 1/ by countries, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June--	
				1986	1987
Quantity (1,000 units)					
Imports from--					
Canada.....	106	229	328	122	171
Japan.....	397	673	690	265	204
Korea.....	***	***	***	***	***
Mexico.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
Total.....	1,088	1,662	1,925	877	667
Market share (percent)					
Imports from--					
Canada.....	0.8	1.7	2.3	1.7	2.6
Japan.....	2.9	5.1	4.8	3.8	3.2
Korea.....	***	***	***	***	***
Mexico.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
Total.....	8.2	12.6	13.4	12.4	10.3

1/ Assumes that the following categories of imports are included in the scope of the investigations: (1) all imports of color picture tubes from Canada entering as color picture tubes or as parts of incomplete receivers; (2) all imports of color picture tubes from Japan entering as color picture tubes or as parts of incomplete receivers; (3) imports of color picture tubes from Korea that were sold to unrelated parties; (4) imports of Japanese-produced color picture tubes through Mexico by Matsushita as parts of kits or incomplete receivers, and imports of color picture tubes produced in Singapore through Mexico by \*\*\* as parts of \*\*\*; and (5) all imports of color picture tubes from Singapore that were imported as color picture tubes.

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

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

U.S. imports of color picture tubes subject to the investigations accounted for 8.2 percent of the quantity of apparent U.S. consumption in 1984, 12.6 percent in 1985, and 13.4 percent in 1986. Imports accounted for 10.3 percent of the quantity of apparent U.S. consumption in January-June 1987, representing a decrease from the 12.4-percent share of apparent consumption in the corresponding period of 1986. Data on the market share of imports based on value are presented in table 27. Market share based on value is lower in all periods than market share based on quantity.

Table 27

Color picture tubes: The value of imports and market shares of imports subject to the investigations, 1/ by countries, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June--	
				1986	1987
Value (1,000 dollars)					
Imports from--					
Canada.....	8,751	17,862	25,172	8,840	14,055
Japan.....	30,475	47,735	59,623	21,970	28,971
Korea.....	***	***	***	***	***
Mexico.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
Total.....	75,026	107,269	133,118	57,149	57,194
Market share (in percent)					
Imports from--					
Canada.....	0.8	1.7	2.2	1.6	2.5
Japan.....	2.9	4.5	5.1	3.9	5.2
Korea.....	***	***	***	***	***
Mexico.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
Total.....	7.0	10.1	11.4	10.3	10.2

1/ Assumes that the following categories of imports are included in the scope of the investigations: (1) all imports of color picture tubes from Canada entering as color picture tubes or as parts of incomplete receivers; (2) all imports of color picture tubes from Japan entering as color picture tubes or as parts of incomplete receivers; (3) imports of color picture tubes from Korea that were sold to unrelated parties; (4) imports of Japanese-produced color picture tubes through Mexico by Matsushita as parts of kits or incomplete receivers, and imports of color picture tubes produced in Singapore through Mexico by \* \* \* as parts of \* \* \*; and (5) all imports of color picture tubes from Singapore that were imported as color picture tubes.

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

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

U.S. imports of color picture tubes significantly increased their market share in all screen sizes between 1984 and 1986, especially in the smaller sizes (19 inches and below) (table 28). The market share of imports in the 18- and 19-inch sizes decreased significantly in January-June 1987 compared with the market share in the corresponding period of 1986.

Table 28

Color picture tubes: Market shares of total U.S. imports, <sup>1/</sup> by screen size, 1984-86, January-June 1986, and January-June 1987

Screen size	(In percent)			January-June--	
	1984	1985	1986	1986	1987
12-inch and under.....	20.9	60.8	100.0	100.0	100.0
13-inch.....	16.4	58.7	76.4	78.0	73.2
14- and 15-inch.....	80.4	95.5	100.0	100.0	100.0
16- and 17-inch.....	20.0	20.5	100.0	100.0	100.0
18- and 19-inch.....	7.4	11.0	15.4	14.9	5.4
20-inch and over.....	7.4	11.7	11.9	10.1	9.5
Average.....	10.1	19.8	23.0	22.9	14.0

<sup>1/</sup> U.S. imports include tubes imported as parts of color television receiver kits or as parts of incomplete color television receivers.

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

The U.S. market for color picture tubes may be affected by the level of U.S. imports of color television receivers, since a tube is contained in each receiver. U.S. imports of complete color television receivers, compiled from official statistics of the U.S. Department of Commerce, are shown in the following tabulation (in thousands of units):

Source	1984	1985	1986	January-June--	
				1986	1987
Canada.....	96	164	117	50	49
Japan.....	2,485	4,382	2,872	1,438	706
Korea.....	1,841	848	1,754	753	843
Mexico.....	2	138	841	252	692
Singapore.....	205	533	641	316	231
All other countries...	1,809	2,343	3,399	1,276	2,179
Total.....	6,438	8,408	9,624	4,085	4,700

The U.S. market for color picture tubes may be affected by the level of apparent consumption of color television receivers, which is presented in the following tabulation (in thousands of units):

Item	1984	1985	1986	January-June--	
				1986	1987
U.S. producers' domestic shipments....	12,653	12,611	12,685	5,965	5,385
U.S. imports.....	6,438	8,408	9,624	4,085	4,700
Total.....	19,091	21,019	22,309	10,050	10,085

Supplementary tables are presented in appendix J in order to address the petitioners' contention that LTFV color picture tube imports have not only injured the domestic color picture tube industry directly but also have caused injury at the television receiver level, as evidenced by reduced captive purchases of picture tubes by U.S. affiliates of domestic picture tube manufacturers. 1/ Table J-1 on color television receivers shows that the U.S. television-receiver-producing affiliates of the color picture tube producers have indeed experienced decreases in their U.S. shipments of domestically produced color television receivers, 2/ and U.S. shipments of domestically produced color television receivers by Japanese- and Korean-owned firms have increased correspondingly (except in January-June 1987). Tables J-2 and J-3 present data on a company-specific basis. Table J-4 on purchases of color picture tubes by television receiver producers shows that the Japanese- and Korean-owned domestic color television receiver producers obtain most of their color picture tubes domestically. Their purchases of domestically produced color picture tubes decreased by 5.6 percent in 1985, increased by 28.3 percent in 1986, and increased by 38.4 percent in January-June 1987 compared with the level in January-June 1986. Their purchases of imported color picture tubes increased by 65.0 percent in 1985 and by 24.2 percent in 1986, and decreased by 40.3 percent in January-June 1987 compared with the level in January-June 1986. Tables J-5 and J-6 present data on a company-specific basis.

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1/ Petitioners contended (transcript of the public hearing, pp. 43-47) that "There are large quantities of picture tubes imported at substantial dumping margins and are sold to producers of television receivers. And this enables the producers of those television receivers to sell television receivers at very low prices. Domestic television picture tube producers transfer and sell picture tubes to related set people . . . And so what we have is . . . color set people who are related to color picture tube people . . . who must compete against television sets assembled in this country that are produced with the benefit of dumped picture tubes . . . We would invite your attention to the economic consequences of picture tube dumping at the set level which the statute clearly entitles you to examine."

2/ The table also shows that U.S. television-receiver-producing affiliates of the color picture tube producers have increased their purchases of imported color television receivers.

Prices

The purchaser dimension of the market for color picture tubes consists of OEM's, i.e., original equipment manufacturers or assemblers of color television receivers. These OEM's fall into two distinct categories. The first category, which accounts for the largest part of demand for color picture tubes, consists of OEM's that purchase their tubes, largely or entirely, from related-party picture tube producers, domestic or foreign.<sup>1/</sup> The second category is made up of OEM's that buy color picture tubes from unrelated producers, both domestic and foreign. The latter purchases are arm's-length transactions for merchant product picture tubes in contrast to the related-party transactions which are in effect intracompany purchases at transfer prices.

OEM purchasers, whether related or unrelated parties, generally order color picture tubes from one or more suppliers on a calendar year basis. Quantities are ordered on the basis of anticipated annual requirements but are not firm quantity commitments. Purchasers note that annual orders have been generally made "at a fixed price."<sup>2/</sup> According to several domestic color picture tube producers and one major purchaser buying in the merchant market, there are rebates offered by picture tube suppliers for reaching prespecified levels of purchases, in terms of quantity or value, over the calendar year or a stated time period.<sup>3/</sup>

Negotiations with unrelated-party purchasers for annual contracts to supply color picture tubes generally begin in the third or fourth quarter of the year preceding the calendar year of the contract and usually are finalized by the middle of the fourth quarter. For the most part, "deals are struck verbally and sealed with a handshake."<sup>4/</sup> The vendor then frequently confirms the accepted offer price by letter and the purchaser issues a blanket purchase order covering anticipated annual quantity requirements to be implemented by a series of releases for scheduled deliveries. Alternatively, a series of individual purchase orders may be used during the annual period for deliveries to meet production schedule needs. Delivery schedules over a contract period are designed to save inventory costs and warehouse space while meeting

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<sup>1/</sup> Domestic OEM's that largely purchase color picture tubes from their related domestic producers are \* \* \*. Domestic OEM's that obtain imported tubes from related producers are \* \* \*.

<sup>2/</sup> In negotiations for 1986-87 delivery, some Japanese color picture tube producers negotiated a dollar-denominated price based on a stated yen/dollar rate of exchange plus a clause that if the yen/dollar rate changes by plus or minus 15 yen, the parties share the gain or loss. One large purchaser noted that purchasers have been sharing the losses by price adjustments in 1986 and 1987. According to another large purchaser, "there are exceptions to the practice of fixed prices almost every year!"

<sup>3/</sup> Rebates, according to \* \* \*, may be semiannual or annual depending on the circumstances and the supplier. \* \* \* states that rebates are offered as an incentive for the purchaser to stay with the supplier.

<sup>4/</sup> Vendors and purchasers alike commented to staff on the informality of the negotiations and "contract" process. Price quotes are more often than not made by phone and are not in response to formal written requests for quotes.

production schedule requirements. Shipments to OEM's generally are on a weekly basis or more frequently. 1/

As a basis for comparing domestic and import prices, the Commission asked U.S. producers and importers to provide prices of the five largest volume annual contract sales of 13-, 19-, 20-, and 25-inch color picture tubes to related-party OEM's and to unrelated-party OEM's for the years 1984, 1985, 1986, and 1987. 2/

Trends in domestic prices. 3/--The weighted-average price of domestic 13-inch color picture tubes sold to related parties increased from \*\*\* in 1984 to \*\*\* in 1985, or by \*\*\* percent, then declined \*\*\* percent to \*\*\* in 1986 and held at that level in January-July 1987 (table 29). Weighted-average prices of domestic 13-inch color picture tubes sold to unrelated parties show an increase in 1985 from the base year level of \*\*\* to \*\*\* per tube, then a decline in price in 1986 to \*\*\* and then to \*\*\* in January-July 1987, an overall drop in price of \*\*\* percent from the 1985 peak price.

Table 29

13-inch color picture tubes: Ranges and weighted-average selling prices of domestic color picture tubes sold to related and unrelated parties, 1984-86 and January-July 1987

\* \* \* \* \*

Weighted-average prices of domestic 19-inch color picture tubes sold to related parties increased from \*\*\* in 1984 to \*\*\* in 1985, then fell to \*\*\* in 1986 and to \*\*\* in January-July 1987, a decline of \*\*\* percent from the 1985 price (table 30). The weighted-average price of domestic 19-inch color picture tubes sold to unrelated parties increased from \*\*\* in 1984 to \*\*\* in 1985, then fell to \*\*\* in 1986 and continued down in January-July 1987 to \*\*\*, a decline of \*\*\* percent from the 1985 peak price.

Table 30

19-inch color picture tubes: Ranges and weighted-average selling prices of domestic color picture tubes sold to related and unrelated parties, 1984-86 and January-July 1987

\* \* \* \* \*

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1/ \*\*\*'s "just-in-time" policy calls for color picture tubes to arrive on a schedule of every 2-1/2 days in quantities tailored to production line needs.  
 2/ As noted above, it is industry practice to negotiate quantity requirements on an annual basis generally at fixed prices. This pattern enables price comparisons on an annual basis.

3/ Price data were provided by General Electric, Philips, RCA, and Zenith, which accounted for \*\*\* percent of U.S. producers' domestic shipments of color picture tubes in 1986. Sony did not provide price data.

Domestic 20-inch color picture tubes sold to related parties show a decrease in 1986 from the 1985 weighted-average price of \*\*\* to \*\*\* per tube, then a decline in price in January-July 1987 to \*\*\*, a drop in price of \*\*\* percent from the base year (table 31).

Table 31

20-inch color picture tubes: Ranges and weighted-average selling prices of domestic color picture tubes sold to related and unrelated parties, 1984-86 and January-July 1987

\* \* \* \* \*

Weighted-average prices of domestic 20-inch color picture tubes sold to unrelated parties increased from \*\*\* in 1984 to \*\*\* in 1985, then fell to \*\*\* in 1986, a decline of \*\*\* percent. In January-July 1987 prices increased \*\*\* percent to \*\*\* per tube.

The weighted-average price of domestic 25-inch color picture tubes sold to related parties increased from \*\*\* in 1984 to \*\*\* in 1985, then fell to \*\*\* in 1986, a decline of \*\*\* percent from the 1985 peak price. In January-July 1987, the price increased \*\*\* percent to \*\*\* (table 32). Weighted-average prices to unrelated parties increased from \*\*\* in 1984 to \*\*\* in 1985. The price fell \*\*\* percent in 1986 to \*\*\* per tube but strengthened \* \* \* in January-July 1987 to \*\*\*.

Table 32

25-inch color picture tubes: Ranges and weighted-average selling prices of domestic color picture tubes sold to related and unrelated parties, 1984-86 and January-July 1987

\* \* \* \* \*

Trends in import prices.--The analysis of trends is treated separately for each source country.

Japan.--The weighted-average price of 13-inch color picture tubes imported from Japan and sold to related parties decreased from \*\*\* in 1984 to \*\*\* in 1985, a decline of \*\*\* percent (table 33). In 1986 the weighted-average price increased to \*\*\*, a price rise of \*\*\* percent. In January-July 1987, the weighted-average price plummeted to \*\*\* per tube, a drop of \*\*\* percent. Data received on prices of 13-inch color picture tubes sold to unrelated parties in 1984 and in January-July 1987 reflect sales at \*\*\* per tube during both periods (table 34).

Table 33

13-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to related parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Table 34

13-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to unrelated parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

The weighted-average price of 19-inch color picture tubes imported from Japan and sold to related parties decreased \*\*\* percent from \*\*\* in 1984 to \*\*\* in 1985 (table 35). In 1986, the price increased \*\*\* percent to \*\*\*, but it fell \*\*\* percent to \*\*\* during January-July 1987. The weighted-average price of 19-inch color picture tubes imported from Japan and sold to unrelated parties declined slightly from \*\*\* in 1984 to \*\*\* in 1985. The price increased \*\*\* percent in 1986 to \*\*\* per tube (table 36).

Table 35

19-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to related parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Table 36

19-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to unrelated parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

The weighted-average price of 20-inch color picture tubes imported from Japan and sold to related parties declined from \*\*\* in 1984 to \*\*\* in 1985 (table 37). The price increased \*\*\* percent in 1986 to \*\*\*. In January-July 1987, the price dipped to \*\*\* per tube. The weighted-average price of 20-inch color picture tubes imported from Japan and sold to unrelated parties increased from a 1985 level of \*\*\* to \*\*\* in 1986 and climbed to \*\*\* in January-July 1987 (table 38). This sharp increase reflects the declining value of the U.S. dollar vis-a-vis the Japanese yen during 1986 and 1987. Specifically, \* \* \*.

**Table 37**

20-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to related parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

**Table 38**

20-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to unrelated parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

The weighted-average price of 25-inch color picture tubes imported from Japan and sold to related parties declined from \*\*\* in 1984 to \*\*\* in 1985 (table 39). No data were received on imports from Japan of this size tube sold to related parties in 1986 or January-July 1987. Data on the weighted-average price of 25-inch color picture tubes imported from Japan and sold to unrelated parties reflect a pattern of \* \* \* (table 40). The weighted-average price in 1984 was \*\*\* per tube. The price declined to \*\*\* in 1985, rose to \*\*\* in 1986, and increased to \*\*\* in January-July 1987. These \* \* \* color picture tubes are not comparable with the 25-inch \* \* \* tubes sold to related parties. They are special, high resolution tubes sold in small quantities to \* \* \* for use in very high quality television receivers designed to serve a narrow market segment. The receivers are sold to professional photographers for use in their studios. There are no domestic counterpart color picture tubes competing for this small volume of sales.

**Table 39**

25-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to related parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

**Table 40**

25-inch color picture tubes: Ranges and weighted-average selling prices of imported color picture tubes sold to unrelated parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Canada.--Data from importers of Canadian color picture tubes show that the weighted-average price of 19-inch color picture tubes sold to related parties increased from \*\*\* in 1984 to \*\*\* in 1985 and then to \*\*\* in 1986 (table 35). The weighted-average price of 19-inch color picture tubes imported from Canada and sold to unrelated parties in 1985 was \*\*\*, almost \*\*\* percent lower than the price of tubes sold to related parties (table 36). In 1986, the weighted-average price of such tubes sold to unrelated parties declined to \*\*\*, a price level that \* \* \*. This price was \*\*\* percent below the 1986 price of tubes sold to related parties.

The weighted-average price of 20-inch color picture tubes imported from Canada and sold to related parties was \*\*\* in 1986, \* \* \* (table 37). The weighted-average price of such color picture tubes sold to unrelated parties was \*\*\* in 1986, but increased to \*\*\* per tube in January-July 1987 (table 38).

Data were received for 1984 and 1985 on 25-inch color picture tubes imported from Canada and sold to related parties. In 1984, the weighted-average price was \*\*\*; in 1985 it was \* \* \* at \*\*\* per tube (table 39). No data were received on sales of such tubes to unrelated parties.

Korea.--The weighted-average price of 13-inch color picture tubes imported from Korea and sold to related parties declined \*\*\* percent, from \*\*\* in 1984 to \*\*\* in 1985, then decreased \*\*\* percent to \*\*\* in 1986 (table 33). In January-July 1987, the price trend reversed as the price increased \*\*\* percent to \*\*\*. The weighted-average price of such 13-inch color picture tubes sold to unrelated parties was \*\*\* in 1986, and increased \*\*\* percent to \*\*\* in January-July 1987 (table 34).

The weighted-average price of 19-inch color picture tubes imported from Korea and sold to related parties declined \*\*\* percent from \*\*\* in 1984 to \*\*\* in 1985 (table 35). In 1986, the price increased \*\*\* percent to \*\*\* per tube. Korean 19-inch color picture tubes were sold to unrelated parties for a weighted-average 1986 price of \*\*\* per tube and a price of \*\*\* per tube in January-July 1987 (table 36).

Singapore.--No price data were received on sales of 13-inch color picture tubes imported from Singapore and sold to related parties. The weighted-average price of such 13-inch color picture tubes sold to unrelated parties was \*\*\* in 1985, then declined to \*\*\* in 1986 and to \*\*\* in January-July 1987 (table 34).

The weighted-average price of 19-inch tubes sold to related parties decreased \* \* \* in 1985 to \*\*\* from its 1984 level of \*\*\* per tube (table 35). The price \* \* \* almost \*\*\* percent in 1986 to \*\*\* per tube. The weighted-average price of 19-inch color picture tubes imported from Singapore and sold to unrelated parties was \*\*\* in January-July 1987, the only period for which data were received (table 36).

#### Price comparisons

Imports from Japan.--Weighted-average price comparisons of 13-inch domestic color picture tubes with those imported from Japan and sold to related parties reflect a mixed pattern of underselling and overselling.

Thirteen-inch color picture tubes imported from Japan undersold domestic color picture tubes by margins of \*\*\* (or 10.6 percent) in 1985 and by \*\*\* (or 4.3 percent) in January-July 1987 (table 41). The imported tubes from Japan sold for more than the domestic tubes by \*\*\* (or 2.0 percent) in 1984 and by \*\*\* (or 10.3 percent) in 1986. Price comparisons in three time periods were possible on sales of 13-inch color picture tubes from Japan sold to unrelated parties; all three show underselling by the imported tubes. The margins were \*\*\* (or 19.6 percent) in 1984, \*\*\* (or 15.0 percent) in 1986, and \*\*\* (or 4.8 percent) in January-July 1987 (table 42).

Table 41

13-inch color picture tubes sold to related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Table 42

13-inch color picture tubes sold to unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Comparisons of the weighted-average prices of 19-inch color picture tubes imported from Japan and sold to related parties reflect a pattern of underselling by the imported product in 1984 and 1985 and overselling in 1986 and January-July 1987. The margin of underselling was \*\*\* (or 3.6 percent) in 1984 and \*\*\* (or 10.7 percent) in 1985 (table 43). In 1986 and in January-July 1987, Japanese color picture tubes sold for more than the domestic product by \*\*\* (or 8.9 percent) and \*\*\* (or 8.5 percent), respectively. Three price comparisons were possible for sales of 19-inch color picture tubes to unrelated parties. The tubes imported from Japan undersold the domestic product in 1984 and 1985 but were priced above the domestic tubes in 1986. The margin of underselling was \*\*\* (or 1.7 percent) in 1984 and \*\*\* (or 5.6 percent) in 1985 (table 44). The Japanese 19-inch tubes sold for more than the domestic tubes by \*\*\* (or 3.2 percent) in 1986.

Table 43

19-inch color picture tubes sold to related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Table 44

19-inch color picture tubes sold to unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Price comparisons for domestic 20-inch color picture tubes and those imported from Japan and sold to related parties were possible for three time periods. They reveal underselling by the imported product from Japan in 1985, but show overselling by the imported tubes in 1986 and January-July 1987. The margin of underselling was \*\*\* (or 1.6 percent) in 1985 (table 45). The margins of overselling by the imported tubes from Japan were \*\*\* (or 12.2 percent) in 1986 and \*\*\* (or 4.9 percent) in January-July 1987. Comparisons of weighted-average prices of sales of 20-inch color picture tubes to unrelated parties show a pattern of overselling. In 1985, the Japanese tubes oversold the domestic product by \*\*\* (or 2.8 percent) (table 46). In 1986, the overselling margin increased to \*\*\* (or 16.4 percent) and in January-July 1987 the margin of overselling was \*\*\* (or 32.8 percent), reflecting the appreciation of the yen in 1986-87.

Table 45

20-inch color picture tubes sold to related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Table 46

20-inch color picture tubes sold to unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Price comparisons of 25-inch domestic color picture tubes with those of imported tubes from Japan sold to related parties are only possible for 1984 and 1985. They show that the imported tubes from Japan undersold the domestic tubes in both years. The margin of underselling was \*\*\* (or 2.7 percent) in 1984 and \*\*\* (or 8.9 percent) in 1985 (table 47).

Table 47

25-inch color picture tubes sold to related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Imports from Canada.--No price comparisons were possible for 13-inch color picture tubes because no Canadian price data were received. Comparisons of the weighted-average prices of domestic firms and those of imports from Canada for 19-inch color picture tubes show that in sales to related parties the Canadian color picture tubes were priced above the domestic tubes by a margin of \*\*\* (or 6.8 percent) in 1984, \*\*\* (or 5.7 percent) in 1985, and by \*\*\* (or 11.0 percent) in 1986 (table 43). Prices of 19-inch color picture tubes sold to unrelated parties reveal a pattern of underselling by the imported Canadian tubes. The margins were \*\*\* (or 2.1 percent) in 1985, \*\*\* (or 7.4 percent) in 1986, and \*\*\* (or 6.5 percent) in January-July 1987 (table 44).

Comparisons of the weighted-average prices of domestic firms and those of imports from Canada for 20-inch color picture tubes are possible for two data points in sales to related parties. Both show Canadian imports underselling the domestic product. In 1986, the margin was \*\*\* (or 0.6 percent) and in January-July 1987 the margin was \*\*\* (or 0.6 percent) (table 45). Comparisons of such prices for sales to unrelated parties are possible for the same time periods and both reflect higher prices for the imported Canadian tubes. The margin of overselling was \*\*\* (or 4.4 percent) in 1986 and \*\*\* (or 7.1 percent) in January-July 1987 (table 46).

Comparisons of weighted-average prices of 25-inch domestic color picture tubes and those of imports from Canada sold to related parties were possible for two time periods. Both show the Canadian tubes priced above the domestic product. The margin of overselling was \*\*\* (or 3.2 percent) in 1984 and \*\*\* (or 1.3 percent) in January-July 1987 (table 47).

Imports from Korea.--Weighted-average price comparisons of sales of 13-inch color picture tubes to related parties show a pattern of underselling by the imported Korean tubes in all 4 years. The margins were \*\*\* (5.9 percent) in 1984, \*\*\* (19.0 percent) in 1985, \*\*\* (16.8 percent) in 1986, and \*\*\* (1.7 percent) in January-July 1987 (table 41). A comparison of the 1986 weighted-average prices of sales of 13-inch color picture tubes to unrelated parties shows that the Korean color picture tubes undersold the domestic product by a margin of \*\*\* (8.8 percent) (table 42). In January-July 1987, the price comparison indicates that the Korean tubes sold for more than the domestic tubes by a margin of \*\*\* (5.8 percent).

Comparisons of weighted-average prices of 19-inch color picture tubes sold to related parties show a mixture of underselling and overselling. The margins of underselling were \*\*\* (2.9 percent) in 1984 and \*\*\* (13.2 percent) in 1985 (table 43). In 1986 the price comparison shows overselling by a margin of \*\*\* (12.5 percent). Such sales to unrelated parties provided two comparisons; both indicate underselling. The Korean 19-inch tubes undersold the domestic product in 1986 by a margin of \*\*\* or 6.4 percent (table 44). The margin in January-July 1987 was \*\*\* (or 4.7 percent).

Imports from Singapore.--Weighted-average price comparisons of sales of 13-inch color picture tubes to unrelated parties show that the imported color picture tubes from Singapore undersold the domestic product by a margin of \*\*\*, or 10.4 percent, in 1985 (table 42). In 1986 the imported color picture tubes undersold the domestic product by \*\*\*, or 12.6 percent. The margin of underselling by the tubes imported from Singapore narrowed in January-July 1987 to \*\*\*, or 6.0 percent.

Comparisons of weighted-average prices of sales of 19-inch color picture tubes to related parties show a pattern of overselling by the imported tubes from Singapore in 1984, with underselling in 1985 and 1986. The margin of overselling was \*\*\* (0.6 percent) in 1984, and the margins of underselling were \*\*\* (1.6 percent) in 1985 and \*\*\* (7.1 percent) in 1986 (table 43). The single price comparison for sales of 19-inch color picture tubes to unrelated parties shows underselling by the imported tubes from Singapore in \* \* \*. The margin of underselling was \*\*\*, or 0.6 percent (table 44).

Purchase prices.--The Commission requested purchasers to provide competing price quotes for the three largest volume purchase orders awarded to unrelated parties for color picture tubes scheduled for delivery in 1985, 1986, and 1987. The screen sizes covered included 13-inch, 19-inch, 20-inch, and 25-inch tubes. The same request was made for purchase orders awarded to related parties. Sixteen purchasers provided useful price data. With two exceptions, 1/ they included all of the major television receiver producers that source from their own related picture tube plants as well as the two major firms, Sanyo and Sharp, that source entirely from the merchant market. In terms of quantity, the volume of the data base is highly representative, with coverage that accounts for most of the volume of domestic shipments and imports by screen size. These annual purchase price data are organized by screen size to include the range of prices and the weighted-average price. They are presented separately for purchases from unrelated parties and from related parties and are shown below by subject import source country and for domestic product.

Price trends for U.S.-produced tubes.--The weighted-average purchase prices of domestic 13-inch color picture tubes purchased from unrelated parties increased 3.5 percent from \*\*\* in 1984 to \*\*\* in 1985, but then declined 18 percent from this period high to \*\*\* per tube in 1987 (table 48). As the price fell, the quantity purchased and the number of purchases also declined sharply.

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1/ Sony and General Electric did not submit purchase price data.

Table 48

13-inch color picture tubes: Ranges and weighted-average purchase prices of domestic color picture tubes purchased from related and unrelated parties, 1984-86 and January-July 1987

\* \* \* \* \*

Purchases of 13-inch color tubes from related parties reflect a similar pattern, although the decline is not as steep. The weighted-average price fell 6.4 percent from \*\*\* in 1985 to \*\*\* in 1986 and January-July 1987. The quantity of domestic tubes purchased from related parties fell by more than one-half during this period, as domestic producers made decisions to source 13-inch color picture tubes abroad or to import complete television receivers or kits or incomplete receivers containing color picture tubes.

Purchase prices of domestic 19-inch color picture tubes sourced from unrelated parties reflect a downtrend. The weighted-average price fell from \*\*\* in 1985 to \*\*\* in January-July 1987, a decline of 6.1 percent (table 49). A similar downturn occurred in the purchase price of domestic 19-inch tubes sourced from related parties. The weighted-average price dropped from a high of \*\*\* in 1985 to \*\*\* in 1987, a decline of 6.5 percent.

Table 49

19-inch color picture tubes: Ranges and weighted-average purchase prices of domestic color picture tubes purchased from related and unrelated parties, 1984-86 and January-July 1987

\* \* \* \* \*

The weighted-average prices of 20-inch domestic color tubes purchased from unrelated parties also declined during the subject period. The price fell 4.5 percent from \*\*\* in 1985 to \*\*\* in January-July 1987 (table 50). Although the purchase price of 20-inch domestic tubes sourced from related parties also declined, the downturn was more moderate. The weighted-average price fell from \*\*\* in 1985 to \*\*\* in 1987, or by 1.4 percent.

Table 50

20-inch color picture tubes: Ranges and weighted-average purchase prices of domestic color picture tubes purchased from related and unrelated parties, 1984-86 and January-July 1987

\* \* \* \* \*

A steady downtrend is shown in the weighted-average prices of 25-inch color tubes sourced from unrelated parties. The purchase price was \*\*\* in 1985, but declined 3.2 percent to \*\*\* in January-July 1987 (table 51). Purchase prices of 25-inch domestic color picture tubes purchased from related parties reflect an irregular upward trend. From a weighted-average price of \*\*\* in 1984, the price increased 5.8 percent to \*\*\* in 1985; the price fell 2.7 percent to \*\*\* in 1986, but then increased 1.2 percent to \*\*\* in January-July 1987.

**Table 51**  
25-inch color picture tubes: Ranges and weighted-average purchase prices of domestic color picture tubes purchased from related and unrelated parties, 1984-86 and January-July 1987

\* \* \* \* \*

Price trends for imports from Japan.--Purchase prices of 13-inch color picture tubes sourced from unrelated parties show a sharp decline between 1984 and 1986. The weighted-average price fell from \*\*\* to \*\*\*, a decline of 32.7 percent (table 52). The price trend for purchases of 13-inch tubes from related parties reflects an irregular pattern downward. The weighted-average price dipped from \*\*\* in 1984 to \*\*\* in 1985, then jumped to \*\*\* in 1986, but fell 13 percent to a period low of \*\*\* in January-July 1987 (table 53).

**Table 52**  
13-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from unrelated parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

**Table 53**  
13-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from related parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Weighted-average prices of 19-inch color picture tubes imported from Japan and purchased by unrelated parties were reported for 2 years; they increased from \*\*\* in 1985 to \*\*\* in 1986, an increase of 4.6 percent (table 54). The purchase prices of 19-inch Japanese tubes purchased by related parties show an irregular trend. From a base year price in 1985 of \*\*\*, the weighted-average price climbed to \*\*\*, an increase of 17.2 percent, but dipped to \*\*\* in January-July 1987 (table 55).

Table 54

19-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from unrelated parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Table 55

19-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from related parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

The weighted-average prices of imported Japanese 20-inch color tubes purchased by unrelated parties trended up from \*\*\* in 1985 to \*\*\* in 1987, an increase of 15.3 percent (table 56). Purchase prices of this size color tube sourced from related parties reflect a different pattern. From a weighted-average price of \*\*\* in 1985, the purchase price increased 8.2 percent to \*\*\* per tube in 1986, but then declined in January-July 1987 to \*\*\*, a decrease of 5.3 percent (table 57). This downturn in related party purchase price contrasts with the sharp upturn in price that characterized the purchase price paid by unrelated parties (\*\*\*)�.

Table 56

20-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from unrelated parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Table 57

20-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from related parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Data received from purchasers show no unrelated party purchases of 25-inch color picture tubes imported from Japan. The weighted-average purchase price for \*\*\* color tubes of this screen size imported from related Japanese parties was \*\*\* in 1985, the only year for which price data were received (table 58).

Table 58

25-inch color picture tubes: Ranges and weighted-average purchase prices of imported color picture tubes purchased from related parties, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Price trends for imports from Canada.--Purchase prices of 19-inch color picture tubes sourced from unrelated parties reflect a downturn. From a price of \*\*\* per tube in 1985, the price dipped 1.9 percent to \*\*\* in 1986 (table 54). Purchases of 19-inch Canadian tubes from related parties reveal a fractional price increase from 1985 to 1986. The weighted-average price was \*\*\* in 1985 but edged up to \*\*\* in 1986 (table 55).

Unrelated party purchases of 20-inch color tubes imported from Canada show a slight decline from 1986 to 1987. From a price of \*\*\* in 1986, the price fell 0.6 percent to \*\*\* per tube in 1987 (table 56). Purchases of 20-inch Canadian color picture tubes from related parties in 1986 and 1987 reveal a stable price level at \*\*\* per tube (table 57).

No data on unrelated party purchases of 25-inch tubes were received. Purchases of imported Canadian 25-inch color picture tubes from related parties show a weighted-average price per tube of slightly more than \*\*\* for such purchases in 1984 and 1985 (table 58).

Price trends for imports from Korea.--Purchase prices paid by unrelated parties for 13-inch color picture tubes imported from Korea were received for only 2 years. In 1986, an unrelated party (\*\*\*\*) purchased \*\*\* 13-inch tubes at \*\*\* per tube (table 52). \* \* \* purchased \*\*\* such color tubes in 1987 at \*\*\* per tube. Purchase price data for 13-inch color tubes imported from related Korean parties span the entire subject time period. They show a sharp downtrend from 1984 through 1986, but a net increase in 1987. The weighted-average price decreased 11.4 percent from \*\*\* in 1984 to \*\*\* in 1985 and fell to \*\*\* in 1986, a decline of 5.7 percent (table 53). This downtrend reversed in 1987 as the weighted-average price jumped 24.9 percent to \*\*\*. 1/

Unrelated party purchases of 19-inch Korean color picture tubes also provided price data for only 2 years. In 1986, \* \* \* purchased \*\*\* 19-inch color tubes at \*\*\* per tube (table 53). \* \* \* bought \*\*\* 19-inch Korean color tubes in 1987 at \*\*\* per tube. A single related party purchase in 1985 was made at \*\*\* per tube (table 55).

Price trends for imports from Singapore.--Purchase price data for 13-inch color picture tubes imported from Singapore and purchased by unrelated parties span the years 1985-87 and reflect a steady downtrend. The weighted-average price fell from \*\*\* in 1985 to \*\*\* in 1986 and continued to

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1/ Color picture tubes imported from Korea by related Korean parties for use in television receivers assembled in Korean-owned plants are excluded from these investigations by a Commerce Department decision.

decline in 1987 to \*\*\* per tube, for an overall decrease of 13.5 percent (table 52). No data were received for related party purchases of 13-inch color tubes imported from Singapore.

A single purchase by an unrelated party (\*\*\* of \*\*\* 19-inch color picture tubes imported from Singapore in 1986 shows a purchase price of \*\*\* per tube (table 54). Purchases by related parties of imported 19-inch tubes from Singapore reflect a steady downtrend in price. From a weighted-average price of \*\*\* in 1985, the price decreased to \*\*\* in 1986 and \*\*\* in January-July 1987, for an overall decline of 16 percent (table 55).

Price comparisons with respect to imports from Japan.--For purchases by unrelated parties, weighted-average price comparisons of 13-inch domestic color picture tubes and those imported from Japan were possible for 2 years and reflect a mixed pattern of overselling and underselling. In 1984, a single purchase of \*\*\* of the imported Japanese tubes, at \*\*\* per tube, was priced above the domestic tubes by a margin of \*\*\* per tube, or 19.8 percent. <sup>1/</sup> The imported tubes undersold the domestic product in 1986 by \*\*\*, or 8.5 percent (table 59).

Table 59  
13-inch color picture tubes purchased from unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Related party purchases of 13-inch color tubes also reflect a mixed picture of overselling and underselling. The imported product was priced above the domestic product in 1984 and 1986. The margin of overselling was \*\*\*, or 0.8 percent, in 1984 and \*\*\*, or 10.0 percent, in 1986 (table 60). In 1985 and 1987, the Japanese color tubes undersold the domestic product by margins of \*\*\*, or 10.2 percent, and \*\*\*, or 4.3 percent.

Table 60  
13-inch color picture tubes purchased from related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

---

<sup>1/</sup> The weighted-average domestic price was based on 5 purchases totaling \*\*\* tubes at prices that ranged from a low of \*\*\* to a high of \*\*\*. A purchase of \*\*\* imported Japanese tubes at \*\*\* per tube undersold the domestic product in 1986 by a margin of \*\*\*, or 17.6 percent. The domestic price was based on 2 purchases that totaled \*\*\* tubes at prices that ranged from \*\*\* to \*\*\* per tube.

Price comparisons for domestic and imported Japanese 19-inch color picture tubes purchased by unrelated parties were possible for 1985 and 1986. In 1985, the imported Japanese tubes undersold the domestic product by a margin of \*\*\*, or 6.1 percent (table 61). 1/ The Japanese product was priced above the domestic product in 1986 by a margin of \*\*\*, or 2.8 percent. 2/

Table 61

19-inch color picture tubes purchased from unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Three comparisons were possible for related party purchases of 19-inch color tubes. Two of the three reflect overselling by the Japanese product. The Japanese product undersold the domestic product in 1985 by a margin of \*\*\*, or 11.3 percent (table 62). 3/ In 1986, the Japanese tubes were priced above the domestic product by a margin of \*\*\*, or 8.9 percent, and in 1987, the margin of overselling by the Japanese tubes was \*\*\*, or 8.6 percent. 4/

Table 62

19-inch color picture tubes purchased from related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

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1/ Two purchases that totaled \*\*\* tubes at prices that ranged from \*\*\* to \*\*\* per tube were the basis for this weighted average. Nineteen domestic purchases that totaled \*\*\* tubes at prices that ranged from \*\*\* to \*\*\* make up the weighted-average price.

2/ This margin is based on a single purchase of \*\*\* Japanese tubes at \*\*\* per tube compared with the weighted-average price per tube of 23 purchases of domestic tubes for a total of \*\*\* tubes at prices that ranged from \*\*\* to \*\*\* per tube.

3/ Weighted-average prices are based on 5 domestic product purchases that total \*\*\* tubes at prices that range from \*\*\* to \*\*\* per tube, compared with 2 purchases of Japanese tubes that total \*\*\* tubes at prices that range from \*\*\* to \*\*\*.

4/ Weighted-average prices for 1986 are based on 3 domestic product purchases that total \*\*\* tubes at prices that range from \*\*\* to \*\*\* per tube, compared with 3 purchases of Japanese tubes that total \*\*\* tubes priced at \*\*\* to \*\*\* per tube. For 1987, the weighted-average prices are based on 6 domestic purchases that total \*\*\* tubes at prices that range from \*\*\* to \*\*\* per tube, compared with 5 purchases of imported Japanese tubes that total \*\*\* tubes at prices that range from \*\*\* to \*\*\* per tube.

Three comparisons of unrelated party purchases of 20-inch color picture tubes all reflect overselling by the Japanese product. The margins ranged from \*\*\*, or 4.1 percent, in 1985 to \*\*\*, or 25.6 percent, in 1987 (table 63). Three comparisons of weighted-average prices of purchases of 20-inch tubes by related parties were possible; one shows underselling by the Japanese product and two reflect overselling. In 1985, the Japanese product undersold the domestic product by a margin of \*\*\*, or 1.9 percent (table 64). The margins of overselling were \*\*\*, or 6.7 percent, in 1986 and \*\*\*, or 1.9 percent, in 1987.

**Table 63**  
20-inch color picture tubes purchased from unrelated parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

**Table 64**  
20-inch color picture tubes purchased from related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

No comparisons were possible for purchases of 25-inch color tubes from unrelated parties. A single price comparison was possible for purchases of 25-inch tubes from related parties. The Japanese product undersold the domestic product in 1985 by \*\*\* per tube, or 8.3 percent (table 65).

**Table 65**  
25-inch color picture tubes purchased from related parties: Average margins by which imported color picture tubes undersold or (oversold) domestic color picture tubes, by import sources, 1984-86 and January-July 1987

\* \* \* \* \*

Price comparisons with respect to imports from Canada.--No weighted-average price comparisons were possible for unrelated or related party purchases of domestic 13-inch color tubes and such tubes imported from Canada. Two comparisons of such 19-inch color tubes purchased by unrelated parties were possible. One reflects underselling and the other overselling by the Canadian product. In 1985, the Canadian product undersold the domestic product by \*\*\*, or 2.4 percent (table 61). The Canadian 19-inch tubes were priced above the domestic tubes in 1986 by a margin of \*\*\*, or 0.2 percent. Comparisons of two such tube purchases from related parties reveal overselling by the Canadian tubes in both instances. In 1985 the Canadian product was

priced at \*\*\*, or 5.6 percent, above the domestic product and in 1986, the margin of overselling was \*\*\*, or 11 percent (table 62).

Two comparisons were possible for purchases of 20-inch domestic and Canadian color tubes by unrelated parties; both show the Canadian price above that of the domestic product (table 63). Two comparisons of purchases of such tubes from related parties reveal underselling by the Canadian 20-inch tubes (table 64).

No comparisons of domestic and Canadian 25-inch weighted-average prices of purchases by unrelated parties were possible. Two comparisons of prices for purchases of such tubes by related parties were possible and reflected overselling by margins of \*\*\*, or 7.6 percent, in 1984 and \*\*\*, or 1.9 percent, in 1985 (table 65).

Price comparisons with respect to imports from Korea.--Two comparisons of weighted-average prices of unrelated party purchases of 13-inch domestic color tubes and those imported from Korea were possible. One reflects underselling, the other overselling. In 1986, the Korean color tubes undersold the domestic tubes by a margin of \*\*\*, or 13.4 percent (table 59). The second comparison shows that the Korean tubes were priced above the domestic tubes in 1987 by a margin of \*\*\*, or 5.9 percent.

Four comparisons of weighted-average purchase prices of domestic and Korean 13-inch color tubes purchased from related parties were possible. All show underselling by the Korean product. The margins range from a low of \*\*\*, or 1.7 percent, in 1987 to a high of \*\*\*, or 21.8 percent, in 1985 (table 60).

Two comparisons of weighted-average prices of domestic and Korean 19-inch color picture tubes were possible for purchases from unrelated parties. Both show underselling by the Korean product. In 1986, the margin of underselling was \*\*\*, or 8.2 percent, and in 1987, the margin was \*\*\*, or 4.3 percent (table 61). A single comparison was possible for purchases of this product from related parties. In 1985, the Korean 19-inch tubes undersold the domestic product by a margin of \*\*\*, or 13.2 percent (table 62).

Price comparisons with respect to imports from Singapore.--Three comparisons were possible for weighted-average purchase prices of domestic 13-inch tubes and those imported from Singapore and purchased by unrelated parties. All reveal a pattern of underselling by the imported color picture tubes from Singapore. The margins ranged from a low of \*\*\*, or 5.9 percent, in 1987 to a high of \*\*\*, or 14.2 percent, in 1986 (table 59). No comparisons of purchase price data for related party purchases of 13-inch tubes were possible.

A single comparison was possible for weighted-average prices of purchases by unrelated parties of 19-inch domestic color tubes and tubes imported from Singapore. In 1986, the 19-inch color tubes from Singapore undersold the domestic product by a margin of \*\*\*, or 6.3 percent (table 61). Three comparisons were possible for related party purchases of 19-inch domestic tubes and tubes imported from Singapore. All reveal underselling by the color tubes imported from Singapore. The margins of underselling range from \*\*\*, or 5.1 percent, in 1985 to \*\*\*, or 14.8 percent, in 1987 (table 62).

The related party price question.--Weighted-average purchase prices paid by unrelated and by related parties for domestic color picture tubes and for such products imported from the subject countries are presented by screen size in appendix K. These data provide a perspective on whether purchase prices of domestic or imported color picture tubes sourced from related parties reflect market prices, or are calculated on a cost or cost-plus basis.

Domestic color picture tubes.--These data reveal that in 11 of 12 comparisons the weighted-average purchase prices of color picture tubes sourced from unrelated parties were above the purchase prices of color picture tubes sourced from related parties (table K-1). Only in 13-inch color tube purchases in 1987 was the price of tubes sourced from unrelated parties below that of tubes purchased from related parties, at a differential of 7.9 percent. The price differentials between related and unrelated sources for the other 11 comparisons were less, ranging from 0.8 to 6.4 percent.

Imports from Japan.--Data for color picture tubes imported from Japan reveal that in four of six comparisons, tubes purchased by unrelated parties were priced above the weighted-average prices of those supplied to related parties, by margins that ranged from a low of 2.7 percent to a high of 22 percent (table K-2). Two comparisons, one for 13-inch and the other for 19-inch, reflect unrelated party prices below related party prices, by margins of 20.3 and 3.7 percent.

Imports from Canada.--Two of four comparisons of data for color picture tubes imported from Canada show that purchase prices for 19-inch tubes sourced from unrelated parties were lower than those for such purchases from related parties, by margins of 5.8 and 7.9 percent. The other two comparisons show that for 20-inch tubes the purchase prices of tubes supplied by unrelated parties were above those sourced from related parties, by margins of 8.1 and 8.8 percent (table K-3).

Imports from Korea.--Two comparisons were possible for color picture tubes imported from Korea, both for the 13-inch screen size. In 1986, the purchase price of such tubes supplied by an unrelated party was 16.9 percent above the weighted-average price of 13-inch tubes sourced from a related party (table K-4). In 1987, the price of the tubes sourced from an unrelated party was 0.8 percent below the weighted-average price of tubes supplied by related parties.

Imports from Singapore.--A single comparison of unrelated and related party prices for color picture tubes imported from Singapore reveals that 19-inch tubes sourced from an unrelated party were purchased at a price 2.2 percent above the price of such tubes sourced from related parties (table K-5).

Purchase prices for color picture tubes paid by related and unrelated parties to individual tube producers are presented in tables K-6 through K-10. These data permit comparisons of related and unrelated prices of a given supplier. For tubes produced in the United States (table K-6) by specific producers, these data show that in 23 of 26 comparisons, unrelated party prices were higher than related party prices, at differentials ranging

up to 8.5 percent; in 3 comparisons, unrelated party prices were lower by differentials ranging from 0.6 to 7.9 percent. For producers in foreign countries there was one comparison possible in Japan in 1987 for \* \* \* in which the unrelated party price for 20-inch tubes was less than the related price by \*\*\*, or 8 percent (table K-7). In Canada, for \* \* \*, four comparisons were divided--two higher, two lower (table K-8). No company comparisons were possible for Korea; there was one in Singapore where the unrelated price was higher by 2.2 percent (tables K-9 and K-10).

Bid competition.--Weighted-average prices provide a basis for analyzing data on an aggregate basis. Another approach in obtaining a picture of the competition as it exists between domestic producers and importers is to compare color picture tube prices and competing quotes to specific purchasers for their annual sourcing decisions. This enables comparisons of quotations to the same purchaser at the same point in time, on the basis of the same quantity, tube specifications, and delivery schedules. Price data for four individual purchasers of domestic and imported color picture tubes are presented in tables K-11-25. They include Sanyo, Sharp, North American Philips, and Matsushita. Sanyo and Sharp are the two largest purchasers that are unrelated to any domestic or foreign supplier of color picture tubes. Philips is a domestic firm that has \* \* \*. Matsushita is the \* \* \*. Together, these four purchasers account for the bulk of color picture tubes purchased from unrelated parties.

Purchases by Sanyo.--\* \* \*. \* \* \*. \* \* \*. \* \* \* (table K-11). \* \* \*. \* \* \*. \* \* \* (table K-12). \* \* \* (table K-13). \* \* \* (table K-14).

Purchases by Sharp.--

\* \* \* \* \*

Most of Sharp's volume is supplied by domestic color picture tubes. Sharp has, however, purchased \* \* \* (tables K-15 and K-16). In 1986, \* \* \*. \* \* \*. \* \* \* (table K-17).

Purchases by Matsushita.--Imported tubes from Matsushita (Japan) in \* \* \*. \* \* \*.

\* \* \* (table K-18). \* \* \*. \* \* \*. In terms of being competitive compared with other purchase prices of \* \* \*. \* \* \*.

\* \* \* (table K-19). \* \* \*. \* \* \*. \* \* \*.

\* \* \*. \* \* \* (table K-20). \* \* \*.

Since 1985, Matsushita has sourced \* \* \* (table K-21). Competing domestic prices have been within a range of \* \* \*. \* \* \* (table K-21).

Purchases by Philips.--\* \* \* (table K-22). Philips did not purchase \* \* \*. In \* \* \*, Philips purchased \*\*\* percent of its volume in 1986 and \*\*\* percent in 1987 from \* \* \* (table K-23). \* \* \*.

Philips purchased \* \* \*. Philips split its volume \* \* \* (table K-24). Two shipments of \* \* \*. \* \* \*. \* \* \*. Philips supplemented its \* \* \*. There were no competing quotes for \* \* \* (table K-25).

Lost sales

\* \* \* alleged lost volume of from \*\*\* to \*\*\* \* \* \* color picture tubes per year beginning in 1983. \* \* \* attributes this aggregate lost volume to the increasing volume of low-priced imports of color picture tubes and to OEM decisions to purchase finished receivers from offshore to round out their product line. 1/ \* \* \* estimated the lost revenue corresponding to the lost volume at \*\*\* to \*\*\* per year.

\* \* \* alleges that it quoted \* \* \* prices to \* \* \* and \* \* \* in 1982 for 1983 orders but did not win any business. \* \* \* "continued to quote \* \* \* in 1983, 1984, and 1985 but were (sic) unsuccessful in securing business." 2/ \* \* \* alleges that it was told by its customers that they "were not competitive in price with \* \* \* or \* \* \*." \* \* \* noted that Korean \* \* \* tubes became a market factor in 1985. Data on competing prices for \* \* \* tubes compiled by \* \* \* in its questionnaire response are shown in the following tabulation:

\* \* \* \* \* \* \* \* \*

Specific quantities of lost sales to specific customers were provided by \* \* \*. \* \* \* quoted \* \* \* on \*\*\* \* \* \* color picture tubes in \* \* \*, \*\*\* in \* \* \*, and \*\*\* in \* \* \*. 3/ The respective quotes were \*\*\*, \*\*\*, and \*\*\* per tube. The staff was able to confirm the prices paid by \* \* \* for \* \* \* color picture tubes imported by \* \* \* from \* \* \* and by \* \* \* from \* \* \*. Questionnaire responses by \* \* \* show \* \* \* won an order from \* \* \* for \*\*\* \* \* \* color picture tubes for delivery in 1985 at a price of \*\*\* per tube, compared with \* \* \*'s alleged offer price of \*\*\*. \* \* \* shows a \* \* \* quote of \*\*\* in 1984 but no quote in 1985. In 1986, \* \* \* was awarded an order by \* \* \* for \*\*\* \* \* \* color picture tubes at \* \* \* per tube. \* \* \* did not quote on this order. 4/

The accuracy of \* \* \*'s data on competing prices of Korean color picture tubes is reflected in \* \* \*'s purchase price data as submitted in its

1/ \* \* \*.

2/ \* \* \*'s questionnaire response.

3/ In \* \* \*, \* \* \* allegedly quoted \* \* \* a price of \*\*\* on a prospective order for \*\*\* \* \* \* color picture tubes. \* \* \* did not receive any of these orders.

4/ Price data from \* \* \*'s questionnaire response show that \* \* \* sold \* \* \* \* \* \* color picture tubes in 1985 at \*\*\* per tube and in 1986 at \*\*\* per tube, or at the alleged prices listed by \* \* \* in its questionnaire response. The specific \* \* \* quotes to \* \* \* submitted by \* \* \* in its questionnaire response do not match those in the \* \* \* tabulation of \* \* \* competitive pricing inputs."

questionnaire response. \* \* \* awarded \* \* \* an order in \* \* \* for \* \* \* color picture tubes for 1986 delivery at \*\*\* per tube, the competing price as listed by \* \* \*. \* \* \* erred, however, in its alleged \* \* \* price of \*\*\*, because \* \* \* purchased \*\*\* \* \* \* color picture tubes from \* \* \* at a price of \*\*\* per tube.

\* \* \* also alleged a decline in shipments of \* \* \* tubes to OEM's as a result of competing low-priced imports. No specific lost sales were listed, however. \* \* \* did provide a comparative price quote matrix allegedly compiled from prices provided by OEM customers. 1/ These price quote comparisons for \* \* \* color picture tubes are shown in the following tabulation:

\* \* \* \* \* \* \*

\* \* \*, in its questionnaire response, listed purchases of \*\*\* imported Japanese \* \* \* color picture tubes in 1985 from \* \* \* at \*\*\* per tube and \*\*\* such tubes in 1986 at the same price. The 1985 \* \* \* price reported by \* \* \* was \*\*\*, or \*\*\* percent below the competing \* \* \* price quote listed by \* \* \*. \* \* \* lists a purchase of \*\*\* Korean \* \* \* color picture tubes from \* \* \* in 1986 at \*\*\* per tube, confirming the \* \* \* price listed by \* \* \*. \* \* \*'s price undersold the \* \* \* quote in 1986 by a range of \*\*\*-\*\*\*, or \*\*\* to \*\*\* percent. \* \* \*, in an amendment to its questionnaire response, listed a purchase of \*\*\* \* \* \* tubes from \* \* \* in 1986 at \*\*\* per tube. These tubes were imported from \* \* \*. The price reported by \* \* \* undersold \* \* \*'s highest quote (\*\*\*) by \*\*\* per tube, or \*\*\* percent. \* \* \*'s questionnaire response corroborates the \* \* \* price of \*\*\*.

\* \* \* also listed an order awarded to \* \* \* in 1986 for \*\*\* \* \* \* color picture tubes imported from \* \* \* at a delivered price of \*\*\* per tube. 2/ \* \* \* lists a purchase of \*\*\* \* \* \* color picture tubes from \* \* \* in 1986 at \*\*\* per tube.

\* \* \* listed five alleged lost sales that involved three different purchasers: \* \* \*, \* \* \*, and \* \* \*. These alleged lost sales spanned the period 1983-86 and amounted to a potential sales volume of \*\*\* \* \* \*, \*\*\* \* \* \*, and \*\*\* \* \* \* color picture tubes.

1/ \* \* \*'s questionnaire response states that the sources of these price data are \* \* \*. \* \* \* is a smaller unrelated purchaser that buys color picture tubes for television receivers assembled \* \* \*. \* \* \* is an importer and \* \* \*.

2/ \*\*\* of these tubes went into receivers that were exported by \* \* \* to \* \* \*. According to \* \* \*, no duty was paid on those \*\*\* \* \* \* color picture tubes. The net price of the tubes exported back to \* \* \* in the form of finished receivers would be roughly \*\*\* less than the duty paid, delivered net price of \*\*\*. This net price includes a \*\*\* cents per tube carton return allowance.

\* \* \* identified \* \* \* in two alleged lost sales. The first instance involved a potential sale for \*\*\* \* \* \* color picture tubes. \* \* \* alleged that in \* \* \*, \* \* \* notified \* \* \* that it would not be considered for any more \* \* \* picture tube business. \* \* \* stated that "the reason we were cancelled was due to the fact that \* \* \*." \* \* \*. \* \* \* quoted a price of \*\*\* but allegedly lost this order to the competing Japanese color picture tubes. \* \* \* did not know the offer price of the imported color picture tubes. As a result, \* \* \* alleged it lost an approximate sales volume of \*\*\* \* \* \* tubes over the period of \* \* \*, or a loss of \*\*\* in sales value. \* \* \* also alleged lost sales volume in \* \* \* color picture tubes when \* \* \* switched sources to related imports from Japan \* \* \*. \* \* \* alleged that this loss of potential sales from April 1984 through 1985 totaled approximately \*\*\* tubes, or a loss of \*\*\* in sales volume.

Data provided by \* \* \* reveal some contradictory facts as well as some supporting facts regarding these alleged lost sales. Beginning in \* \* \*, after \* \* \*, \* \* \* imported increasing quantities of \* \* \* Japanese color picture tubes at \* \* \*. In \* \* \*, domestic producers' sales of \* \* \* color picture tubes to \* \* \* fell by \*\*\* tubes while imports from \* \* \* of \* \* \* tubes at \* \* \* increased by more than \*\*\* tubes. Domestic producers' sales of \* \* \* tubes to \* \* \* fell by \*\*\* to \*\*\* tubes in \* \* \*, while imports of Japanese \* \* \* tubes climbed sharply to \*\*\* tubes, roughly \*\*\* percent of \* \* \*'s total \* \* \* tube purchases. In \* \* \*, \* \* \*'s share of \* \* \*'s \* \* \* tube purchases fell from \*\*\* to \*\*\*, and \* \* \*'s volume declined from \*\*\* to \*\*\* tubes. \* \* \*'s volume increased from \*\*\* to \*\*\* \* \* \* tubes, while \* \* \*'s imports of Japanese tubes increased by more than \*\*\* to \*\*\*. \* \* \*'s \* \* \* volume was split \*\*\* to \*\*\* percent in favor of related party imports from Japan.

\* \* \*'s and \* \* \*'s combined volume increased by \*\*\* \* \* \* tubes to \*\*\* in 1985, while imports of such Japanese tubes \* \* \* declined by \*\*\* to a total of \*\*\* tubes. The import share fell to \*\*\* percent. These data indicate that \* \* \* lost volume to \* \* \* but that, overall, the domestic share of \* \* \*'s purchases of \* \* \* color tubes declined sharply in \* \* \* and did not improve until \* \* \*.

In the final investigations \* \* \* also alleged lost \* \* \* volume from \* \* \*. Citing a potential volume of about \*\*\* tubes, \* \* \* claimed its opportunity to pursue this volume was reduced because of unfair prices and \* \* \*. \* \* \* stated that it was only able to retain a volume of about \*\*\* \* \* \* tubes. The data show that the decline in \* \* \*'s share to an average of \*\*\* tubes per year in \* \* \* was largely offset by increases in \* \* \*'s purchases from \* \* \*, but that imports' share of \* \* \*'s total purchases of \* \* \* color tubes increased sharply. \* \* \*'s average annual volume sold to \* \* \* fell to \*\*\* \* \* \* tubes per year in \* \* \* while \* \* \*'s increased from \*\*\* in \* \* \* to \*\*\*. Although the volume of imports from Japan declined in absolute terms, the import share remained above \*\*\* percent.

\* \* \* named \* \* \* in two alleged lost sales. The first involved a potential order for \*\*\* \* \* \* color picture tubes from \* \* \*. \* \* \* quoted \*\*\* per tube in \* \* \*, but allegedly lost out to a Korean quote of \*\*\* per tube. Price data from \* \* \*'s questionnaire response show that \*\*\* months

later, 1/ in \* \* \*, \* \* \* awarded an order to \* \* \* for \*\*\* Korean \* \* \* color picture tubes at a price of \*\*\* per tube, which appears to be the same order. In \* \* \*, \* \* \* awarded \* \* \* an order for \*\*\* \* \* \* color picture tubes at a price of \*\*\* per tube. The prices for the Korean tubes undersold \* \* \*'s offer price by \*\*\*, or by \*\*\* percent (\* \* \*), and by \*\*\*, or \*\*\* percent (\* \* \*). Staff contacted \* \* \*, \* \* \*, who checked the firm's purchase order records and stated that the \* \* \* allegation was generally accurate with respect to prices and quantities. He noted that the price of \* \* \*'s \* \* \* color picture tube increased to \*\*\* in \* \* \* and then to \*\*\* in \* \* \*. The second alleged lost sale involving \* \* \* occurred in \* \* \*. \* \* \* quoted \*\*\* per tube for a potential sale of \*\*\* \* \* \* color tubes, but allegedly lost to imported Korean tubes offered at \*\*\* per tube. \* \* \*'s questionnaire response reveals that \* \* \* quoted a price of \*\*\* per tube but that \* \* \* was awarded a sales volume of \*\*\* \* \* \* color picture tubes for 1987 delivery at a price of \*\*\* per tube.

\* \* \* footnoted but did not list another lost sale in \* \* \* to \* \* \* for a total of \*\*\* \* \* \* tubes imported from Singapore. Again, the purchaser cited was \* \* \*. \* \* \* alleged that its rejected quote was \*\*\* against a competing \* \* \* price of \*\*\* \* \* \*. \* \* \*'s questionnaire response shows two awards to \* \* \* for \* \* \* tubes imported from Singapore during this time period for a total volume of \*\*\* tubes at \*\*\* per tube. \* \* \* listed \* \* \*'s competing quote at \*\*\* per tube. \* \* \* could find no purchase from \* \* \* at a price of \*\*\*. A part of the alleged lost volume went to a domestic competitor. \* \* \* was awarded a sale for \*\*\* \* \* \* tubes in \* \* \* at a price of \*\*\* per tube.

\* \* \* was identified in the final \* \* \* lost sale allegation. A \* \* \* quote in \* \* \* of \*\*\* per tube for an order for \*\*\* \* \* \* color picture tubes was allegedly rejected in favor of a competing offer price of \*\*\* per tube for imported Japanese tubes. The staff asked \* \* \* to check the facts as alleged. No information was provided because \* \* \*. \* \* \*.

\* \* \* listed a single alleged lost sale. In \* \* \*, \* \* \* quoted to \* \* \* for a potential order of \*\*\* to \*\*\* \* \* \* color picture tubes. \* \* \* alleged that \* \* \*. \* \* \* attempted to ascertain the facts relative to the allegation. \* \* \* stated that no one there could recall the specific conversation. Such a conversation would have been possible with \* \* \*, but would have been general in nature as to the competitive costs in the industry. \* \* \*'s management \* \* \*.

\* \* \*, \* \* \*, and \* \* \* did not provide any specific examples of lost sales.

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1/ Although, as noted previously, negotiations for anticipated annual requirements of color television tubes are initiated months in advance of the calendar year for scheduled shipments, negotiations frequently are not finalized until months later. According to domestic producers and large purchasers such as \* \* \* and \* \* \*, supply commitments for \* \* \* were not yet finalized by yearend \* \* \*, although negotiations had been going on for months.

Lost revenue

\* \* \* submitted four instances of alleged lost revenue. Two involved awards by \* \* \* to supply \* \* \* color picture tubes. Two involved awards to supply \* \* \* color picture tubes, one sale to \* \* \* and the other to \* \* \*. \* \* \* provided a computer run of alleged lost revenue in aggregate but did not provide facts regarding specifics with respect to import competition from any of the subject countries or competing prices that necessitated reductions of price to meet import competition. \* \* \* also provided aggregate estimates of lost revenue by screen size but without verifiable specifics. \* \* \*, \* \* \*, and \* \* \* did not provide instances of lost revenue.

\* \* \* cited \* \* \* as the purchaser of a potential volume of \*\*\* \* \* \* color picture tubes in \* \* \*. \* \* \* could not confirm the initial offer price of \* \* \* because of a \* \* \*. \* \* \* allegedly won a part of this volume after reducing its initial quote of \*\*\* per tube to \*\*\* in the face of low-priced competing tubes from Singapore. Data from \* \* \* show that the lowest competing price for \* \* \* tubes imported from Singapore and sold to unrelated parties in \* \* \* was \*\*\* per tube. \* \* \*'s questionnaire response indicates a sale of \*\*\* \* \* \* tubes to \* \* \* in \* \* \* at \*\*\* per tube. \* \* \*'s questionnaire response confirms this purchase at the alleged price, and shows that \* \* \* divided its volume between \* \* \* and \* \* \*, whose price matched the competing price for tubes imported from Singapore.

\* \* \* named \* \* \* in another instance of lost revenue involved in competing for a potential \* \* \* purchase of \*\*\* \* \* \* color tubes that began in \* \* \*. \* \* \* alleged that it received a part of this volume after reducing its initial quote of \*\*\* per tube to \*\*\* in order to compete with low-priced imported \* \* \* tubes from Korea. \* \* \*'s questionnaire response confirms that \* \* \* sold \* \* \* tubes to \* \* \* at \*\*\* per tube in \* \* \*. \* \* \* shared in \* \* \*'s volume in \* \* \*, but \* \* \* and \* \* \* shared the bulk of the volume. \* \* \* did not apparently participate in \* \* \* volume. \* \* \* confirmed that \* \* \* purchased \* \* \* tubes from \* \* \* in \* \* \* after \* \* \* reduced its price to \*\*\* as alleged. \* \* \*'s questionnaire response revealed that this price was for \*\*\* units, after which the price reverted to \*\*\* per tube.

A third alleged instance of lost revenue involved a sale to \* \* \* of \* \* \* color tubes for \* \* \* delivery after \* \* \* reduced its offer price from \*\*\* to \*\*\* per tube in the face of competing imported tubes from Canada. \* \* \*'s questionnaire response indicated that \* \* \* did win an award for \*\*\* \* \* \* tubes in \* \* \* at a price of \*\*\* per tube. This price held for the first \*\*\* tubes, after which the price increased to \*\*\* per tube for the balance of the order. The competing import price was not for imported tubes from Canada but for tubes imported from \* \* \* and sold to \* \* \* for \*\*\* per tube.

A fourth instance of alleged lost revenue named \* \* \* as the purchaser of \*\*\* \* \* \* color picture tubes from \* \* \* after that firm reduced its offer from \*\*\* per tube to \*\*\*. \* \* \* confirmed the purchase for delivery in \* \* \* at the alleged price. He recalled that \* \* \*, because of competing low-priced imports, would have to sell \* \* \* tubes at \*\*\* per tube. \* \* \* contacted \* \* \* and negotiated the purchase as alleged.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1984-September 1987 the nominal value of the Japanese yen appreciated sharply (by 55.1 percent) against the U.S. dollar, while the respective values of the currencies of Canada, Korea, and Singapore registered overall depreciations equivalent to 5.3 percent, 1.6 percent, and 0.1 percent (table 66). 1/ Generally falling prices in Japan compared with relatively stable prices in the United States moderated the impact of the rapidly appreciating yen during most of the period. The value of the yen adjusted for differences in relative inflation rates decreased during January 1984 through March 1985 and then increased erratically from April-June 1985 through July-September 1987. The real value of the Japanese currency registered an overall appreciation equivalent to 34.2 percent as of the third quarter of 1987 relative to January-March 1984 levels.

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1/ International Financial Statistics, October 1987.

Table 66

Exchange rates: 1/ Nominal-exchange-rate equivalents of selected currencies in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in specified countries, 2/ indexed by quarters, January 1984-September 1987

	<u>U.S.</u>	<u>Canada</u>			<u>Japan</u>			<u>Korea</u>			<u>Singapore</u>			
	Pro- ducer Price	Pro- ducer Price	Nominal-- exchange- rate	Real- exchange- rate	Pro- ducer Price	Nominal- exchange- rate	Real- exchange- rate	Pro- ducer Price	Nominal- exchange- rate	Real- exchange- rate	Pro- ducer Price	Nominal- exchange- rate	Real- exchange- rate	
<u>Period</u>	<u>Index</u>	<u>Index</u>	<u>index 3/</u>	<u>Index</u>	<u>Index</u>	<u>index 3/</u>	<u>Index</u>	<u>Index</u>	<u>index 3/</u>	<u>Index</u>	<u>Index</u>	<u>index 3/</u>	<u>Index</u>	<u>index 3/</u>
			<u>--US dollars/Can\$--</u>				<u>--US dollars/yen--</u>				<u>--US dollars/won--</u>			
<b>1984:</b>														
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	100.7	101.2	97.1	97.6	99.9	100.6	99.8	100.3	99.7	99.3	99.9	100.8	100.0	
July-Sept..	100.4	101.9	95.5	96.9	100.7	94.9	95.1	101.2	98.2	98.9	99.5	98.3	97.4	
Oct.-Dec...	100.2	102.1	95.2	97.0	100.4	93.9	94.1	101.3	97.1	98.2	98.4	97.8	96.1	
<b>1985:</b>														
Jan.-Mar...	100.0	103.3	92.8	95.8	100.8	89.7	90.4	101.3	94.8	96.1	98.4	94.5	93.0	
Apr.-June..	100.1	103.9	91.7	95.1	100.1	92.1	92.1	101.3	91.7	92.9	98.4	95.2	93.7	
July-Sept..	99.4	103.9	92.3	96.5	99.0	96.8	96.4	101.6	90.1	92.1	96.9	95.4	93.0	
Oct.-Dec...	100.0	104.8	91.0	95.3	96.7	111.6	107.9	102.1	89.3	91.2	95.1	99.7	94.8	
<b>1986:</b>														
Jan.-Mar...	98.5	105.8	89.4	96.0	94.4	123.0	117.8	101.1	89.7	92.1	89.8	98.8	90.2	
Apr.-June..	96.6	104.1	90.7	97.7	90.4	135.8	127.1	99.0	89.7	91.9	84.0	95.8	83.3	
July-Sept..	96.2	104.3	90.6	98.2	87.9	148.3	135.6	98.9	90.2	92.7	81.3	97.5	82.3	
Oct.-Dec...	96.5	105.1	90.7	98.7	86.6	144.1	129.2	98.5	91.5	93.4	82.6	96.8	82.8	
<b>1987:</b>														
Jan-Mar....	97.7	105.6	93.8	101.4	86.2	150.8	133.1	98.8	93.0	94.1	87.5	98.6	88.4	
Apr.-June...	99.3	106.8	94.2	101.3	85.8	161.9	139.8	100.2	96.1	96.9	89.1	99.7	89.4	
July-Sept <u>4/</u> 100.4	<u>5/</u>	94.7	<u>5/</u>	86.9	155.1	134.2	99.5	98.4	97.6	<u>5/</u>	99.9	<u>5/</u>		

1/ Exchange rates expressed in U.S. dollars per unit of foreign currency.

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

3/ The indexed real exchange rate represents the nominal exchange rate adjusted for the relative economic movement of each currency as measured here by the Producer Price Index in the United States and similar indexes in the respective foreign countries. Producer prices in the United States decreased 0.7 percent between January 1984 and June 1987 compared with decreases of 14.2 percent in Japan, 10.9 percent in Singapore, a 0.2-percent increase in Korea, and a 6.8-percent increase in Canada during the same period.

4/ Data for the final quarter presented above is derived from exchange rate and Producer Price Indices reported for July-August only.

5/ Not available.

Note.--January-March 1984=100.0.

Source: International Monetary Fund, International Financial Statistics, October 1987.



**APPENDIX A**

**NOTICE OF THE COMMISSION'S INSTITUTION OF FINAL  
ANTIDUMPING INVESTIGATIONS**

[Investigations Nos. 731-TA-367-370  
(Final)]

**Color Picture Tubes From Canada,  
Japan, the Republic of Korea, and  
Singapore**

**AGENCY:** International Trade  
Commission.

**ACTION:** Institution of final antidumping  
investigations and scheduling of a  
hearing to be held in connection with  
the investigations.

**SUMMARY:** The Commission hereby gives  
notice of the institution of final  
antidumping investigations Nos. 731-  
TA-367-370 (Final) under section 735(b)  
of the Tariff Act of 1930 (19 U.S.C.  
1873d(b)) to determine whether an  
industry in the United States is  
materially injured, or is threatened with  
material injury, or the establishment of  
an industry in the United States is  
materially retarded, by reason of  
imports from Canada, Japan, the Republic  
of Korea, and Singapore of color picture  
tubes, provided for in items 684.96 and  
687.35 of the Tariff Schedules of the  
United States (TSUS),<sup>1</sup> that have been  
found by the Department of Commerce,  
in preliminary determinations, to be sold  
in the United States at less than fair  
value (LTFV).<sup>2</sup> Commerce will make its  
final LTFV determinations on or before  
November 12, 1987 (see section 735(a) of  
the act (19 U.S.C. 1873d(a))),<sup>3</sup> and the

<sup>1</sup> For purposes of these investigations, color  
picture tubes are defined as cathode ray tubes  
suitable for use in the manufacture of color  
television receivers or other color entertainment  
display devices intended for television viewing.  
Color picture tubes imported separately are  
provided for in item 687.35 of the TSUS; color  
picture tubes may also be imported as part of color  
television receiver kits or as part of incomplete  
television receiver assemblies, provided for in item  
684.96 of the TSUS.

<sup>2</sup> In its preliminary determinations, Commerce did  
not cover imports directly from Japan of color  
picture tubes imported as part of color television  
receiver kits, provided for in item 684.96 of the  
TSUS, and did not cover imports from the Republic  
of Korea of color picture tubes imported as part of  
color television receiver kits or as part of  
incomplete television receiver assemblies, provided  
for in item 684.96 of the TSUS.

<sup>3</sup> Commerce has given the Commission informal  
notice concerning the date of November 12, 1987, for  
its final determinations. Commerce's formal notice  
concerning the November 12, 1987, date will  
published in the Federal Register.

Commission will make its final injury determinations by December 22, 1987 (see section 735(b) of the act (19 U.S.C. 1673d(b))).

For further information concerning the conduct of these investigations, hearing procedures, and rules of general application, consult the Commission's rules of practice and procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

**EFFECTIVE DATE:** June 30, 1987.

**FOR FURTHER INFORMATION CONTACT:** George L. Deyman (202-523-0481), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-523-0161.

**SUPPLEMENTARY INFORMATION:**

**Background.**—These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of color picture tubes from Canada, Japan, the Republic of Korea, and Singapore are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigations were requested in a petition filed on November 26, 1986, by the International Association of Machinists and Aerospace Workers; the International Brotherhood of Electrical Workers; the International Union of Electronic, Electrical, Technical, Salaried & Machine Workers, AFL-CIO-CLC; the United Steelworkers of America, AFL-CIO; and the Industrial Union Department, AFL-CIO, all of Washington, DC. Collectively, these labor unions represent employees of four of the five U.S. producers of color picture tubes. In response to the petition the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of those investigations, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of color picture tubes from Canada, Japan, the Republic of Korea, and Singapore (52 FR 2459, January 22, 1987).

**Participation in the investigations.**—Persons wishing to participate in these 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 twenty-one (21) days after the publication of this notice in the *Federal Register*. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

**Service list.**—Pursuant to § 207.11(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 § 201.18(c) and 207.3 of the rules (19 CFR 201.18(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.

**Staff report.**—A public version of the prehearing staff report in these investigations will be placed in the public record on November 3, 1986, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

**Hearing.**—The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on November 19, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on November 9, 1987. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on November 13, 1987, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is November 13, 1987.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.8(b)(2) of the Commission's rules (19 CFR 201.8(b)(2))).

**Written submissions.**—All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing brief must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on November 25, 1987. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before November 25, 1987.

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 Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission 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 § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Kenneth R. Mason,

Secretary.

Issued: July 21, 1987.

[FR Doc. 87-1722 Filed 7-28-87; 8:45 am]

BILLING CODE 7020-02-M



**APPENDIX B**

**LIST OF PARTICIPANTS IN THE COMMISSION'S HEARING  
IN THE INVESTIGATIONS**

CALENDAR OF PUBLIC HEARING

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

Subject : Color Picture Tubes from Canada, Japan,  
The Republic of Korea, and Singapore

Inv. Nos. : 731-TA-367 through 370 (Final)

Date and time: November 19, 1987 - 9:30 a.m.

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

In support of the imposition of antidumping duties:

Collier, Shannon, Rill & Scott--Counsel  
Washington, D.C.  
on behalf of

The International Association of Machinists and Aerospace Workers, The International Brotherhood of Electrical Workers, The International Union of Electronic, Electrical, Technical, Salaried and Machine Workers (AFL-CIO-CLC), The United Steelworkers of America (AFL-CIO), and The Industrial Union Department (AFL-CIO)

Jerry Pearlman, Chairman and President, Zenith Electronics Corporation

Robert G. Walters, Senior Vice President and Controller, Philips Electronic Components Group, Inc.

William H. Bywater, President, International Union Electronic, Electrical, Technical, Salaried and Machine Workers

Brian Turner, Executive Assistant to President, Industrial Union Department (AFL-CIO)

Dr. Patrick J. Magrath, Chief Economist and Managing Director, Georgetown Economic Services

Donald McConnell, Corning Glass Works

Paul D. Cullen )  
Laurence J. Lasoff)--OF COUNSEL  
Carol A. Mitchell )

In opposition to the imposition of antidumping duties:

JOINT PRESENTATION FOR MATSUSHITA, MISUBISHI,  
HITACHI AND TOSHIBA

OVERVIEW - Stuart M. Rosen, Esq.

Economic Overview - John G. Reilly,  
Economic Consultant, ICF,  
Incorporated

Rebuttal

Weil, Gotshal & Manges--Counsel  
Washington, D.C.  
on behalf of

Matsushita Electronic Corporation and  
Matsushita Electric Corporation of America

Richard A. Kraft, President, Matsushita  
Industrial Co.

A. Paul Victor )  
Stuart M. Rosen ) --OF COUNSEL  
Jeffrey P. Bialos) )  
Eric P. Salonen )

Baker & McKenzie--Counsel  
Washington, D.C.  
on behalf of

Mitsubishi Electronic Corporation,  
Mitsubishi Electronic Industries Canada,  
Mitsubishi Consumer Electronics America, Inc.,  
and Mitsubishi Electric Sales of America, Inc.

Michael Colliver, Executive Vice President

John Huber, Manager of Materials Procurement

Thomas P. Ondeck) --OF COUNSEL  
Kevin M. O'Brien)

In opposition to the imposition of antidumping duties (cont'd)

McDermott, Will & Emery--Counsel  
Washington, D.C.  
on behalf of

Hitachi, Limited (Japan and Singapore)

Jim Aden, General Manager, Hitachi America, Ltd.,  
Electron Tube Division

Carl W. Schwarz )  
William H. Barrett )--OF COUNSEL  
Lizabeth R. Levinson )

Mudge, Rose, Guthrie, Alexander & Ferdon--Counsel  
Washington, D.C.  
on behalf of

Toshiba America, Inc.

Robert H. Traeger, Vice President and General  
Manager, Manufacturing Division, Toshiba  
America, Inc.

Robert R. Kaemmerer, Director of Marketing  
and Secretary Toshiba Westinghouse Electronics  
Corporation

Susan Crawford, Economic Consultant

N. David Palmeter)  
Jeffrey S. Neeley)--OF COUNSEL

Adduci, Dinan, Matriani, Meeks & Schill--Counsel  
Washington, D.C.  
Shanley & Fisher--Counsel  
New York, N.Y.  
on behalf of

Sharp Manufacturing Company of America,  
Memphis, Tennessee

Eddie R. Cox, Director of T.V. Manufacturing  
Operations, Sharp Manufacturing Co. of America

Adduci, Dinan, Matriani, Meeks & Schill

V. James Adduci--OF COUNSEL

Shanley & Fisher

Peter A. Dankin--OF COUNSEL

In opposition to the imposition of antidumping duties (cont'd)

Dow, Lohnes & Albertson--Counsel  
Washington, D.C.  
on behalf of

Goldstar Co., Ltd., Goldstar of America, Inc.,  
and Goldstar Electronics International, Inc.

William Silverman) --OF COUNSEL  
Michael P. House )

Arnold & Porter--Counsel  
Washington, D.C.  
on behalf of

Samsung Electron Devices, Ltd. and  
Samsung International, Inc.

Dr. Robert Litan, The Brookings Institution

Thomas B. Wilner )  
Stephan E. Becker)--OF COUNSEL  
Jeffrey Winton )



APPENDIX C

NOTICES OF THE DEPARTMENT OF COMMERCE'S FINAL LTFV  
DETERMINATIONS ON COLOR PICTURE TUBES

## Notices

Federal Register

Vol. 52, No. 222

Wednesday, November 18, 1987

**EFFECTIVE DATE:** November 18, 1987.

**FOR FURTHER INFORMATION CONTACT:**  
John Brinkmann, (202) 377-3965 or John  
Kenkel, (202) 377-3530, Office of  
Investigations, Import Administration,  
International Trade Administration, U.S.  
Department of Commerce, 14th Street  
and Constitution Avenue NW.,  
Washington, DC 20230.

### Final Determination

We have determined that color picture tubes from Canada are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended [9 U.S.C. 1673d(a)] (the Act). The weighted-average margins of sales at less than fair value are shown in the "Suspension of Liquidation" section of this notice.

### Case History

On June 24, 1987, we made an affirmative preliminary determination (52 FR 24320, June 30, 1987). The following events have occurred since the publication of that notice.

On July 6, 1987, Mitsubishi Electronics Industries Canada, Inc. (Mitsubishi), the respondent in this case, requested that the Department extend the period for the final determination until not later than 135 days after the date on which the Department published its preliminary determination. The Department granted this request, and postponed its final determination until not later than November 12, 1987 (52 FR 27696, July 23, 1987).

Questionnaire responses from the respondent were verified in Canada from June 29 to July 3, 1987, and in the United States from August 24 to August 31, 1987.

Interested parties submitted comments for the record in their pre-hearing briefs of October 1, 1987, and in their post-hearing briefs of October 9, 1987.

### Scope of Investigation

The products covered by this investigation are color picture tubes (CPTs) which are provided for in the *Tariff Schedules of the United States Annotated* (TSUSA) items 887.3512, 887.3513, 887.3514, 887.3516, 887.3518, and 887.3520. The corresponding Harmonized System (HS) numbers are 8540.11.00.10, 8540.11.00.20, 8540.11.00.30,

[A-122-605]

### Final Determination of Sales at Less Than Fair Value; Color Picture Tubes From Canada

#### ACTION: Notice.

**SUMMARY:** We have determined that color picture tubes from Canada are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening material injury to, a United States industry.

8540.11.00.40, 8540.11.00.50 and  
8540.11.00.60.

CPTs are defined as cathode ray tubes suitable for use in the manufacture of color television receivers or other color entertainment display devices intended for television viewing.

Petitioners have also requested that the Department examine CPTs which are shipped and imported together with other parts as television receiver kits (which contain all parts necessary for assembly into complete television receivers), or as incomplete television receiver assemblies that have a CPT as well as additional components. Color television receiver kits ("kits") are provided for the TSUSA item 884.9655, while incomplete television receiver assemblies ("assemblies") are provided for the TSUSA item 884.9656, 884.9658 and 884.9660.

During the period of investigation, no exporter in Canada sold kits and assemblies in the United States. Thus, the issue before the Department is whether to include in the scope of this proceeding future shipments of CPTs which are classified for Customs purposes as kits or assemblies. We have determined that where a CPT is shipped and imported together with all parts necessary for assembly into a complete television receiver (i.e., as a "kit"), the CPT is excluded from the scope of this investigation. The Department has previously determined in the Japanese (46 FR 30163, June 5, 1981) and Korean (49 FR 18338, April 30, 1984) television receiver ("CTV") cases that kits are to be treated for purposes of the antidumping statute as television receivers, not as a collection of individual parts. Stated differently, a kit and a fully-assembled television are a separate class or kind of merchandise from the CPT. Accordingly, we have determined that when CPTs are shipped together with other parts as television receiver kits, they are excluded from the scope of this investigation. We will determine in any future administrative review whether factual circumstances similar to those found by the Department in the Japanese CPT investigation warrant including Canadian kits with this proceeding as transshipped CPTs.

With respect to CPTs which are imported for Customs purposes as incomplete television assemblies, we have determined that these entries are included within the scope of this investigation unless both of the following criteria are met: (1) The CPT is "physically integrated" with other television receiver components in such a manner as to constitute one inseparable amalgam; and, (2) the CPT does not

constitute a significant portion of the cost or value of the items being imported. This determination is driven by several considerations. First, an order against CPTs that excludes any CPT shipped with other television components could easily be circumvented by simply shipping all future CPTs to the United States in conjunction with at least one other television component. Secondly (and conversely), there must be a point at which a part, such as a CPT, becomes so integrated within another class or kind of merchandise that the part can no longer be regarded as being imported for purposes of the antidumping duty statute. Further, the statute does not permit an interpretation which could result, for example, in future petitions against car radios imported within fully-assembled cars or semiconductors imported within fully-assembled mainframe computers, when the part in question is inconsequential or small compared to the cost or value of the product of which it is a part. However, where the part (here, a CPT) constitutes a substantial portion of the cost or value of the article being imported (here, an assembly), the dominant article does not lose its autonomy, character and use merely because it is imported with several other less important component parts. We accordingly determine that assemblies are within the scope of this investigation.

#### Fair Value Comparison Methodology

To determine whether sales of CPTs in the United States were made at less than fair value, we compared the United States price to the foreign market value of such or similar merchandise for the period June 1, 1986 through November 30, 1986.

#### Foreign Market Value

As provided in section 773(a) of the Act, we used home market sales to represent foreign market value for sales of CPTs by Mitsubishi. In order to determine whether there were sufficient sales of the merchandise in the home market to serve as the basis for calculating foreign market value, we established separate categories of such or similar merchandise, based on the CPT screen size measured diagonally in inches. We considered any CPT sold in the home market that was within plus or minus two inches in screen size of the CPT sold in the U.S. to be such or similar merchandise.

We then compared the volume of home market sales within each such or similar category to third country sales (excluding U.S. sales), in accordance with section 773(a)(1) of the Act. We

determined that for Mitsubishi, there were sufficient home market sales to unrelated customers for each such or similar category to form an adequate basis for comparison to the CPTs imported into the United States. Therefore, foreign market value was calculated using home market sales.

#### Purchase Price

As provided in section 772(b) of the Act, we used the purchase price to represent the United States price for sales of CPTs made by Mitsubishi in the United States to unrelated purchasers prior to importation of the CPTs into the United States. The Department determined that purchase price and not exporter's sales price was the most appropriate indicator of United States price based on the following elements.

1. The merchandise was purchased or agreed to be purchased by the unrelated U.S. buyer to the date of importation from the manufacturer or producer of the merchandise for exportation to the United States.

2. The merchandise in question was shipped directly from the manufacturer to the unrelated buyer.

3. Direct shipments from the manufacturer to the unrelated buyer were the customary commercial channel for sales of this merchandise between the parties involved.

Where all the above elements are met, as here, we regard the primary marketing functions and selling costs of the exporter as having occurred prior to importation, in the country of exportation and not in the United States. In such instances, we consider purchase price to be the appropriate basis for calculating United States price.

#### Exporter's Sales Price

For certain sales by Mitsubishi, we based United States price on exporter's sales price, in accordance with section 772(c) of the Act, since the sale to the first unrelated purchaser took place in the United States after importation.

#### United States Price Calculations

##### Purchase Price

We calculated purchase price based on the packed, c.i.f., duty paid and c.i.f. duty unpaid prices to unrelated purchasers in the United States. We made deductions from these prices for discounts. We also made deductions under the following section of the Commerce Regulations:

1. Section 353.10(d)(2)(i)

Where appropriate, we deducted foreign inland freight, brokerage and

handling charges, U.S. duty, U.S. inland freight and insurance.

#### *Exporter's Sales Price*

For all exporter's sales price sales, the CPTs were imported into the United States by a related importer and incorporated into a color television (CTV) before being sold to the first unrelated party. Therefore, it was necessary to construct a selling price for the CPT from the sale of the CTV. To calculate exporter's sales price we used the packed, c.i.f. duty paid prices of CTVs to unrelated purchasers in the United States. We made deductions for discounts. We also made additions or deductions under the following sections of the Commerce Regulations:

##### **1. Section 353.10(d)(2)(i)**

We made deductions for foreign inland freight, U.S. and foreign brokerage and handling charges, U.S. duty and U.S. inland freight.

##### **2. Section 353.10(e)(1)**

We made deductions for commissions paid to related sales representatives because they are treated the same as unrelated commissionaires.

##### **3. Section 353.10(e)(2)**

We made deductions for direct and indirect selling expenses incurred by or for the account of the exporter in selling CTVs in the United States. Since it is the CTV and not the CPT which is ultimately sold in the United States, a proportional amount of the CTV selling expenses were allocated to the CPT based on the ratio of CPT cost of production to the CTV cost of production. Therefore, we deducted general indirect selling expenses and direct selling expenses for credit costs, rebates and warranties. The total of the indirect selling expenses allocated to the CPT formed the cap for the allowable home market selling expenses offset under § 353.15(c).

##### **4. Section 353.10(e)(3)**

For exporter's sales price sales involving further manufacturing, we deducted all value added to the CPT in the United States. This value added consisted of the costs associated with the production of the CTV, other than the costs of the CPT, and a proportional amount of the profit or loss related to these production costs which did not include the selling expenses. Profit or loss was calculated by deducting from the sales price of the CTV all production and selling costs incurred by the company for the CTVs. The total profit or loss was then allocated proportionately to all components of

costs. The profit or loss attributable only to the production costs, other than CPT costs, was considered to be part of the value added in the U.S. production.

In determining the costs incurred to produce the CTV, the Department included (1) the costs of production for each components, (2) movement, inventory carrying costs for each component, and packing expense, and (3) the cost of other materials, such as the cabinet, cables, fabrication, general expenses, including general and administrative expenses, general R&D expenses incurred on behalf of the CTV by the parent, and interest expenses attributable to the production of the CTV in the U.S. The weighted-average costs for each component were converted at the weighted-average exchange rate during that quarter. These aggregated quarterly costs were then matched to the sales prices of the CTV during that quarter to determine the profit or loss.

The Department found no basis, such as an extended period for production or an extended time between the receipt of the components in the U.S. and completion of the CTV, for lagging costs. Additionally, lagging exchange rates for components, including the CPT, could materially distort the determination since the U.S. price of the CPT would not be valued as the date of sale of the CTV.

In calculating the CPT and CTV costs, the Department relied primarily on the cost data provided by the respondent. In those instances where it appeared all costs were not included or were not appropriately quantified or valued in the response, certain adjustments were made.

To determine the company's financial expense incurred in the production of the CTV, the Department considered the various unusual aspects of the manufacturing process. Because the total process, including the manufacturing of the various components as well as the CTV, was global in nature, involving numerous companies around the world, the Department based the interest expense on the costs incurred by the consolidated corporate entity. Additionally, because this global process required the corporation to finance the costs of the components for an unusually lengthy period of time prior to the receipt by the U.S. manufacturer, the Department also included inventory carrying costs for those major components manufactured by related companies. To impute this expense, the Department used the simple average interest rate of the consolidated company's outstanding debt to calculate

the carrying costs of these components prior to the completion of the production of the CTV. No inventory carrying costs were imputed for the CPT because the carrying time was not extensive prior to the completion of the CTV.

The interest expense was based on the consolidated corporate expense. The Department deducted interest income related to operations and a proportional amount of expenses attributed to accounts receivable and inventory since these costs were included in the cost of production for the final determination on a product specific basis. The interest expense was then applied as a percentage of the costs of manufacturing of each product.

For those major components manufactured by related companies (i.e., chassis and CPT), the Department used the costs incurred in producing such components and did not rely on the transfer prices of those components between related corporate entities when determining the CTV costs incurred by the consolidated corporation.

Royalty expenses incurred for production purposes were considered to be part of manufacturing, not selling expenses.

Since Mitsubishi did not include general and administrative expenses or general R&D incurred by the corporate headquarters for the production of the chassis and CPT, the Department allocated a portion of these expenses to the CPT, chassis and other manufacturing costs incurred in the U.S. Furthermore, the Department allocated a proportional amount of consolidated interest expense to each company.

For the CPT, the company provided corrections of clerical errors. The company revised its variable factory overhead, direct labor, and indirect labor per tube expenses. The Department revised semi-variable overhead, depreciation, taxes and security, and development expenses because the company reduced the cost by applying a capacity utilization factor which did not fully absorb all costs. Furthermore, the Department adjusted the depreciation expenses to capture amortization of license payments made by the company which were not included. Material costs were adjusted for two items pertaining to the 19-inch tube: freight, which was not included on the 19-inch gun, and phosphorus usage, which could not be supported during verification. Finally, the Department increased the 26-inch panel cost imported from Japan to reflect certain reallocations of factory overhead. This adjustment applied only to the fourth quarter cost of the 26-inch panel

For the chassis, the Department did not allow a credit claimed for payroll taxes incurred in prior years to offset current year labor costs. Electricity and certain indirect expenses were also reallocated to reflect the nature of the production process. Finally, the Department increased Mitsubishi's cost of manufacturing for the chassis because it was originally based on internal corporate documents, which at verification did not reconcile with the financial statements.

For the other manufacturing processes incurred for the CTV, the Department excluded from production costs certain warehouse expenses which were considered to be part of selling expenses. In addition, inventory carrying costs were calculated for the chassis.

#### Foreign Market Calculations

In accordance with section 773(a) of the Act, we calculated foreign market value based on delivered, packed, home market prices to unrelated purchasers. We did not include sales to related purchasers, pursuant to 19 CFR 353.22(b), since those purchases were determined to be at prices which were not comparable to those at which such or similar merchandise was sold to persons unrelated to the seller. We made deductions, where appropriate, for inland freight and insurance. We subtracted home market packing and added U.S. packing to home market prices.

Where U.S. price was based on purchase price sales, we made adjustments to foreign market value under the following sections of the Commerce Regulations:

#### 1. Section 353.15(a), (b)

Circumstances of sale adjustments were made for differences in credit expenses, warranties, and technical service expenses.

#### 2. Section 353.16

Where there was no identical product in the home market with which to compare a product sold to the United States, we made adjustments to the price of similar merchandise to account for differences in the physical characteristics of the merchandise. These adjustments were based on differences in the costs of materials, direct labor, and directly-related factory overhead.

Where U.S. price was based on exporter's sales price we made deductions from the prices used to calculate foreign market value under the following sections of the Commerce Regulations:

#### 1. Section 353.15(c)

We deducted indirect selling expenses and direct selling expenses for credit costs, technical service expenses and warranties incurred by or for the account of the respondent in selling the CPTs in the home market. The amount of indirect expenses deducted for each respondent was limited to the total indirect expenses incurred for CPT sales in the United States. Total indirect CPT expenses, as noted in the "U.S. Price Calculation" section of the notice, were derived by allocating to CPTs a proportional amount of CTV selling expense.

#### 2. Section 353.18

Where there was no identical product in the home market with which to compare a product sold to the United States, we made adjustments to the price of similar merchandise to account for differences in the physical characteristics of the merchandise. These adjustments were based on differences in the costs of materials, direct labor and directly related factory overhead.

#### Currency Conversion

For comparisons involving exporter's sales price transactions, we used the official exchange rate on the dates of sale since the use of that exchange rate is consistent with section 615 of the Trade and Tariff Act of 1984 (1984 Act). We followed section 615 of the 1984 Act rather than § 353.56(a)(2) of our regulations because the later law supersedes that section of the regulations. For comparisons involving purchase price transactions we made currency conversions in accordance with § 353.56(a)(1) of our regulations. All currency conversions were made at the exchange rates certified by the Federal Reserve Bank.

#### Verification

As provided in section 776(a) of the Act, we verified all information used in reaching the final determination in this investigation. We used standard verification procedures including examination of all relevant accounting records and original source documents provided by the respondent.

#### Interested Party Comments

**Comment 1:** Petitioners argue that CPTs which are imported as part of kits or incomplete CTVs should be included within the scope of the investigation. They argue that the Customs classification of these CPTs as "incomplete television receivers" or "kits" under TSUSA items 684.9655-684.9663, which are dutiable at a rate of

five percent, does not necessitate their exclusion from a CPT order. They cite *Diversified Products Corp. v. U.S.*, 572 F. Supp. 883, 887 (CIT 1983) as a precedent which allows the Department to modify Customs classification in its determination of class or kind of merchandise.

Mitsubishi contends that since it does not ship kits or assemblies into the U.S. either directly or through third countries, this is not an issue in this investigation.

**DOC Position:** We agree in part with petitioners. See the "Scope of Investigation" section of this notice.

**Comment 2:** Petitioners argue that CPTs sold to related parties which are subsequently incorporated into CTVs before they are sold to unrelated customers are properly included within the scope of the investigation. They cite section 772(e) of the Act as giving the Department authority to include merchandise which is further manufactured within the scope.

**DOC Position:** Section 772(e)(3) of the Act gives the Department authority to make adjustments to exporter's sales price where the imported merchandise under investigation is subject to additional manufacturing or assembly by a related party. In this instance, CPTs are imported from Canada by related parties where they are further assembled into CTVs before being sold to the first unrelated party. Therefore, in order to determine the U.S. price of the CPT, we properly deducted the value added to the CPT after importation.

See the "U.S. Price Calculation" section above for a discussion of the methodology used.

**Comment 3:** Petitioners argue that in its preliminary determination the Department erred by failing to impute the inventory carrying cost associated with obtaining CTV components from related suppliers in calculating the cost of manufacture for CTVs. Petitioners maintain that the inventory carrying cost of the CTV components should be based on the time-in-inventory at the related suppliers' premises and the time-in-transit to the CTV production line in the United States.

Respondent argues that the Department should not impute a cost for the time components spend in inventory and transit before CTV production. Moreover, respondent contends that the Department should not make such an extensive policy change after a preliminary determination when that change was not anticipated in the preliminary.

**DOC Position:** We agree with petitioners. We have imputed inventory carrying costs based on the time the

company financed such costs prior to the date of sale of the CTV. We have included those costs in calculating the cost of manufacture of the CTV. We disagree with the respondent's position that we should not make such changes after the preliminary determination. One purpose of a preliminary determination is to set forth the methodology the Department believes is appropriate. The methodology, like other elements of a preliminary, can be changed for the final determination if the result is more accurate. The change we have adopted was proposed by petitioners and respondent has had ample opportunity to present arguments against it.

**Comment 4:** Petitioners state that the inventory carrying costs incurred for CPTs prior to the time that they are incorporated into a CTV are CTV production costs rather than CPT costs. Respondent argues that these costs should be considered CPT costs.

**DOC Position:** We agree with the respondent. Those inventory carrying costs related to components which were added during the production of the CPT were considered as part of the value added in the U.S. because such costs were an integral part of the components.

**Comment 5:** The petitioners argue that the Department's exclusion of certain CTV models on the grounds that the models were no longer being produced or the amounts being sold were negligible is arbitrary and not in accordance with the law. In particular, they claim the Department did not use a "generally recognized" sampling technique. The respondent contends that the CTV models selected by the Department represented nearly all the sales made during the period of investigation.

**DOC Position:** We disagree with petitioners. There is no requirement that the Department examine all exporters or sales. The Department's regulations merely require that we examine at least 60 percent of the imports in question, 19 CFR 353.38, and we have done so in this proceeding. In this investigation, Mitsubishi represented all imports of CPTs from Canada. We investigated approximately 95 percent of the sales of this company. Furthermore, we verified the total sales of this company in all markets as well as the quantity of CPTs incorporated into the model we chose to investigate. Because we found no discrepancies in these figures, we are satisfied that the remainder of the sales not verified encompassed those models which has relatively few sales, were out of production, or were reported as replacement parts. Also, we do not view our decision allowing the respondent not to report a few sales as sampling. We

disregarded these sales for reasons of administrative convenience, having concluded that these few sales would not add to the accuracy of our analysis.

**Comment 6:** The petitioners allege that the Department erred in its methodology of computing the exporter's sales price offset cap. They contend that we should not calculate an offset cap for CPTs from the CTV indirect selling expenses because selling expenses for CTVs will always be higher than those for CPTs. Rather, we should use indirect expenses of selling CPTs in the U.S. market to the related CTV producer for our exporter's sales price offset cap.

**DOC Position:** We disagree. Since it is CTVs and not CPTs which are ultimately sold in the U.S. and all selling expenses occur at the time of the CTV sale, we have prorated the selling expenses of CTVs to reflect the share of selling expenses attributable to CPTs for the purposes of creating an exporter's sales price offset cap. We view this methodology as more equitable and accurate than that proposed by petitioners. Petitioners' methodology would not be accurate because all respondents sold CPTs to related companies in the U.S. and the indirect selling expense incurred on such sales would not be representative of such expenses had the sales been to unrelated parties.

**Comment 7:** Petitioners argue that the methodology used by the Department to determine U.S. price for imports of CPTs by related parties is statutorily mandated under the value added provisions of section 772(e)(3) of the Act and is supported by Department Regulations and practice. However, the Department should not add profit to the CPT in those limited situations where there is evidence that the CPT is being transferred at prices its cost of production or where the respondent's entire CPT operation is unprofitable. In such instances, the profit accrues to the CTV and not the CPT.

Respondent argues that profit should be allocated using actual costs according to the ratio of CPT production costs to total production costs.

**DOC Position:** We agree with respondent. It has been our longstanding practice to deduce the profit (or loss) associated with U.S. value added when the related party in the United States performs further manufacturing on the imported product.

We do not agree with the petitioners that the adjustment should be limited to those situations where the transfer price exceeds the cost of producing the CPT or where the CPT operation is profitable. The profitability of the "sale"

of the CPT to the related importer derives directly from the profitability of the sale of the CTV because this is the first sale to an unrelated customer. Whether the transfer price for the CPT is less than or exceeds the cost of producing the CPT does not affect that profitability.

**Comment 8:** Respondent argues that the Department should not add any profit attributable to CTV selling expenses to the value added since section 772(e)(3) limits the application of increased value to the process of manufacture or assembly performed on the imported merchandise.

Petitioners argue that profit arising from selling expenses is properly a part of value added because the amount of profit earned on the sale of a CTV is directly affected by the cost to make it and the cost to sell it.

**DOC Position:** We agree with the respondent that section 772(e)(3) of the statute limits the value added deduction from U.S. price to any increased value including additional material and labor resulting from the process of manufacturing or assembly. Material and labor were specifically identified as elements of increased value. Not only were selling expenses not contemplated as elements of increased value, they were specifically provided for in section 772(e)(2) which calls for the deduction of expenses generally incurred by or for the account of the exporter in the United States in selling identical or substantially identical merchandise. Therefore, we did not include in the value added to the CPT in the U.S. any profit attributable to CTV selling expenses.

**Comment 9:** Petitioners state that Mitsubishi failed to report model specific warranty expense on CTVs, and Mitsubishi's methodology of allocating across products under investigation distorts the actual costs incurred in the products under investigation. The Department should require that Mitsubishi provide specific warranty costs for each CTV model subject to investigation. Petitioners further argue that the Department should revise its preliminary determination calculations and deduct the CTV warranty cost as a direct selling expense in the value added analysis.

The respondent contends that the Department should subtract only CPT warranty costs from the U.S. sales price instead of CTV warranty costs because (1) these expenses are incurred on a component specific basis; (2) Mitsubishi Sales America, Inc.'s (MESA) records provided component-by-component costs; and (3) the subject matter of this

investigation involves a specific CTV component.

**DOC Position:** We generally agree with the petitioners. However, MESA does not maintain separate model-by-model warranty costs in its data base and therefore cannot provide model-by-model CTV warranty expenses. As described elsewhere in the notice, the Department has taken all selling costs associated with the CTV and allocated them proportionately to the CPT and other components. Warranty expenses have been included among these selling expenses. We are not persuaded that allocating specific selling expenses to specific components is feasible or that it would enhance the accuracy of our results.

**Comment 10:** Mitsubishi states that certain of MESA's credits should not be disallowed as intracompany transfers. It notes that these MESA credits are included as debits on MCEA's books and have been included as part of MCEA'S overhead expense. However, if the credits are disallowed, then MCEA's overhead expenses should be reduced as an offset in an amount equal to these disallowed credits.

**DOC Position:** We agree with the respondent and have reduced the overhead expenses in an amount equal to these intracompany transfers.

**Comment 11:** Petitioners argue that physical difference in merchandise adjustments should be applied on a model-by-model basis as opposed to calculating an average foreign market value.

**DOC Position:** We applied difference in merchandise adjustments for each specific model when comparing it to the U.S. model. The resulting difference in merchandise adjustment was, therefore, calculated on a model-by-model basis.

**Comment 12:** Petitioners claim that a monthly foreign market value should be calculated as opposed to a foreign market value covering the entire period of investigation. Petitioners state that CPT prices on home market models declined sharply during the period of investigation and in the past the Department has correctly used a monthly weighted-average foreign market value in such circumstances.

**DOC Position:** We disagree with petitioners. We see no evidence of sharp price declines in Canada during the period of investigation and, therefore, no need to calculate a monthly foreign market value.

**Comment 13:** Petitioners claim Mitsubishi's method of offsetting sales made during the period of investigation with returns made during the period of investigation may understate dumping margins. Petitioners argue that

respondent can select which customers' sales will be reduced by returns and consequently assign returns to customers that are provided with the largest number of sales inducements and rebates. Petitioners suggest that the Department require Mitsubishi to submit a listing of sales excluded using its methodology, including customer numbers.

**DOC Position:** We disagree with petitioners. A relatively small number of all sales during the period of investigation had corresponding returns. A significant number of these returns could be matched directly as to customer, model number and price to a single invoice. The remaining sales were matched to sales based on model number and gross sales price; only the customer was different. While gross sales prices were used instead of net prices, Mitsubishi's computer program selected the sale nearest in time before the return was made as the one to be discarded. Therefore, respondent's methodology appears to be an objective and reasonable way of matching these credit returns. While Mitsubishi compared prices on a gross invoice basis, these returns were relatively so small in number that we have determined that they will not affect the margin calculation.

**Comment 14:** Petitioners allege that Mitsubishi has large differences in its credit costs due to the existence of service fees paid to and by flooring companies and differing payment periods for certain classes of customers. Therefore, it should not be allowed to average these costs by submitting an average accounts receivable turnover rate for calculating the number of days that payment is outstanding. Mitsubishi argues that its records do not track shipment date to payment date on a sale-by-sale basis. Mitsubishi asserts that the approach utilized by MESA was the most accurate.

**DOC Position:** We generally agree with the petitioners. However, the respondent did not maintain its records in a manner whereby precise credit costs and flooring expenses could be determined on a sale-by-sale basis. Therefore, we deducted an average amount for these costs and treated both credit costs and flooring expenses as direct selling expenses.

**Comment 15:** Petitioners allege that Mitsubishi understated its CTV packing expenses. Petitioners claim that the Department should adjust Mitsubishi's packing costs to reflect actual costs incurred and ensure that the standards accurately reflect the labor time in the current period.

**DOC Position:** This expense has been revised and verified and will be used in the final analysis.

**Comment 16:** Mitsubishi states that it treated all general expenses appropriately, and that G&A expenses of headquarters were allocated to subsidiaries in fair amounts and need not be increased. The petitioners argue that the expenses incurred by Mitsubishi must be allocated to subsidiary operations because they were incurred on behalf of these operations.

**DOC Position:** The Department attributed general and administrative expenses related to the headquarter operations to all companies. Since the respondent had not provided an amount for such expenses, the Department used, as best information, adjusted information from the consolidated financial statements.

**Comment 17:** Petitioners claim that the respondent misallocated G&A expenses by using arbitrarily determined standard times for the G&A at the plant manufacturing the CTV. Mitsubishi states that these expenses were allocated to product groups by cost of sales, not standard times.

**DOC Position:** The respondent used cost of sales to allocate the general and administrative costs between projection televisions (PTV) and CTV production. The general and administrative costs were then allocated to individual products based on standard times. The Department verified the allocation of general and administrative costs and concluded that respondent's method was not distortive.

**Comment 18:** Petitioners claim that United Electronic Engineering Corp. Pte. Ltd.'s (UEEC) financial expense claims are understated. Petitioners suggest that if the Department cannot determine the actual financial expenses of UEEC attributable to CTV chassis, the Department should use the greater of the financial expenses from the monthly profit and loss statements or the audited financial statements and allocate the expenses using the respective costs of goods sold. Also, petitioners claim that no deduction to financial expense for financial revenues should be made.

**DOC Position:** The Department used the consolidated financial expenses of the corporation in determining the financial expense to be attributed to each entity in the corporation. Any financial income from operation was used to offset the interest expense. This expense was allocated on the basis of cost of goods sold.

**Comment 19:** Petitioners claim Mitsubishi miscalculated G&A expenses attributable to the cost of producing the

CPT by including taxes which do not relate to the cost of production. Petitioners argue the Department should deduct the business tax from G&A expenses attributable to the cost of production for CPTs.

**DOC Position:** The Department excluded the business tax, which was similar to an income tax, from its calculation of general and administrative expenses.

**Comment 20:** Mitsubishi claims that four Kyoto Works groups were devoted solely to CPT production activities and the indirect costs incurred by these groups should not be allocated over all products at Kyoto Works. The CPT production group also manufactured the 26" panel which was transferred to Canada for use in the 28" CTV.

Petitioners claim that these expenses should be reallocated to all products manufactured by Kyoto Works, using total actual labor hours or the cost of goods sold of the respective products to distribute expenses between product lines and among products.

**DOC Position:** Review of verification exhibits subsequent to verification revealed that these four groups were part of the CPT operation and that their costs should be attributed solely and entirely to CPT products including the 26" panel, and not allocated over all products at the Kyoto works. No adjustment was made.

**Comment 21:** Mitsubishi states that there were no write-offs of printed circuit boards ("PCB") inventory used to produce chassis for CTVs either during 1986 or in the year-end adjustments. Petitioners claim that since CTV models are constantly being introduced into the marketplace or updated, write-offs for inventory obsolescence of PCBs should be significant.

**DOC Position:** The Department has analyzed the documentation received during verification and determined that there was no indication of write-offs for PCB inventory and that none was taken. Therefore, the Department has not made any adjustment for obsolescence.

**Comment 22:** Mitsubishi states that the energy expenses were appropriately allocated in the submission between CTV chassis and other products manufactured in that plant.

Petitioners claim respondent understated the actual energy expenses attributable to chassis production costs and that the Department should recalculate common energy expenses based on the space allocation percentages.

**DOC Position:** The Department reviewed the allocation of common energy expenses and found no basis or

support for the respondent's methodology.

Therefore, the Department reallocated the common energy costs based on production floor space used for the CTV chassis and other products manufactured in the plant.

**Comment 23:** Mitsubishi claims that UEEC was not subject to a payroll tax in 1986 due to the abolition of this tax in 1985 by the Singapore Government. Petitioners argue the Mitsubishi's chassis labor costs were understated since UEEC failed to account for the full amount of a payroll tax in its labor cost calculations. Petitioners state that the Department should recalculate labor costs to reflect this direct labor cost.

**DOC Position:** The Department examined documents during verification and determined that the credit for the payroll tax should not be included in the cost. The Department accordingly made the adjustment to eliminate the credit for payroll tax since credits related to prior expenses should not offset current costs.

**Comment 24:** Mitsubishi changed allocation methods for certain overhead items between the third and fourth quarter of 1986. The company changed the overhead allocation when it transferred car audio production from Kyoto Works to Sanda Works.

**DOC Position:** The Department reviewed and adjusted the fourth quarter allocation. As a result, these costs were adjusted to reflect the third quarter's allocation basis.

**Comment 25:** Petitioners claim that Mitsubishi's U.S. labor costs on CTVs were understated due to a borrowing of personnel and that respondent did not provide revised labor cost figures to account for this additional labor cost.

Mitsubishi claims that the transfers of personnel between the CTV and PTV buildings was insignificant during 1986. Also, the transfers were roughly equal between the two plants, so the absolute levels offset with no net effect. Therefore, no change is required in the labor cost for CTV assembly.

**DOC Position:** Labor was transferred between both production areas. The Department concluded, however, that the effect of the transfer of employees between the departments was minimal. Thus, no adjustment was made.

**Comment 26:** Mitsubishi contends that the cost of sales from the internal records and the audited financial statement are reconcilable and the reconciliation is provided in verification Exhibit #48. Petitioners claim that these internal financial statements formed the basis of the cost submission and that the discrepancy between the internal records and the audited financial

statements should be allocated strictly to the cost of producing chassis used in producing CTVs under investigation.

**DOC Position:** The verification exhibit referred to by the respondent is the financial statement of the company, which does not provide a reconciliation. Therefore, the Department attributed a proportional amount of this difference between the audited financial statements and the internal financial statements to CTV chassis production.

**Comment 27:** Petitioners claim that Mitsubishi's choice of standard times for allocation bases was inconsistent and arbitrary and resulted in cost understatements. Petitioners suggest that the Department should recalculate these expenses based on actual labor hours.

Mitsubishi states that the standard times used were always selected on a production lot basis and that this method does not underallocate expenses to CTVs that contain Canadian or Japanese tubes.

**DOC Position:** The Department reviewed the standard times presented at verification. In cases when standard times were selected from outside the period of investigation they appeared to be reasonable when compared to those within the period of investigation. Therefore, we accepted Mitsubishi's allocation.

**Comment 28:** Petitioners state that costs submitted by Mitsubishi may not have reflected the costs incurred by related trading companies. Petitioners suggest that the Department should calculate the full cost incurred by Mitsubishi Sales Singapore Pte. Ltd. (MSS) in procuring materials for UEEC and trading finished chassis to Mitsubishi Consumer Electronics of America, Inc. (MCEA) from UEEC.

Mitsubishi argues that it submitted costs which overstate the expenses of MSS. Since the chassis go to MCEA, selling expenses are minimal according to Mitsubishi and the commission exceeds the expenses incurred by MSS.

**DOC Position:** The Department has captured the costs incurred by MSS for chassis as a general and administrative expense.

**Comment 29:** Petitioners argue that respondent failed to limit its fabrication costs to the period of investigation. Petitioners suggest the Department should recalculate actual fabrication costs strictly for each quarter in the period of investigation and allocate these costs based on the actual labor time per model in production, rejecting Mitsubishi's annualized figures.

Mitsubishi contends that the annualized fabrication rate was

appropriate because CTV production is somewhat seasonal and thus quarterly fabrication costs fluctuate widely. Moreover, the company is on the cash basis and adjustments to quarterly data would have been excessive, while accruals would be more properly reflected over an entire year. Finally, the price of the CTV was based on the total annual costs.

*DOC Position:* In this case, the Department concluded that the annualized fabrication rate did not distort the fabrication cost incurred for the production of the CTV. Therefore, we did not adjust the respondent's submission.

*Comment 30:* Mitsubishi claims that the electricity expenses for CTVs should be lowered in the final value added calculation. The two production buildings were metered separately for electricity. However, when preparing the response Mitsubishi allocated the total pool of overhead expenses based on standard times. As a result, CTV production received roughly 70 percent of the expenses rather than the 50 percent it should have received.

*DOC Position:* The Department disagrees that an adjustment should be made. The company did not present this adjustment nor relevant documentation during verification. The Department cannot accept unverified information as a basis for its final determination. Therefore, since the Department was not able to verify it we did not use it in our final determination.

*Comment 31:* Mitsubishi claims that automatic insertion expenses were overallocated to CTV chassis in its response and, therefore, the Department should adjust the CTV chassis cost.

*DOC Position:* The respondent could not support its contention that automatic insertion costs were over-allocated to chassis. Therefore, we did not make an adjustment.

*Comment 32:* Petitioners claim Mitsubishi failed to provide the weighted-average cost incurred for the production of chassis used in CTVs. Petitioners state that the costs and existence of the chassis production facilities at Woodlands and Kyoto were not reported in Mitsubishi's submissions and Mitsubishi refused to provide such information. Petitioners argue that the Department should use the best information available, the cost of production of the highest-cost Japanese producer of a comparably-sized chassis.

Mitsubishi claims that the issue of chassis costs for its Woodlands and Kyoto facilities was first raised at verification. Mitsubishi did not report these costs because it did not

consider them to be relevant. Production from these plants is not commingled with production from the Bukit Timah chassis plant which produces chassis shipped to the U.S. Mitsubishi claims that it did not attempt to hide these production facilities, which the Department has known about for years. Instead, it did not believe it necessary to use anything other than the Bukit Timah costs.

*DOC Position:* The Department's analysis of the cost for the Bukit Timah facility indicates that the costs provided are representatives of the weighted-average costs of producing chassis.

*Comment 33:* Mitsubishi claims that MCEA slightly overstated its finance expenses in the value added submission due to the fact that finance expenses for 1986 were calculated on an annual basis and included interest paid prior to the period of investigation. Mitsubishi contends that this payment should be excluded under the Department's usual policy of including only interest payments actually paid out during the period of investigation.

*DOC Position:* The Department used the consolidated interest expenses as a basis for determining interest expense. The Department was not presented with an adjustment during verification nor was any documentation provided during verification. Therefore, no adjustment has been made.

*Comment 34:* Mitsubishi argues that it is inappropriate to use the consolidated interest expenses for the U.S. subsidiaries. The subsidiaries are responsible for their own financing and to use an interest expense determined by the consolidated entity would be inconsistent between cases.

*DOC Position:* The Department used a proportional amount of the consolidated financial expense to determine the financial expense for each entity within the corporation. Funds from debt are fungible and the final decision regarding the amount of equity in any one entity is ultimately a result of the parent company's decisions.

*Comment 35:* Petitioners state that Mitsubishi's method of calculating material cost may have led to an understatement of cost due to MCEA's failure to provide weighted-average, fully-absorbed material costs using a first-in, first-out inventory method. Mitsubishi states that it used average costs, not middle lots, for material costs.

*DOC Position:* The Department reviewed the middle lots used for each quarters' costs on which the submissions were based and also for lots before and after this middle lot. The Department found the costs in the

submission to be representative of actual costs.

*Comment 36:* Petitioners claim that Mitsubishi's interest expenses in the U.S. were understated and misallocated. Petitioners argue that the cost of financing was based on the terms between related parties and not on the actual cost of funds to the related lender. Also, petitioners claim that Mitsubishi incorrectly calculated net interest expense, did not itemize interest income and expenses, and did not show that the interest income was earned in production or sale of CTVs. Also, interest expense was allocated based on cost of sales which included the transfer prices of materials from related parties. Using transfer prices in the allocation of expenses may have understated the actual interest costs attributable to the cost of producing CTVs, according to petitioners.

Mitsubishi argues that interest expenses were correctly allocated to the product. The interest expenses were allocated based on cost of sales. The cost of sales used was based on transfer prices rather than cost of production. This assured that interest expenses were properly allocated to the product.

*DOC Position:* The interest expense incurred by MCEA was not used since the Department applied the interest expenses of the consolidated company.

*Comment 37:* Petitioners claim that respondent's allocation methods have led to an understatement of the cost of producing chassis. Petitioners suggest that the Department should recalculate and allocate indirect department costs. G&A expenses and fabrication costs based on the cost of goods sold and actual direct labor hours.

*DOC Position:* The Department has reallocated such expenses based on the cost of sales as opposed to value of sales. Sales values of different products would include varying amounts of profit or loss and could distort the allocation.

*Comment 38:* Petitioners claim Mitsubishi understated the cost of material control attributable to CTV chassis production. Petitioners urge the Department to recalculate these costs.

*DOC Position:* The Department made an adjustment to the cost of producing chassis to reflect the proper allocation of material control costs. This adjustment was based on verified data regarding the use of store room space.

*Comment 39:* Petitioners claim Mitsubishi miscalculated CPT material costs by not accounting for all supplier rebates. Petitioners suggest that the Department recalculate materials costs, accounting for the full amount of the

actual rebates provided on a per part basis.

**DOC Position:** The cost of production includes material costs incurred during the period of investigation. The rebates were spread over the costs of the material inputs. Therefore, there is no distortion of material costs for the product.

**Comment 40:** Petitioners claim Mitsubishi substantially understated its UEEC chassis production costs because UEEC accounted for its material costs based on acquisition costs and not inventory values.

**DOC Position:** The Department verified materials costs and analyzed the changes in materials costs between quarters. There was no substantial change in materials costs between periods and, therefore, no adjustment in materials costs was considered necessary.

**Comment 41:** Mitsubishi asserts that it correctly reported volume rebates based on average overall sales instead of on a sale-by-sale basis.

**DOC Position:** We disagree. Respondent has revised its response in order to present this expense on a customer-by-customer basis, and we have used that date.

**Comment 42:** Mitsubishi notes that the Department's sample margin calculation, with regard to CTV packing, did not agree with the methodology in the computer program used. It suggests that the computer program was wrong and should be corrected.

**DOC Position:** The computer program was changed for the final determination. CTV packing is now in other costs.

**Comment 43:** The petitioners argue that the Department should exclude those home market sales which were priced below the fully absorbed cost of production in its price comparisons.

**DOC Position:** We agree in part with the petitioners. In calculating the value added to the CPT in the United States, we obtained cost data only for those CPT models sold in the home market which were identical to those sold in the U.S. The sales of identical merchandise in the home market were made to related parties. We compared the cost data for identical merchandise to the related parties prices and determined that they were not at arm's length because they were below the cost of production. We then used higher priced sales to unrelated parties in the home market for our comparisons. However, there is no cost data in the record which would allow us to determine whether these unrelated party sales were made at or above fully absorbed cost of production.

**Comment 44:** The petitioners allege that Mitsubishi incorrectly claimed visits to home markets customers as a direct expense when, in fact, they are part of a general sales effort and are not connected with particular sales. The respondent contends these expenses are more properly viewed as direct rather than indirect expenses since they are directly tied to the sale of specific models. The respondent states, however, that if these expenses are viewed as indirect, they should be reclassified with respect to purchase price sales as well as home market sales.

**DOC Position:** We agree with the petitioners. We generally view visits to customers for the purpose of making future sales as an indirect selling expense and have treated them as such.

**Comment 45:** The petitioners assert that Mitsubishi's quality assurance expenses should be calculated on a model-by-model basis because the stated purpose is to review tube line rejects for each model. The respondent asserts that MEICA's quality assurance trips were for the purpose of reviewing all CPT problems associated with particular customers, and the focus of these trips was on the customer, and not a specific model. Therefore, according to the respondent, the proper method of calculating this expense is on a customer-by-customer basis.

**DOC Position:** We agree with the respondent. The purpose of the trips was to assist each customer with its problems concerning all the tubes purchased from Mitsubishi. Moreover, we do not have the data showing how much time was spent troubleshooting for specific models.

**Comment 46:** The petitioners contend that fixed costs should not be included in the calculation of differences in merchandise, and that the Department should recalculate the adjustment for differences in merchandise so that it includes only those costs that vary due to actual physical differences in the merchandise.

**DOC Position:** We agree with the petitioners and have adjusted the data for differences in the merchandise accordingly.

**Comment 47:** The petitioners allege that the U.S. duty expense reported by Mitsubishi is grossly understated, and the Department should revise its calculations to reflect the 15 percent ad valorem duty rate that applies to imports of CTV tubes. Mitsubishi asserts they presented extensive evidence of duty expenses for purchase price and ESP sales made through both Detroit and Buffalo, and the supporting evidence was extensively examined and verified.

**DOC Position:** We agree with the respondent. We have used the data submitted by the respondent which accurately reflects the duty paid.

**Comment 48:** The petitioners allege that Mitsubishi overstated net price on certain U.S. sales because it averaged the charges for U.S. duties, brokerage and inland freight, even though these charges may vary greatly, and that actual charges must be submitted for each U.S. sale. Mitsubishi asserts that they cannot report these expenses on a sale-by-sale basis. Therefore, they properly averaged these expenses for purchase price sales on a model-by-model basis.

**DOC Position:** We agree with the respondent. Mitsubishi does not maintain its records for these charges on an individual sale basis. Therefore, it correctly reported these costs on a model-by-model basis.

**Comment 49:** The petitioners assert that Mitsubishi understated its advertising costs by averaging them over an entire year instead of using actual costs for the period of investigation. Mitsubishi asserts advertising expense are often planned and incurred on an annual basis.

**DOC Position:** We disagree with the petitioners. We took an average year cost because certain advertising costs which were incurred during the period but were paid outside of the period, artificially lowered the cost reported in the period of investigation.

**Comment 50:** The petitioners state that Mitsubishi incorrectly calculated its U.S. inland freight and freight-out expenses. Instead of allocating these expenses on the basis of sales value, the petitioners assert that they should be allocated on the basis of total volume or weight shipped. Mitsubishi asserts that MESA calculated the freight expense ratio based on total audio video sale revenue, and this method was the most representative. It was impossible for Mitsubishi to allocate this expense based on volume or weight shipped because the product mix of each shipment varied and Mitsubishi did not maintain its records in this manner.

**DOC Position:** While we generally agree with the petitioners, the respondent's records were not maintained in a manner whereby freight costs were based on volume or weight. Therefore, we used the next best available methodology which was based on sales value.

**Comment 51:** Petitioners contend that Mitsubishi's average U.S. borrowing rate and interest expenses were understated because it reported all short-term loans which matured during the period of

investigation instead of all those outstanding during the period. Furthermore, it adjusted the yen-denominated loans to account for foreign currency exchange gains and losses. Finally, yen loans from related parties should not be included because they are not at arm's length. Mitsubishi asserts MESA's rate is lower due to the fact that MESA seeks loans in various currencies to obtain the lowest rate. It also contends that all loans, no matter what the currency, should be used.

**DOC Position:** We agree with the petitioners. It is our standard practice to look at all loans outstanding during the period of investigation. We used the revised verified loan data provided by the respondent, which includes all loans outstanding during the period of investigation. We have only used loans denominated in U.S. dollars because most of the loans were denominated in that currency. This is in accord with our general practice of not combining interest rates across currencies and using that average interest rate in the currency in which there was the largest volume of loans.

**Comment 52:** Petitioners assert that Mitsubishi's claimed direct U.S. selling expenses were part of its exporter's sales price offset cap, and if these expenses, advertising and promotion, were model- or product-specific, then they should be considered as direct U.S. selling expenses and excluded from the exporter's sales price offset cap. Mitsubishi asserts that these expenses relate to MESA sales in general and should be considered as indirect expenses.

**DOC Position:** We partially agree with the petitioners. Those selling expenses which related to specific U.S. sales were taken out of indirect expenses and, therefore, not included in the ESP offset cap.

**Comment 53:** Mitsubishi states that patent fees were reported based on actual payments to outside parties. Only that portion paid to the outside license holders was reported, and this method correctly ignores intra-corporate transfers. The petitioners argue that the Department should include all costs incurred by or on behalf of MEICA in its calculation of production cost.

**DOC Position:** The portion of the patent fee paid to unrelated companies is the only portion of the patent fee included in the cost of production. Additional services provided by MEICA related to the patent were captured in the G&A expenses of the parent company which was included in the cost of production of the CPT.

**Comment 54:** Mitsubishi asserts that it correctly made a capacity adjustment to

certain costs because the factory was operating at well under full capacity for much of the year. The petitioners argue that adjusting expenses based on capacity utilization rates will always lead to a reduction in cost of production per unit and these adjustments should not be allowed.

**DOC Position:** The Department requires fully absorbed costs to be included in the cost of production. Applying a capacity adjustment to the costs resulted in less than full costs being included in the cost of production. Therefore, the Department disallowed the capacity utilization adjustment.

**Comment 55:** Mitsubishi contends that it identified those portions of its total interest expenses that were appropriately considered operating interest expenses. The petitioners argue that the allocation of interest expense to stockholder's deficit is invalid and the entire amount of the actual interest expense incurred by MEICA during the period should be considered as an operating expense.

**DOC Position:** As noted above, a proportional amount of the interest expense incurred by the consolidated corporation was allocated to each entity. Therefore, this issue is moot.

**Comment 56:** Mitsubishi contends that it correctly omitted expenses for personnel on loans to MEICA from MELCO. The petitioners do not agree. Absent these assists, MEICA would have been required to hire additional employees.

**DOC Position:** The Department has captured such costs when it included the parent company's general and administrative expense.

**Comment 57:** Mitsubishi asserts that red phosphorous costs were correctly reported, even though the Department contends that the usage rate was not verified.

**DOC Position:** The company could not provide supporting documentation for usage. Therefore, the Department adjusted this phosphorous usage to be comparable to the other colors of phosphorous.

**Comment 58:** Mitsubishi argues that it appropriately allocated indirect department and G&A expenses on the relative sales value of UEEC's products. Mitsubishi did so because this methodology did not introduce any distortions and costs of sales on a product-line basis is not available. The petitioners assert that the fact that UEEC failed to calculate its cost of sales by product line is not a basis for using inherently unreliable transfer prices to allocate costs.

**DOC Position:** Sales values include different profit/loss margins on varied

products. Therefore, the indirect costs were allocated on the basis of costs of sales.

**Comment 59:** Mitsubishi asserts that it correctly determined the cost of storeroom space based on the number of people working in their respective areas of the storeroom. The petitioners assert that the manpower used is not a satisfactory allocation base when various products are housed in a common storeroom.

**DOC Position:** The Department has analyzed the allocation of storeroom costs and determined that the allocation was not an appropriate measure of costs because the number of employees could be altered daily. The Department has reallocated the storeroom costs on the basis of space.

**Comment 60:** Mitsubishi argues that it treated all related party transactions such as purchase of materials, parts and equipment, and payments of royalties correctly and that no modifications are necessary due to their related party status. The petitioners assert that the Department must include in the cost of production any assumption of financing expenses, provision of personnel to set up and monitor operations, technical assistance and provision new material or capital equipment at less than cost.

**DOC Position:** We agree with the petitioners. For major parts obtained from a related company the Department used the actual costs which were reported by the respondent and made adjustments when necessary. For financial expenses, the Department used the consolidated interest expense as described under the "United States Price Calculations" section of the notice. For the other expertise provided by the parent, the Department captured such expenses in the general administrative expenses allocated from the parent

#### Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of CPTs from Canada that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the estimated average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown below. The suspension of liquidation will remain in effect until further notice. The weighted-averaged margins are as follows:

Manufacturer/producer/exporter	Weighted-average margin percentage
Mitsubishi Electronics Industries Canada, Inc.	65
All others	65

**ITC Notification**

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officers to assess an antidumping duty on CPTs from Canada entered, or withdrawn from warehouse, for consumption after the suspension of liquidation equal to the amount by which the foreign market value exceeds the U.S. price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

Gilbert B. Kaplin,

*Acting Assistant Secretary for Import Administration.*

November 12, 1987.

[FR Doc. 87-26589 Filed 11-17-87; 8:45 am]

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(A-588-609)

**Final Determination of Sales at Less Than Fair Value; Color Picture Tubes From Japan**

**ACTION:** Notice.

**SUMMARY:** We have determined that color picture tubes from Japan are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening material injury to, a United States industry.

**EFFECTIVE DATE:** November 18, 1987.

**FOR FURTHER INFORMATION CONTACT:** John Brinkmann, (202) 377-3965 or John Kenkel, (202) 377-3530, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

**Final Determination**

We have determined that color picture tubes from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The weighted-average margins of sales at less than fair value are shown in the "Suspension of Liquidation" section of this notice.

**Case History**

On June 24, 1987, we made an affirmative preliminary determination (52 FR 24320, June 30, 1987). The following events have occurred since the publication of that notice.

On June 26, 1987, Hitachi Ltd. (Hitachi), a respondent in this case, requested that the Department extend the period for the final determination until not later than 135 days after the date on which the Department published its preliminary determination. On July 1, 1987 and July 6, 1987, Matsushita Electric Corporation (Matshushita), and Mitsubishi Electric Corporation (Mitsubishi), respectively, also respondents in this case, made similar requests. The Department granted these requests, and postponed its final determination until not later than November 12, 1987 (52 FR 27696, July 23, 1987).

Questionnaire responses from all respondents were verified in Japan, Singapore, Malaysia, Taiwan, Hong Kong, Mexico, and the United States during July and August 1987.

On September 29, 1987, the Department held a public hearing. Interested parties also submitted comments for the record in their pre-hearing briefs of September 25, 1987, and in their post-hearing briefs of October 10, 1987.

**Scope of Investigation**

The products covered by this investigation are color picture tubes (CPTs) which are provided for in the *Tariff Schedules of the United States Annotated* (TSUSA) items 687.3512, 687.3513, 687.3514, 687.3516, 687.3518, and 687.3520. The corresponding Harmonized System (HS) numbers are 8540.11.00.10, 8540.11.00.20, 8540.11.00.30, 8540.11.00.40, 8540.11.00.50 and 8540.11.00.60.

CPTs are defined as cathode ray tubes suitable for use in the manufacture of color television receivers or other color entertainment display devices intended for television viewing.

Petitioners have also requested that the Department examine CPTs which are shipped and imported together with

other parts as television receiver kits (which contain all parts necessary for assembly into complete television receivers), or as incomplete television receiver assemblies that contain a CPT as well as additional components. Color television receiver kits ("kits") are provided for in TSUSA item 684.9655, while incomplete television receiver assemblies ("assemblies") are provided for in TSUSA items 684.9656, 684.9658 and 684.9660. Additionally, petitioners requested that the Department include in the scope of this investigation, as transshipped Japanese CPTs, CPTs which enter the United States through third countries, such as Mexico, in conjunction with other television receiver components and which are classified by Customs as kits and assemblies.

Kits shipped directly to the United States from Japan are already covered by the scope of the Department's antidumping duty finding on television receivers from Japan (36 FR 4597, March 10, 1971) and are, therefore, not included in the scope of this investigation. With regard to assemblies shipped directly to the United States, only certain shipments are included within the scope of the outstanding antidumping duty finding on television receivers from Japan. If what is being imported is capable of receiving "a broadcast television signal" and producing "a video image," the Department has previously determined that such merchandise is included within the Japanese television finding (46 FR 30163, June 5, 1981). The Department has also found that it takes six major television components to "receive a broadcast signal and produce a video image." These are: the cathode ray tube (i.e., the CPT), the tuner(s), the main printed circuit board, the chassis assembly, the flyback transformer, and the deflection yoke (46 FR 30167, June 5, 1981).

Thus, the issues remaining before the Department are whether to include in the scope of this proceeding (1) CPTs contained in assemblies shipped directly from Japan that are not covered by the finding on television receivers, and (2) CPTs contained in kits and assemblies shipped through Mexico. After a careful examination of the facts developed in this investigation, we have concluded that these CPTs should be included in the scope of this investigation. Evidence on the record shows that the CPT constitutes a substantial part of the value and cost of the kits shipped to the United States from Japan. Since, as stated above, assemblies contain fewer parts than kits, we determine that the CPT also constitutes a substantial

portion of the value and cost of assemblies entering the United States from Japan. Furthermore, evidence on the record shows that regardless of whether a Japanese CPT enters the United States as a kit, assembly, or simply as a CPT, the CPT enters the United States in its own carton or container and is typically unconnected to any other television receiver components. In these circumstances, the mere fact that a few additional components may be entered at the same time as the CPT does not change the fact that a CPT is being imported and potentially dumped. Thus, CPTs in assemblies from Japan, which contain less than the six components necessary to receive a broadcast signal and produce a video image, are included within the scope of this investigation.

We have further determined that CPTs entered for customs purposes as kits and assemblies from Mexico are Japanese CPTs being transshipped through that country. In reaching this conclusion, we have been guided by the following facts.

First, the Mexican shipments are composed of a CPT of Japanese origin and a color television chassis which has been assembled in a Mexican free trade zone from parts imported from various countries. Second, the Japanese CPTs do not enter the commerce of Mexico. They simply pass through the free trade zone en route to the United States. Third, at no time is the CPT removed from the original factory container until it arrives at the assembly operation in the United States. CPTs shipped through Mexico are not packed individually, but rather in so many units per container, the quantity dependent upon tube size. When the chassis assembly is ready for shipment, Matsushita Industrial de Baja California, in Mexico, removes the CPT from its warehouse, matches it up on paper for Customs purposes with the appropriate parts, and ships the entire assembly to its related color television receiver ("CTV") assembler in Chicago. The CPTs are not physically integrated with any other component, nor is there any value added to the CPT prior to importation into the United States. Finally, since the Japanese CPT manufacturer is related to the Mexican assembler and the U.S. importer of the Mexican "kits," it is clear that the Japanese manufacturer knows at the time of exportation that the CPTs will be ultimately exported to the United States. In sum, we have determined that Japanese CPTs do not enter the commerce of Mexico. They simply pass through a free trade zone en route to the U.S. The CPTs are not physically

combined with any of the other components, nor is there any value added to the CPT. Because we have determined Japanese CPTs entering in kits or assemblies from Mexico are merely being transshipped through Mexico they are properly included in the scope of this proceeding.

#### Fair Value Comparison Methodology

To determine whether sales of CPTs in the United States were made at less than fair value, we compared the United States price to the foreign market value of such or similar merchandise for the period June 1, 1986 through November 30, 1986.

#### Foreign Market Value

In order to determine whether there were sufficient sales of the merchandise in the home market to serve as the basis for calculating foreign market value, we established separate categories of such or similar merchandise, based on the CPT screen size. We considered any CPT sold in the home market that was within plus or minus two inches in screen size of the CPT sold in the U.S. to be such or similar merchandise.

We then compared the volume of home market sales within each such or similar category to third country sales (excluding U.S. sales), in accordance with section 773(a)(1) of the Act. We determined that for all categories for Hitachi and Mitsubishi, there were sufficient home market sales so unrelated customers and/or arm's length sales to related customers, for each such or similar category to form an adequate basis for comparison to the CPTs imported into the United States. Therefore, foreign market value for Hitachi and Mitsubishi was calculated using home market sales.

For Matsushita, we determined that there were sufficient home market sales in some such or similar categories to form an adequate basis for comparison to the CPTs imported into the United States. However, the petitioners alleged that home market sales by Matsushita were at prices below the cost of production. We determined that all home market sales in these categories were above the cost of production. Therefore, foreign market value was calculated for Matsushita for these categories using home market sales.

For Matsushita's other such or similar categories, we determined that there were insufficient home market sales to unrelated customers or arm's length sales to related customers to form an adequate basis for comparison to the CPTs imported into the United States. In accordance with § 353.5 of our regulations, we also determined that the

volume of Matsushita's sales of such or similar merchandise to third countries was inadequate for calculating foreign market value. Therefore, pursuant to § 353.6 of our regulations, we calculated foreign market value for these categories on the basis of constructed value.

#### Purchase Price

As provided in section 722(b) of the Act, we used the purchase price to represent the United States price for sales of CPTs made by Mitsubishi and Hitachi through related sales agents in the United States to unrelated purchasers prior to importation of the CPTs into the United States. The Department determined that purchase price, and not exporter's sales price, was the most appropriate indicator of United States price based on the following elements.

1. The merchandise was purchased or agreed to be purchased by the unrelated U.S. buyer prior to the date of importation from the manufacturer or producer of the merchandise for exportation to the United States.
2. The related selling agent located in the United States acted only as a processor of sales-related documentation and as a communication link with the unrelated U.S. buyers.
3. Rather than entering the inventory of the related selling agent, the merchandise in question was shipped directly from the manufacturer to the unrelated buyer. Thus, it did not give rise to storage and associated costs on the part of the selling agent or create added flexibility in marketing for the exporter.

4. Direct shipment from the manufacturer to the unrelated buyer was the customary commercial channel for sales of this merchandise between the parties involved.

Where all the above elements are met, as in this case, we regard the primary marketing functions and selling costs of the exporter as having occurred in the country of exportation prior to importation of the product into the United States. In such instances, we consider purchase price to be the appropriate basis for calculating United States price.

#### Exporter's Sales Price

For certain sales by Mitsubishi, Hitachi and all sales by Matsushita, we based United States price on exporter's sales price, in accordance with section 722(c) of the Act, since the sale to the first unrelated purchaser took place in the United States after importation.

***Best Information Available***

On March 18, 1987, Toshiba Corporation notified us that it would not be responding to the questionnaire because it is moving its CPT operation from Japan to the United States. Therefore, as required by section 776(b) of the Act, in making our fair value comparisons we used the best information available in calculating both United States price and foreign market value for Toshiba. We used information in the petition as the best information available.

**United States Price Calculations*****Purchase Price***

We calculated purchase price based on the packed, c.i.f. and f.o.b. duty paid or f.o.b. duty unpaid prices to unrelated purchasers in the United States. For Mitsubishi, we made deductions from these prices for discounts. We also made deductions from these prices for discounts. We also made deductions under the following section of the Commerce Regulations:

**1. Section 353.10(d)(2)(i)**

Where appropriate, we deducted foreign inland freight, brokerage and handling charges, ocean freight, marine insurance, U.S. duty, and U.S. inland freight and insurance.

***Exporter's Sales Price***

For all exporter's sales price sales, the CPTs were imported into the United States by a related importer and incorporated into a CTV before being sold to the first unrelated party. Therefore, it was necessary to construct a selling price for the CPT from the sale of the CTV. To calculate exporter's sales price we used the packed, c.i.f. duty paid prices of CTVs to unrelated purchasers in the United States. For all respondents, we made deductions from these prices for discounts. We also made additions or deductions, where appropriate, under the following sections of the Commerce Regulations.

**1. Section 353.10(d)(2)(i)**

We made deductions for foreign wharfage, foreign inland freight, U.S. and foreign brokerage and handling charges, ocean freight, marine insurance, U.S. duty and U.S. inland freight.

**2. Section 353.10(e)(1)**

For Hitachi we made deductions for commissions paid to unrelated parties for selling the CTV in the United States.

For Mitsubishi we made deductions for commissions paid to sales

representatives because they are treated the same as unrelated commissionaires.

**3. Section 353.10(e)(2)**

We made deductions, as noted below for each respondent, for direct and indirect selling expenses incurred by or for the account of the exporter in selling CTVs in the United States. Since it is the CTV and not the CPT that is ultimately sold in the United States, a proportional amount of the CTV selling expenses was allocated to the CPT based on the ratio of CPT cost of production to the CTV cost of production. The total of the indirect selling expenses allocated to the CPT formed the cap for the allowable home market selling expenses offset under § 353.15(c):

a. *Hitachi*—We deducted general indirect selling expenses and direct selling expenses for credit cost, advertising, warranties, and end-of-year volume rebates.

b. *Mitsubishi*—We deducted general indirect selling expenses and direct selling expenses for credit cost, rebates, and warranties.

c. *Matsushita*—We deducted general indirect selling expenses and direct selling expenses for credit cost, advertising, and warranties.

**4. Section 353.10(e)(3)**

For exporter's sales price sales by Hitachi, Mitsubishi and Matsushita involving further manufacturing, we deducted all value added to the CPT in the United States. This value added consisted of the costs associated with the production of the CTV, other than the costs of the CPT, and a proportional amount of the profit or loss related to these production costs which did not include the selling expenses. Profit or loss was calculated by deducting from the sales price of the CTV all production and selling costs incurred by the company for the CTVs. The total profit or loss was then allocated proportionately to all components of cost. The profit or loss attributable only to the production costs, other than CPT costs, was considered to be part of the value added in the U.S. production.

In determining the costs incurred to produce the CTV, the Department included (1) the costs of production for each component, (2) movement, inventory carrying costs and packing expenses for each component and (3) the cost of other materials, such as the cabinet, cables, fabrication, general expenses, including general administrative expenses and general R&D expenses incurred on behalf of the CTV by the parent, and interest expenses attributable to the production

of the CTV in the U.S. The weighted-average quarterly costs for each component were converted at the average exchange rate during that quarter. These aggregated quarterly costs were then matched to the sales prices of the CTV during that quarter to determine the profit or loss.

The Department found no basis, such as an extended period for production or an extended time between receipt of the components in the U.S. and completion of the CTV, for lagging costs. Additionally, lagging exchange rates for components, including the CPT, could materially distort the determination since the U.S. price of the CPT would not then be valued as of the date of sale of the CTV.

In calculating the CPT and CTV costs, the Department relied primarily on the cost data provided by the respondents. In those instances where it appeared all costs were not included or were not appropriately quantified or valued in the response, certain adjustments were made.

To determine the companies' financial expense incurred in the production of the CTV, the Department considered the various unusual aspects of the manufacturing process. Because the total process, including the manufacturing of the various components as well as the CTV, was global in nature, involving numerous related companies around the world, the Department based the interest expense on the costs incurred by the consolidated corporate entity. Additionally, because this global process required the corporation to finance the costs of the components for an unusually lengthy period of time prior to the receipt by the U.S. manufacturer, the Department also included inventory carrying costs for those components manufactured by related companies. To impute this expense, the Department used the simple average interest rate of the consolidated company's outstanding debt and calculated a carrying cost of these components prior to the completion of the production of the CTV.

The interest expense was based on the consolidated corporate expense. The Department deducted interest income related to operations and a proportional amount of expenses attributed to accounts receivable and inventory since these costs were included in the cost of production for the final determination on a product specific basis. The interest expense was then applied as a percentage of the costs of manufacturing for each product.

For those major components manufactured by related companies, the Department used the costs incurred in producing such components and did not rely on the transfer prices of those components between related corporate entities when determining the CTV costs incurred by the consolidated corporation.

Royalty expenses incurred for production purposes were considered to be part of manufacturing, not selling expenses.

We made the following adjustments to the responses of individual companies.

a. *Mitsubishi*—Since Mitsubishi did not include general and administrative expenses or general R&D incurred by the corporate headquarters for the production of the chassis and CPT, the Department allocated a portion of these expenses to the CPT, chassis and other manufacturing costs incurred in the U.S. Furthermore, the Department allocated a proportional amount of consolidated interest expense to each company.

For the CPT, the company had changed its method of allocation for certain expenses between the third and fourth quarters of 1986, which lowered the costs attributable to the CPT. The Department revised these allocations to reflect the third quarter allocation method.

For the chassis, the Department did not allow a credit claimed for payroll taxes incurred in prior years to offset current year labor costs. We also reallocated electricity and certain indirect expenses to reflect the nature of the production process. Finally, the Department increased Mitsubishi's reported cost of manufacturing for the chassis, because it was originally based on internal corporate documents, which at verification did not reconcile to the financial statements.

For the other additional manufacturing processes incurred for the CTV, the Department excluded from production costs certain warehouse expenses which were considered to be part of selling expenses. Inventory carrying cost were calculated for the CPT and the chassis.

b. *Hitachi*—CPT and chassis costs were adjusted to reflect actual costs of production. They had been reported at transfer price in the submissions. For the CPT, the Department used the cost of production for the gun manufactured by a related company and adjusted for the yield loss experienced in manufacturing the tube. The Department also allocated inventory write-off expenses to the tube. For the chassis, the Department recalculated the general and administrative expenses of the company manufacturing the chassis as a

percentage of cost of sales, and allocated general R&D and general and administrative expenses of the parent company to the chassis on a cost of sales basis. For other additional manufacturing costs incurred in the U.S., the Department included trading house expenses related to the components, inventory write-off expenses and an allocated amount of general R&D and general and administrative expenses of the parent company to the CTV on a cost of sales basis. Packing expenses of the CTV were revised to reflect verified costs. Inventory carrying costs were calculated for the CPT and chassis.

c. *Matsushita*—For CPTs, the method of allocation for labor and factory overhead was revised since the company had divided such costs by actual hours worked but applied the rate to the standard hours for each product.

For other components used in the production of the chassis and the CTV from related companies, the Department increased the costs of manufacturing to reflect the results of the Department's sample verification. Additionally, general expenses related to these components, which had not been included as part of the costs, were added.

For the additional manufacturing costs, expenses related to "early retirement" costs were included. Parent general and administrative expenses applicable to the subsidiary companies were included in the cost of production. General expenses of the related trading house companies were also included in cost of production.

#### Foreign Market Value Calculations

In accordance with section 773(a) of the Act, for Hitachi and Mitsubishi and where appropriate for Matsushita, we calculated foreign market value based on delivered, packed, home market prices to unrelated purchasers. For Matsushita and Mitsubishi, we did not include sales to related purchasers pursuant to 19 CFR 353.22(b) since those purchases were determined to be at prices which were not comparable to those at which such or similar merchandise was sold to persons unrelated to the seller. We made deductions, where appropriate, for inland freight, handling, insurance, and early payment discounts. We subtracted home market packing and added U.S. packing to home market prices.

Where U.S. price was based on purchase price sales and foreign market value was calculated using home market prices, we made adjustments to foreign market value under the following sections of the Commerce Regulations:

#### 1. Section 353.15(a), (b)

Circumstances of sale adjustments were made for differences in directly related selling expenses in the U.S. and home market for each respondent as follows:

a. *Hitachi*—adjustments were made for credit expenses and end-of-year loyalty rebates.

b. *Mitsubishi*—adjustments were made for credit expenses, rebates, and warranties.

#### 2. Section 353.16

Where there was no identical product in the home market with which to compare a product sold to the United States, we made adjustments to the price of similar merchandise to account for differences in the physical characteristics of the merchandise. These adjustments were based on differences in the costs of materials, direct labor, and directly related factory overhead.

Where U.S. price was based on exporter's sales price and foreign market value was calculated using home market prices, we made deductions from the prices under the following sections of the Commerce Regulations:

#### 1. Section 353.15(c)

We made deductions, as noted below for each respondent, for direct and indirect selling expenses incurred by or for the account of the respondent in selling the CPTs in the home market. The amount of indirect expenses deducted for each respondent was limited to the total indirect expenses incurred for CPT sales in the United States. Total indirect CPT expenses, as noted in the "U.S. Price Calculation" section of the notice, were derived by allocating to CPTs a proportional amount of CTV selling expenses. For Hitachi and Mitsubishi, we offset commissions in the U.S. market with indirect selling expenses in the home market.

a. *Hitachi*—We deducted indirect selling expenses and direct selling expenses for credit costs and end-of-year loyalty rebates.

b. *Mitsubishi*—We deducted indirect selling expenses and direct selling expenses for credit costs, rebates, and warranties.

c. *Matsushita*—We deducted indirect selling expenses and direct selling expenses for credit costs.

#### 2. Section 353.16

Where there was no identical product in the home market with which to compare a product sold to the United States we made adjustments to the price

of similar merchandise to account for differences in the physical characteristics of the merchandise. These adjustments were based on differences in the costs of materials, direct labor and directly related factory overhead.

Where U.S. price was based on exporter's sales price (for Matsushita) and there were not sufficient home market sales or third country sales of such or similar merchandise for the purpose of comparison, we calculated foreign market value based on constructed value in accordance with section 773(e) of the Act. For constructed value, the Department used the cost of all materials, fabrication, general expenses, and profit based on the respondents' submissions, revised, as detailed for the CPT under the "United States Price Calculation" section of this notice. Since general expenses were less than the statutory minimum of 10 percent of materials and fabrication, we used the 10 percent minimum. Since Matsushita did not provide profit data for the home market, we used profit information provided by them for CPTs in all markets as the best information available. This percentage exceeded the statutory minimum of 8 percent. We deducted the direct selling expense for home market credit. We also used indirect selling expenses in the home market to offset United States selling expenses, in accordance with § 353.15(c) of our regulations.

#### Currency Conversion

For comparisons involving exporter's sales price transactions, we use the official exchange rate on the dates of sales once the used of that exchange rate is consistent with section 615 of the Trade and Tariff Act of 1984 (1984 Act). We followed section 615 of the 1984 Act rather than § 353.56(a)(2) of our regulations because the later law supersedes that section of the regulations. For comparisons involving purchase price transactions we made currency conversions in accordance with § 353.56(a)(1) of our regulations. All currency conversions were made at the exchange rates certified by the Federal Reserve Bank.

#### Verification

As provided in section 776(a) of the Act, we verified all information used in reaching the final determination in this investigation. We used standard verification procedures including examination of all relevant accounting records and original source documents provided by the respondents.

#### Interested Party Comments

##### *Japan Common Issues*

**Comment 1:** Petitioners argue that CPTs which are imported as part of kits or incomplete CTVs should continue to be included within the scope of the investigation. They argue that the Customs classification of these CTPs as "incomplete television receivers" or "kits" under TSUSA items 684.9655-684.9663, which are dutiable at a rate of 5 percent, does not necessitate their exclusion from a CPT order. They cite *Diversified Products Corp. v. U.S.*, 572 F. Supp. 883, 887 (CIT 1983) as a precedent which allows the Department to modify Customs classification in its determination of class or kind of merchandise.

Matsushita contends that these unfinished television receivers have sufficient value added in the third country to render them as kits or assemblies imported from a country (Mexico) not under investigation. Thus, Matsushita argues that CPTs included in kits and assemblies from Mexico are outside the scope of the proceeding.

**DOC Position:** We disagree with respondent. See the "Scope of Investigation" section of this notice for the DOC position.

**Comment 2:** Petitioners argue that CPTs sold to related parties which are subsequently incorporated into CTVs before they are sold to unrelated customers are properly included within the scope of the investigation. They cite section 772(e) of the Act as giving the Department authority to include merchandise which is further manufactured within the scope.

Matsushita and Hitachi argue that the Department should not include these transactions in the scope of this investigation since (1) the CPTs are sold as complete CTVs which are different products, sold in different markets, for which prices are determined by different market forces; and (2) the U.S. value added provision applies only when exporter's sales price calculations must be made. They contend that the Department could use the transfer price of these CPTs to related parties and base U.S. price on purchase price, thus making it unnecessary to investigate these CTV transactions.

**DOC Position:** Section 772(e)(3) of the Act requires the Department to make adjustments to exporter's sales price where the imported merchandise under investigation is subject to additional manufacturing or assembly by a related party. In this instance, CPTs are imported from Japan by related parties where they are further assembled into CTVs before being sold to the first

unrelated party. Therefore, in order to determine the U.S. price of CPT, we properly deducted the value added to the CPT after importation.

The use of transfer prices between related parties to determine U.S. price is not provided for in section 772.

See the "U.S. Price Calculation" section above for a discussion of the methodology used.

**Comment 3:** Petitioners argue that the Department erred in its preliminary determination by failing to impute the inventory carrying cost associated with obtaining CTV components from related suppliers in calculating the cost of manufacture for CTVs. Petitioners maintain that the inventory carrying cost of the CTV components should be based on the time-in-inventory at the related suppliers' premises and the time-in-transit to the CTV production line in the United States.

**DOC Position:** We agree with the petitioners. We have imputed inventory carrying costs based on the time the company financed such costs prior to the date of completion of the production of the CTV. We have included those costs in calculating the cost of manufacture of the CTV.

**Comment 4:** Petitioners state that the inventory carrying costs incurred for CPTs prior to the time that they are incorporated into a CTV are CTV production costs rather than CPT costs. Respondents argue that these costs should be considered CPT costs.

**DOC Position:** We agree with the respondents. Those inventory carrying costs related to components which were added during the production of the CPT were considered as part of the value added in the U.S. because such costs were an integral part of these components. Likewise, the Department considered the inventory carrying costs on the CPT to be an integral part of the CPT costs prior to the importation in the U.S.

**Comment 5:** The petitioners argue that the Department's exclusion of certain CTV models on the grounds that the models were no longer being produced, or that the number sold was negligible, is arbitrary and not in accordance with the law. In particular, they claim the Department did not use a "generally recognized" sampling technique. The respondents contend that the CTV models selected by the Department represented nearly all the sales made during the period of investigation.

**DOC Position:** We disagree with the petitioners. There is no requirement that the Department examine all exporters or sales. The Department's regulation, 19 CFR 353.38, merely requires that we

examine at least 60 percent of the imports in question and we have done so in this proceeding. In this investigation, Matsushita, Mitsubishi, and Hitachi represented over 90 percent of all imports of CPTs from Japan. We have used best information available for another exporter, Toshiba. We investigated approximately 95 percent of the sales of each of the responding companies. Furthermore, we verified the total sales of each company in all markets as well as the quantity of CPTs incorporated into the models we chose to investigate. Because we found no discrepancies in these figures, we are satisfied that the remainder encompassed those models which had relatively few sales, were out of production, or were sold as replacement parts. Also, we do not view our decision allowing the respondents not to report a few sales as sampling. We disregarded these sales for reasons of administrative convenience, having concluded that these few sales would not add to the accuracy of our analysis.

**Comment 6:** The petitioners allege that the Department erred in its methodology of computing the exporter's sales price offset cap. They contend that we should not calculate an offset cap for CPTs from the CTV indirect selling expenses because selling expenses for CTVs will always be higher than those for CPTs. Rather, we should use indirect expenses of selling CPTs in the U.S. market to the related CTV producer for our exporter's sales price offset cap.

**DOC Position:** We disagree. Since it is CTVs and not CPTs which are ultimately sold in the U.S. and all selling expenses occur at the time of the CTV sale, we have prorated the selling expenses of CTVs to reflect the share of selling expenses attributable to CPTs for the purposes of creating an exporter's sales price offset cap. We view this methodology as more equitable and accurate than that proposed by petitioners. Petitioners' methodology would not be accurate because all respondents sold CPTs to related companies in the U.S. and the indirect selling expense incurred on such sales would not be representative of such expenses had the sales been to unrelated parties.

**Comment 7:** Petitioners argue that the methodology used by the Department to determine U.S. price for imports of CPTs by related parties is statutorily mandated under the value added provisions of section 772(e)(3) of the Act and is supported by Department

Regulations and practice. However, the Department should not add profit to the CPT in those limited situations where

there is evidence that the CPT is being transferred at prices below its cost of production or where the respondent's entire CPT operation is unprofitable. In such instances, the profit accrues to the CTV and not the CPT.

Respondents argue that the absence of any reference to profit in the "value added" sections of the statute or regulations is evidence that the law never contemplated such an adjustment and is, therefore, limited to costs associated with manufacturing or assembly in the United States.

**DOC Position:** We agree with petitioners, in part. It has been our long-standing practice to deduct the profit (or loss) associated with U.S. value added when the related party in the United States performs further manufacturing on the imported product.

We do not agree, however, that the adjustment should be limited to those situations where the transfer price exceeds the cost of producing the CPT or where the CPT operation is profitable. The profitability of the "sale" of the CPT to the related importer derives directly from the profitability of the subsequent sale of the CTV because this is the first sale to an unrelated customer. Whether the transfer price for the CPT is less than or exceeds the cost of producing the CPT does not affect that profitability.

**Comment 8:** Respondents argue that if profit is considered an appropriate part of U.S. value added, the Department should include movement charges and duties associated with transporting CPTs to the U.S. as part of the cost of manufacturing the CPT for purposes of calculating CPT profit. Furthermore, the Department should not add any profit attributable to CTV selling expenses to the value added since section 772(e)(3) limits the application of increased value to the process of manufacturing or assembly performed on the imported merchandise.

Petitioners argue the Department should not allocate profit to CPT movement costs because these are costs attributable to the production of the CTV in the U.S., not to the production of the CPT. Further, profit arising from selling expenses is properly a part of value added because the amount of profit earned on the sale of a CTV is directly affected by the cost to make it and the cost to sell it.

**DOC Position:** We agree with the respondents that section 772(e)(3) of the statute limits the value added deduction from U.S. price to any increased value including additional material and labor resulting from the process of manufacturing or assembly. Material

and labor were specifically identified as elements of increased value. Not only were selling expenses not contemplated as elements of increased value, they were specifically provided for in section 772(e)(2) which calls for the deduction of expenses generally incurred by or for the account of the exporter in the United States in selling identical or substantially identical merchandise. Therefore, we did not include in the value added to the CPT in the U.S. any profit attributable to CTV selling expenses.

We also agree with respondents that CPT movement costs should be included as CPT costs in the allocation of profit to CPTs. Such costs are incurred prior to importation while the value added provisions apply to any increase in value made after importation.

#### Comments Pertaining to Hitachi

**Comment 1:** Petitioners argue that in making its final calculations, the Department should include the U.S. exporter sales price sales which respondent claims involved damaged CTVs. They contend that Hitachi has not established that the merchandise was damaged or that the sales were not made in the ordinary course of trade.

**DOC Position:** We disagree. We verified that the sales in question involved damaged merchandise. We have not considered them for the final determination.

**Comment 2:** Petitioners argue that Hitachi overstated home market packing expenses insofar as the reported amounts included warehousing fee costs and indirect shipping costs which are not direct packing costs.

**DOC Position:** The question is moot since we verified that the packing categories in question were averaged costs which were reported in equal amounts for both the U.S. and home market packing expense and thus have no effect on the margin calculation.

**Comment 3:** Petitioners argue that home market packing and inland freight should be reduced by the amount of profit earned by Hitachi Transport System, Ltd. on the services it provided the respondent because the two companies are related.

**DOC Position:** The question is moot. Since the home market and U.S. packing charges and inland freight were identical, the profit earned by the related company that packed Hitachi's CPTs was included in both home market and U.S. packing charges.

**Comment 4:** Petitioners argue that according to 19 CFR 353.55, the Department should adjust the U.S. price downward by the amount of the

antidumping duties that will be paid by Hitachi America, Limited (HAL/CG).

**DOC Position:** Section 353.55 of the regulations applies only to merchandise for which a notice ordering the suspension of liquidation has been published and on which antidumping duties are to be assessed. There should be no adjustment for reimbursement of antidumping duties since none were paid on any CPT sales made during the period of investigation.

**Comment 5:** Petitioners argue that the Department should not include royalty expenses associated with U.S. exporter sales price sales in production costs if the royalty expense is directly related to sales.

**DOC Position:** Since the royalties were paid for technical and production related expertise, these costs were included in the cost of production.

**Comment 6:** Petitioners argue that the Department should reject Hitachi's home market credit expense since the methodology used will overstate Hitachi's credit claim. They contend that the methodology does not reflect actual payment experience and does not account for the period between the invoice date and the date of shipment.

**DOC Position:** We disagree. We have determined that the methodology used by Hitachi, which was based on actual payment terms, was the best means available given the fact that its customers remit several payments for each shipment over an extended period of time. In addition, upon consideration of the discrepancies in Hitachi's reporting of payment date, we have determined that Hitachi's home market credit expense was conservatively reported rather than overstated. With regard to the date when the credit period began, the petitioners have misunderstood the paper flow for Hitachi's home market sales. The invoice date and the date of shipment are identical.

**Comment 7:** Petitioners argue that Hitachi overstated its home market inland freight charges by including certain "other freight and freight for return."

**DOC Position:** We disagree. We have determined that "other freight and freight for return" was appropriately included as part of inland freight costs since it is a valid expense that Hitachi actually incurred. In addition, the category in question was an average cost which was reported in equal amount, for both U.S. and home market inland freight.

**Comment 8:** Petitioners argue that Hitachi overstated home market inland insurance charges since the expense includes the transfer of merchandise

inside the factory before the sale to the unrelated customer. They contend that inland insurance claims should be confined only to the premiums paid for insuring the merchandise during transport after the date of sale.

**DOC Position:** We disagree. Petitioners have misunderstood our treatment of Hitachi's inland insurance claim. All insurance expenses reported by Hitachi were verified to have been incurred after sale to the customer.

**Comment 9:** Petitioners argue that the Department should reject Hitachi's home market loyalty rebates since they were not established at the time of sale and since the Department verified that there were discrepancies between the amounts reported and amounts recorded in the company's books. Respondent argues that after-sale rebates are circumstance of sale adjustments and that the Department is vested with broad discretion to make these adjustments. Hitachi further argues that the loyalty rebates, although having no direct counterpart in U.S. business practice, are a long-standing actual business practice in Japan, that Hitachi's loyal customers expect these payments, and that Hitachi expects to make the payments.

**DOC Position:** We disagree with petitioners. The Department verified that Hitachi's customers did receive the rebates in question. Furthermore, the historical patterns of loyalty rebates provided to Hitachi's customers, measured as the ratio of total rebate payments to total CPT sales, shows that the rebates granted were in the ordinary course of trade as standard business practice and were directly related to sales within the meaning of § 353.15(a) of our regulations.

**Comment 10:** Petitioners argue that the credit expense on U.S. exporter's sales price transactions was improperly reported. They note that Hitachi averaged all credit expenses for all CTV customers rather than reporting actual credit expense on a sale-by-sale basis and based the average on the entire fiscal year rather than on the period of investigation.

**DOC Position:** While we would prefer to make credit adjustment on a sale-by-sale basis, this is not always possible. In this instance, we found that the respondent's method of allocating its accrued credit expense was reasonable because the records of individual sales are maintained at its selling offices across the United States and because our review of selected invoices confirmed the accuracy of the accrual method of accounting for credit expenses. The average age of accounts receivable used was verified to have

been based only on the period of investigation, not the entire fiscal year. For this reason, we have accepted the credit expense reported by Hitachi.

**Comment 11:** The petitioners argue that the respondent improperly reported the advertising expense on U.S. exporter's sales price transactions by allocating total advertising expense to all products on the basis of sales value rather than reporting the actual, model-specific expense for the products under investigation.

**DOC Position:** While we agree in principle with the petitioners, the allocation methodology employed by the respondent is reasonable since the respondent's accounting records for advertising expenses are not maintained on a product-specific basis. We verified that all of the products to which total advertising expense was allocated were consumer goods sold through channels similar to those for CTVs and that each category of advertising expense related to all products.

**Comment 12:** Respondent requests that the Department apply the special exchange rate rule in 19 CFR 3.56(b) by lagging exchange rates at least one full quarter. They claim that HAL/CG increased its prices by a weighted average amount comparable to the change in the value of currencies and that these price increases were to adjust for the sharp appreciation of the yen rather than in response to inflation.

**DOC Position:** We are denying Hitachi's request. Hitachi failed to revise its prices within a reasonable period of time as required by the regulation. Furthermore, the price adjustments Hitachi did make were not applied to all customers and models and were not of a magnitude reflective of the declining value of the dollar in relation to the yen. Since the price increases were not consistently applied and were not large enough to accommodate the exchange rate changes, Hitachi did not demonstrate to the satisfaction of the Department that the price revisions were made solely in response to the fluctuation in exchange rates.

**Comment 13:** Petitioners argue that the Department should impute a freight charge for U.S. exporter's sales price transactions because the respondent allocated the freight expense improperly on the basis of sales value rather than volume or weight.

**DOC Position:** We agree in principle with the petitioners, however the facts of this case necessitate our acceptance of the allocation of the freight-out expense on the basis of sales value rather than volume. We verified that each of the respondent's shipments

contained a variety of products, the mix varying from customer to customer. The freight invoices the respondent received generally did not itemize charges for shipments covered. Given the complexity of calculating freight on any other basis, we accepted the allocation based on sales value.

**Comment 14:** Petitioners argue that the discounts and rebates granted on U.S. exporter's sales price transactions should be recalculated on a sales-specific basis rather than on an average basis. Hitachi argues that reporting sale-by-sale amounts would have been an enormous burden given the number of exporter's sales price transactions and the fact that many of the sales records are kept in regional offices throughout the country. Hitachi further views petitioners' objection to averaging for U.S. prices as only a one-sided argument.

**DOC Position:** We agree with petitioners that most accurate reporting of these discounts and rebates would be on the basis of individual sales. However, given the burden of reporting the amounts for each sale, we have determined that the averaging of these discounts and rebates closely approximates their effect on Hitachi's sales prices. In addition, at verification the total amounts reported for each category were tied to Hitachi's audited profit and loss statements, demonstrating the reliability of the discounts and rebates reported.

**Comment 15:** Petitioners argue that because the amount of volume rebate reported for U.S. exporter's sales price sales was verified to have been understated, the volume rebate should be recalculated based on the expenses actually incurred during the period of investigation.

Respondents contend that, although it was not mentioned in the Department's verification report of Hitachi Sales Corporation of America, the discrepancy between the amount of volume rebate reported and the actual amount incurred was explained during verification. The amount reported was based on the expense accrued during the period of investigation. The total amount accrued for the fiscal year was compared to the actual expense for the year. The difference noted in the verification report was due to an extraordinarily large payment being made prior to the period of investigation. For the period of investigation the actual and accrued amounts for the volume rebate were virtually identical. Therefore, the amount reported was accurate.

**DOC Position:** We agree with the respondent. The volume rebate was accurately reported.

**Comment 16:** Petitioners argue that flooring expenses incurred in U.S. exporter's sales price sales are a direct selling expense rather than an indirect selling expense as claimed by Hitachi and should be deducted from the U.S. price. They also note that the Department made a clerical error in its calculation of the company's flooring expense.

**DOC Position:** We agree. As was stated in the Department's verification report, the flooring expense is an expense paid to companies who finance purchases by CTV customers. Therefore, we have treated it as a direct selling expense.

**Comment 17:** Petitioners contend that Hitachi underreported its selling expenses by including service revenue in the denominator (total sales) of the ratio used to allocate expenses to the CTVs sold.

**DOC Position:** We disagree. The total sales amount used as denominator in the ratio did not include service revenue but reflected only "goods sold."

**Comment 18:** Petitioners assert that the respondent underreported the selling expense on U.S. exporter's sales price transactions by failing to report the selling expenses that the parent company incurs on behalf of its related U.S. sales office. Respondent claims that no such expenses are incurred.

**DOC Position:** During verification we found no evidence of Hitachi Sales Corporation of America's (HSCA) parent company incurring any expenses on U.S. exporter's sales price transactions.

**Comment 19:** Petitioners state that the Department should reject production costs reported for the chassis if it is found that Hitachi Television Taiwan, Ltd. (HTT) relied on transfer prices for parts obtained from related suppliers. Respondent argues that members of the Hitachi family deal with each other on an arm's-length basis and that the prices for parts supplied to HTT were comparable to those on the open market.

**DOC Response:** The Department used actual costs incurred in production for the major components of the CTV, the electron gun, CPT, and chassis in the calculation of the CTV cost of production.

**Comment 20:** Petitioners argue that the handling costs associated with the production of the chassis by HTT were excluded. Hitachi argues that the handling costs were included in the procurement costs reported by Hitachi for CPT production.

**DOC Response:** The Department verified that handling fees incurred by HTT in procuring the materials used to construct the chassis were included in

the procurement costs reported by respondent.

**Comment 21:** Petitioners contend that all parent company expenses incurred in establishing and administering Hitachi's world-wide supply network of manufacturing and distribution facilities should be included in CTV costs. Respondent argues that all members of the Hitachi family conduct business with one another on a strictly arm's-length basis and the transfer prices and production costs reported were complete.

**DOC Response:** The Department includes all costs necessary to produce the merchandise under investigation. In the submission, Hitachi, Ltd.'s general and administrative expense had not been allocated to the chassis or CTV. For the final determination, we have allocated general and administrative expense incurred by Hitachi, Ltd. to these items on a cost of sales basis.

**Comment 22:** Petitioners claim that by allocating handling fees, G&A, interest expense, and other expenses to the chassis on the basis of sales price rather than cost of production, HTT's cost of production for the chassis was understated.

**DOC Response:** The Department reallocated G&A and handling fees based on "costs of sales" reported in the financial statements and applied this percentage to the "cost of manufacturing" of the chassis since the types of costs included in the "costs of sales" and "cost of manufacturing" are generally the same. The Department does not use the sales price ratio since the profit/losses related to the sales price of different products may materially distort the allocation of the costs.

The Department did not include "other expense" in the cost of production of the chassis, as this expense was determined to be non-operating in nature. The Department did not include interest expense or income reported by subsidiaries in order to compute consolidated interest expenses for the components based on the interest expense of the parent company.

**Comment 23:** Petitioners argue that the Department should include inventory write-offs of obsolete parts since they represent expenses incurred in producing the product.

**DOC Response:** The Department allocated a portion of write-offs recorded by Hitachi, Ltd.'s Mobera CPT plant and Hitachi Consumer Products of America's (HCPA) plant to the cost of producing the CPT and the CTV, respectively, since they were considered to be costs incurred to produce the

products. The Department agrees that obsolete parts are expenses incurred in normal operations which must be absorbed by current production.

**Comment 24:** Petitioners claim that the Department should recalculate HCPA freight and duty expenses for CTVs, since these charges were verified to have been more than double the amount than had been reported.

**DOC Response:** Freight and duty for all CTV components imported into the U.S. were included in the final calculations.

**Comment 25:** Petitioners state that the Department should take into account the fact that Hong Kong Purchasing Branch (HKPB) handling costs included costs for only one part of the chassis. They suggest multiplying the verified amount for handling costs by a factor of four since there are four parts per a complete chassis assembly.

**DOC Response:** The Department recalculated the Hong Kong handling costs for the chassis, since all costs incurred had not been included in the submission's reported costs.

**Comment 26:** Petitioners state that the Department should include the administrative charges paid to Hitachi Hong Kong by HCPB for the administrative support which it provides because these charges were not included. They also argue that, since the fee charged for transactions with HCPA is lower than that charged to other companies, the Department should use the higher rate since the lower rate is probably a preferential rate extended to related parties.

**DOC Response:** The Department recalculated the Hong Kong handling costs using the administrative cost rate that applied to all companies except Hitachi Consumer Products of America. The rate applied exclusively to HCPA transactions was significantly more favorable than the rate applied to all other transactions, and the Department considered the rate applied to other companies to reflect more accurately the parent's actual administrative costs.

**Comment 27:** Petitioners assert that Hitachi underreported production costs by failing to include the administrative costs incurred in CTV component distribution by related trading houses. Respondent maintains that no trading houses were involved in the transactions in this case.

**DOC Response:** Costs incurred by the trading houses in Hong Kong for the chassis and the CPTs were considered to be part of the costs of these components.

**Comment 28:** Petitioners claim that Hitachi understated R&D expenses since it allocated neither general nor product-

specific R&D expenses incurred by Hitachi Ltd. to the chassis or to other component production costs. They argue that, in addition to factory level R&D for CPT production, the expenses for parent and/or subsidiary R&D should be included. Respondent argues that the R&D incurred in developing component parts is covered by the royalty payments made by related companies to Hitachi.

**DOC Response:** The Department captures all costs necessary to produce the tube. General ongoing R&D was considered to be a necessary part of these costs. In its submission, Hitachi, Ltd.'s general R&D was not allocated to the chassis or the CTVs. Therefore, R&D expense incurred by Hitachi, Ltd. was allocated to these items on a cost of sales basis.

**Comment 29:** Respondent argues that in calculating CTV cost at the preliminary determination, the Department mistakenly double-counted certain costs incurred by Hitachi, which are associated with the packing and shipping of CPTs and other CTV components. Respondent requests that this double counting be eliminated in the final determination.

**DOC Response:** Hitachi had included shipping and other movement charges in the cost items listed as "miscellaneous" in its submission. During verification, we discovered that such costs were already included in the cost of production on an allocated basis by Hitachi. Therefore, for the final determination the Department removed the allocated charges reported in the cost of production for all components, recalculated the charges for the chassis and yoke and added these new charges to the cost of production. The Department used the specific charges reported for the CPT sales adjustments.

**Comment 30:** Respondent argues that the Department should not include an amount for interest expense in its calculation of the cost of production of the CPT. They claim that Hitachi had no net interest expense during the period for which cost information was provided.

**DOC Response:** The Department used the methodology described under § 353.10(e)(3) of the U.S. Price Calculation section of this notice. Because Hitachi's interest expense is very low, this methodology resulted in only inventory carrying costs and credit costs related to sales being included as financial expenses in the cost of production.

**Comment 31:** Respondent argues that the Department should calculate and publish separate rates for purchase price and exporter sales price transactions.

They contend that, since purchase price transactions are sales of CPTs to unrelated OEM customers, and exporter sales price transactions involve CPTs imported by a Hitachi family company for use in the production of CTVs, it would be inappropriate to average margins on sales having such diverse marketing conditions. Petitioners argue that there is only one class or kind of merchandise under investigation which is CPTs, and it is Department practice to calculate one margin for the class or kind of merchandise whether the sales were purchase price or exporter's sales price.

**DOC Position:** Consistent with our past practice for fair value investigations, we are publishing a single antidumping duty rate for each firm investigated.

**Comment 32:** Hitachi contends that the Department erred in its preliminary determination by including an imputed inventory carrying cost for finished CTVs in the indirect CTV selling expenses because: (1) Inventory carrying cost is included in the cost of manufacture as a general expense found in accounts such as building depreciation, electricity and other expenses; (2) it is improper and contrary to the Department's policy to impute opportunity costs since they are theoretical rather than actual costs; and (3) under 19 CFR 353.15(d) the Department lacks the authority to impute indirect selling expenses as differences in circumstances of sale.

**DOC Position:** We disagree. The inventory carrying costs at issue are an imputed interest expense measuring the financial costs of holding inventory over time. As such, these costs would not be included in building depreciation, electricity, or other expenses in the cost of manufacturing. To the extent that a company has borrowed funds to finance its holding of inventory, we have reduced those interest expenses by a proportional amount of interest expense attributed to accounts receivable.

It has been the Department's practice to impute inventory carrying costs in exporter's sales price situations. We do not believe these costs are theoretical because a company is foregoing sales revenue as long as the merchandise is in inventory. We have not treated these inventory carrying costs as circumstance of sale selling expenses but as indirect selling expenses under § 353.10(e)(2) of the Commerce Regulations.

#### Comments Pertaining to Mitsubishi

**Comment 1:** Mitsubishi claims that sales of CTV model 8-1445 originally

reported to the Department as sales made during the period of investigation were actually sold prior to the period of investigation and should, therefore, be excluded from this investigation. This particular model was sold based on a contract dated January 24, 1986, and all shipments of this model made during the period of investigation were made pursuant to this contract.

Petitioners argue that since respondent claims that the invoice date should be used as the general methodology for establishing date of sale, the sale of model 8-1445 should not be treated any differently than any other sale. Petitioners further argue that since Mitsubishi records sales in its financial accounting records by invoice date, it would be wrong to make an exception that would not be supported by these accounting records.

**DOC Position:** We agree with Mitsubishi. In general, date of sale in this case is not set until the invoice date. However, we examined the terms of the contract and established that all terms were set prior to the period of investigation. All shipments were made in compliance with this contract. Moreover, there were no additional contracts entered into during the period of investigation which would have led us to reject Mitsubishi's date of sale methodology.

**Comment 2:** Mitsubishi claims that model AM-1401R contains a monitor-grade CPT and should, therefore, be excluded from this investigation. It states that this model is not of the same class or kind as models containing television grade picture tubes. AM-1401R is sold by the Industrial Products Division and is not intended for television viewing or other entertainment purposes according to Mitsubishi.

Petitioners argue that the line between CPTs used in entertainment display devices and those used in computer monitors or other commercial devices is becoming blurred and there are no absolute standards to differentiate between the two. Also, they claim that there are already CPTs in the marketplace which can be used in both monitors and CTVs.

**DOC Position:** We agree with Mitsubishi. Our analysis of the technical and import data indicates that this model is properly classified as a monitor. As a result of this analysis and due to the channels of trade in which this model is sold, we are excluding model AM-1401R from this investigation.

**Comment 3:** Mitsubishi contends that the Department should subtract only CPT warranty costs from the U.S. sales price

instead of CTV warranty costs because (1) these expenses are incurred on a component specific basis; (2) Mitsubishi Sales America, Inc.'s (MESA) records provided component-by-component costs; and (3) the subject matter of this investigation involves a specific CTV component. The petitioners argue the Department should revise its preliminary determination calculations and deduct the CTV warranty cost as a direct selling expense in the value added analysis.

**DOC Position:** We agree with the petitioners. As described elsewhere in the notice, the Department has determined that all costs added to the CPT after importation are considered U.S. value added and deducted from the selling price of the CTV to arrive at a constructed price for the CPT. Selling expenses, including CTV warranty expenses, are an element of these costs, which are properly deducted from the CTV selling price.

**Comment 4:** Mitsubishi contends that the Department should average volume rebates and term discounts over all eligible sales since these expenses mainly pertain to products not covered in this investigation.

**DOC Position:** As noted in response to Hitachi Comment 11, we believe it is more appropriate to calculate these expenses on a customer-by-customer basis and to do so when possible.

**Comment 5:** Mitsubishi states that some of MESA's credits should not be disallowed as intracompany transfers. It notes that these MESA credits are included as debits on the books of Mitsubishi Consumer Electronics America, Inc. (MCEA) and have been included as part of MCEA's overhead expense. Accordingly, MCEA's overhead expenses should be reduced as an offset in an amount equal to these credits.

**DOC Position:** We agree with the respondent and have reduced the overhead expenses in an amount equal to these intracompany transfers.

**Comment 6:** Mitsubishi argues that model A51JCC80X is the most similar home market model to U.S. model A51JCC23XE. Mitsubishi states that panel glass is of primary importance in determining the most similar model and the tint panel on model A51JCC80X most closely resembles the blue panel on the U.S. model. Also, respondent notes that the cost difference between model A51JCC80X and A51JCC23XE is smaller than for any other 20-inch model and that model A51JCC80X was sold in the highest volume during the period of investigation.

Petitioners disagree, based on the Department's verification report and the

technical characteristics provided by Mitsubishi. Petitioners recommend using home market model A51JCC71X, which has an identical shadow mask and flat grill. Also, according to petitioners, the light transmission rates, which are affected by panel color, are identical on models A51JCC23XE and A51JCC71X.

**DOC Position:** We agree with petitioners that models A51JCC01X, A51JCC71X and A51JCC21X are all more similar to the U.S. model than home market model A51JCC80X. However, based on our analysis of the technical data provided for all models, we have determined that model A51JCC71X is the most similar home market model. Therefore, we have used sales of this model in our fair value comparisons.

**Comment 7:** Mitsubishi believes that the Department should adjust the bill of materials by the material yields in calculating the difference in merchandise adjustment. Petitioners contend that no physical difference in merchandise adjustment should be made for differences in yields. They argue that, unless Mitsubishi can establish that its claim for differences in manufacturing yields is directly related to differences in the physical characteristics of the merchandise, this portion of its claim should be denied.

**DOC Position:** We agree with petitioners. The yield ratios applied by Mitsubishi are yields relating to the cost of production of two different CPT models, not yields on the physical difference in merchandise components.

**Comment 8:** Mitsubishi contends that the Department's calculation of indirect expenses would exclude almost all of Kyoto Works' indirect expenses and is, therefore, inappropriate. Mitsubishi argues that if the Department decides to modify this calculation it would be more appropriate to reallocate these indirect expenses as opposed to excluding almost all of them.

Petitioners claim that certain home market indirect selling expenses should be rejected if these expenses include non-CPT selling expenses.

**DOC Position:** At verification, we determined that certain indirect selling expenses that Mitsubishi claimed in the home market were not related to CPTs. These expenses were deducted from the total indirect selling expenses claimed by Mitsubishi and reallocated to CPTs using the allocation methodology provided by Mitsubishi. Mitsubishi's method for allocating these expenses to CPTs did not contain the elements necessary to allow the Department to consider alternate methods of allocation and, therefore, we used Mitsubishi's allocation methodology.

**Comment 8:** Petitioners argue that physical difference in merchandise adjustments should be applied on a model-by-model basis as opposed to calculating an average foreign market value which contains an average physical difference in merchandise adjustment in that figure.

**DOC Position:** We applied difference in merchandise adjustments for each specific model when comparing it to the U.S. model. The resulting difference in merchandise adjustment was, therefore, calculated on a model-by-model basis.

**Comment 10:** Petitioners claim that a monthly foreign market value should be calculated as opposed to a foreign market value covering the entire period of investigation. Petitioners state that CPT prices on home market models declined sharply during the period of investigation and in the past the Department has correctly used a monthly weighted-average foreign market value in such circumstances.

**DOC Position:** We disagree with petitioners. We see no evidence of sharp price declines in Japan during the period of investigation and, therefore, there is no need to calculate a monthly foreign market value.

**Comment 11:** Petitioners state that Mitsubishi's home market credit expenses should be calculated using the date between shipment and receipt of payment by Mitsubishi as opposed to the turnover rate calculation used in the preliminary determination.

Petitioners also claim that Mitsubishi incorrectly calculated a weighted-average interest rate using costs incurred prior to the period of investigation and should recalculate a single weighted-average interest rate for the months June-November, 1986.

**DOC Position:** We agree with petitioners. We have calculated home market credit expense using the time between shipment and receipt of payment. We have also recalculated a new interest rate more representative of the period of investigation.

**Comment 12:** Petitioners claim that Mitsubishi's home market volume rebate claim should be denied since it is unclear how this rebate was calculated and whether it applies only to CPTs.

**DOC Position:** We disagree with petitioners. This expense was calculated on a model-by-model basis and its accuracy was confirmed at verification.

**Comment 13:** Petitioners argue that Mitsubishi's home market price protection rebate claim should be denied. Petitioners claim that respondent failed to establish that its price protection rebates were made in the ordinary course of trade and that it

is unclear whether these adjustments were directly to specific sales.

**DOC Position:** We disagree with petitioners. We verified that this rebate was tied to specific sales and is a routine practice.

**Comment 14:** Petitioners claim that Mitsubishi's home market advertising expenses should be denied or only accepted as an indirect selling expense.

**DOC Position:** We have treated this claim as an indirect selling expense since Mitsubishi was unable to demonstrate that these expenses were directly related to the sales under investigation.

**Comment 15:** Petitioners claim Mitsubishi failed to establish the fact that there were warranty agreements with customers. Also, warranty expenses were neither direct nor indirect selling expenses because Mitsubishi's warranty calculation reflects recycling, which is not a warranty expense.

**DOC Position:** We disagree with petitioners. A formal agreement at the time of sale is not necessary in order to make a warranty claim. Mitsubishi demonstrated a five year history of warranty expense claims. Therefore, customers should be aware of the existence of these warranties. We have recalculated this expense on model-by-model basis.

**Comment 16:** Petitioners argue that indirect selling expenses incurred in Japan in selling CPTs to Mitsubishi's related CTV producer in the U.S. should not be considered a CPT selling expense but a production cost incurred in Japan on behalf of its U.S. CTV operations.

Mitsubishi argues that this is an accounting expense totally unrelated to production activity. If this expense is included, respondent claims it should be considered as a CPT selling expense, not a production-related expense. Furthermore, the Department should apply the verified ratio to the CPT transfer price.

**DOC Position:** We agree with the respondent that these are selling expenses incurred on the sale of the CTV and have included them as CTV indirect selling expenses. We also agree with the respondent in that this expense should be calculated by multiplying the CPT transfer price by the verified ratio.

**Comment 17:** Petitioners claim Mitsubishi's method of offsetting sales made during the period of investigation with returns made during the period of investigation may underestimate dumping margins. Petitioners argue that respondent can select which customers' sales will be reduced by returns and consequently assign returns to customers that are provided with the

largest number of sales inducements and rebates. Petitioners suggest that the Department require Mitsubishi to submit a listing of sales excluded using its methodology, including customer numbers.

**DOC Position:** We agree with petitioners. A relatively small percent of all sales during the period of investigation had corresponding returns. A significant percent of these returns could be matched directly as to customer, model number and price to a single invoice. The remaining returns were matched to sales based on model number and price; only the customer was different. Therefore, respondent's methodology appears to be a reasonable and precise way of matching these credit returns. While Mitsubishi compared prices on a gross invoice basis, these returns were relatively so small in number that we have determined that they will not affect the margin calculation.

**Comment 18:** Petitioners allege that Mitsubishi has large differences in its credit costs due to the existence of service fees paid to and by flooring companies and differing payment periods for certain classes of customers. Therefore, it should not be allowed to average these costs by submitting an average accounts receivable turnover rate for calculating the number of days that payments are outstanding. Mitsubishi argues that its records do not track shipment date to payment date on a sale-by-sale basis, and the charges paid to flooring companies were recalculated on a customer-by-customer basis. Mitsubishi asserts that the approach utilized by MESA was the most accurate.

**DOC Position:** We generally agree with the petitioners. However, the respondent did not maintain its records in a manner whereby precise credit costs and flooring expenses could be determined on a sale-by-sale basis. Therefore, we deducted an average amount for these costs and treated both credit costs and flooring expenses as direct selling expenses.

**Comment 19:** Petitioners allege that Mitsubishi understated its CTV packing expenses. Petitioners claim that the Department should adjust Mitsubishi's packing costs to reflect actual cost incurred and ensure that the standards accurately reflect the labor times in the current period.

**DOC Position:** This expense has been revised and verified and will be used in the final analysis.

**Comment 20:** Petitioners argue that Mitsubishi's U.S. sales of 35-inch CPTs are properly included in the scope of

this investigation. They claim that minor differences in design are not sufficient grounds for exclusion of the 35-inch CPT from this investigation. Furthermore, petitioners claim that the ultimate uses and expectation of consumers as well as the manner of advertisements and channels of trade are no different for 35-inch CPTs than for any other size.

**DOC Position:** We agree with petitioners. The 35-inch CPT is a cathode ray tube suitable for use in the manufacture of CTV receivers or other color entertainment devices intended for television and as such is clearly included in the scope of this investigation.

**Comment 21:** Mitsubishi states that it treated all general expenses appropriately, and that G&A expenses of headquarters were allocated to subsidiaries in fair amounts and do not need to be increased. The petitioners argue that the expenses incurred by Mitsubishi must be allocated to subsidiary operations because they were incurred on behalf of these operations.

**DOC Position:** The Department attributed general and administrative expenses related to the headquarter operations to all companies. Since the respondent has not provided an amount for such expenses, the Department used, as best information, adjusted information from the consolidated financial statements.

**Comment 22:** Petitioners claim that the respondent misallocated G&A expenses by using arbitrarily determined standard times for the G&A at the plant manufacturing the CTV. Mitsubishi states that these expenses were allocated to product groups by cost of sales, not standard times.

**DOC Position:** The respondent used cost of sales to allocate the general and administrative costs between Projection TV (PTV) and CTV production. The general and administrative costs were then allocated to individual products based on standard time. The Department verified the allocation of general and administrative costs and concluded that respondent's method was not distortive.

**Comment 23:** Petitioners claim that financial expense claims of United Electronic Engineering Corp. Pte. Ltd.'s (UEEC) (the company in Singapore that produces chassis) are understated. Petitioners suggest that if the Department cannot determine the actual financial expenses of UEEC attributable to CTV chassis, the Department should use the greater of the financial expenses from the monthly profit and loss statements or the audited financial statements and allocate the expenses

using the respective costs of goods sold. Also, petitioners claim that no deduction from financial expense for financial revenues should be made.

**DOC Position:** The Department used the consolidated financial expenses of the corporation as a basis for determining the financial expense to be attributed to the various components. This expense was allocated on the basis of cost of goods sold.

**Comment 24:** Petitioners claim Mitsubishi miscalculated G&A expenses attributable to the cost of producing the CPT by including taxes which do not relate to the cost of production. Petitioners argue the Department should deduct the business tax from G&A expenses attributable to the cost of production for CPTs.

**DOC Position:** The Department excluded the business tax, which was similar to an income tax, from its calculation of general and administrative expenses.

**Comment 25:** Mitsubishi claims that four Kyoto Works groups were devoted solely to CPT production activities and the indirect costs incurred by these groups should not be allocated overall products at Kyoto Works.

Petitioners claim that these expenses should be reallocated to all products manufactured by Kyoto Works using total actual labor hours or the cost of goods sold for the respective products to distribute expenses between product lines and among products.

**DOC Position:** Review of verification exhibits subsequent to verification revealed that these groups were part of the CPT operation and that their costs should be attributed entirely to CPTs.

**Comment 26:** Mitsubishi states that there were no write-offs of printed circuit boards ("PCB") inventory used to produce chassis for CTVs either during 1986 or in the year-end adjustments.

Petitioners claim that since CTV models are constantly being introduced into the marketplace or updated, write-offs for inventory obsolescence of PCBs should be significant.

**DOC Position:** The Department has analyzed the documentation received during verification and determined that there was no indication of write-offs for PCB inventory and that none was needed. Therefore, the Department has not made any adjustment for obsolescence.

**Comment 27:** Mitsubishi states that the energy expenses were appropriately allocated in the submission between chassis and other products manufactured in that plant.

Petitioners claim respondent understated the actual energy expenses attributable to chassis production costs

and that the Department should recalculate common energy expenses based on the space allocation percentages.

**DOC Position:** The Department reviewed the allocation of common energy expenses and found no basis or support for the respondent's methodology. Therefore, the Department reallocated the common energy costs based on production floor space used for the CTV chassis and car audio processes.

**Comment 28:** Mitsubishi claims that UEEC was not subject to a payroll tax in 1986 due to the abolition of this tax in 1985 by the Singapore Government.

Petitioners argue that Mitsubishi's chassis labor costs were understated since UEEC failed to account for the full amount of a payroll tax in its labor cost calculations. Petitioners state that the Department should recalculate labor costs to reflect this direct labor cost.

**DOC Position:** The Department examined documents during verification and determined that the credit for the payroll tax should not be included in the cost. The Department accordingly made the adjustment to eliminate the credit for payroll tax since credits related to prior expenses should not offset current costs.

**Comment 29:** Mitsubishi states that production costs of Model CS-2051 was inadvertently omitted in the questionnaire response.

Petitioners argue that the failure to report the third quarter production of Model CS-2051 would affect actual quarterly production costs and allocations.

**DOC Position:** Mitsubishi did not report the production costs for CTV model CS-2051 in the third quarter of 1986. Therefore, the Department used as best information the second quarter's material costs and the annualized fabrication rate to develop the cost of manufacturing for the product.

**Comment 30:** Mitsubishi claims that the transfers of personnel between the CTV and PTV buildings were insignificant during 1986. Also, the transfers were roughly equal, so the absolute levels offset one another with no net effect. Therefore, no change is required in the labor cost for CTV assembly.

Petitioners claim that Mitsubishi's U.S. labor costs on CTVs were understated due to this borrowing of personnel and that respondent did not provide revised labor cost figures to account for this additional labor cost.

**DOC Position:** Labor was transferred between the two production areas. The Department concluded, however, that

the effect of the transfer of employees between the department was minimal. Thus, no adjustment was made.

**Comment 31:** Mitsubishi contends that the cost of sales from the internal records and the audited financial statement are reconcilable and the reconciliation is provided in the verification Exhibit #48.

Petitioners claim that these internal financial statements formed the basis of the cost submission and that the discrepancy between the internal records and the audited financial statements should be allocated strictly to the cost of producing chassis used in producing CTVs under investigation.

**DOC Position:** The verification exhibit referred to by the respondent is the financial statements of the company, which does not provide a reconciliation. Therefore, the Department attributed a proportional amount of the difference between the audited financial statements and the internal financial statements to CTV chassis production.

**Comment 32:** Petitioners claim that Mitsubishi's choice of standard times for allocation bases was inconsistent and arbitrary and resulted in cost understatements. Petitioners suggest that the Department should recalculate these expenses based on actual labor hours.

Mitsubishi states that the standard times used were always selected on a production lot basis and that this method does not underallocate expenses to CTVs that contain Japanese tubes.

**DOC Position:** The Department reviewed the standard times presented at verification. In cases where standard times were selected from outside the period of investigation they appeared to be reasonable when compared to those within the period of investigation. Therefore, we accepted Mitsubishi's allocation.

**Comment 33:** Petitioners state that costs submitted by Mitsubishi may not have reflected the costs incurred by related trading companies. Petitioners suggest that the Department should calculate the full cost incurred by Mitsubishi Sales Singapore Pte. Ltd. (MSS) in procuring materials for UEEC and for trading finished chassis to Mitsubishi Consumer Electronics America, Inc. (MCEA) from UEEC.

Mitsubishi argues that it submitted costs which overstate the expenses of MSS. Since the chassis go to MCEA, selling expenses are minimal according to Mitsubishi, and the commission exceeds the expenses incurred by MSS.

**DOC Position:** The Department has captured the costs incurred by MSS for chassis as a general and administrative expenses.

**Comment 34:** Petitioners argue that respondent failed to limit its fabrication costs to the period of investigation. Petitioners suggest the Department should recalculate actual fabrication costs strictly for each quarter in the period of investigation and allocate these costs based on the actual labor time per model in production rejecting Mitsubishi's annualized figures.

Mitsubishi contents that the annualized fabrication rate was appropriate because CTV production is somewhat seasonal and thus quarterly fabrication costs fluctuate widely. Moreover, the company is on the cash basis and adjustments to quarterly data would have been excessive, while accruals would be more properly reflected over an entire year. Finally, the price of the CTV was based on the total annual costs.

**DOC position:** the Department concluded that the annualized fabrication rate did not distort the fabrication cost incurred for the production of the CTV. Therefore, we did not adjust the respondent's submission.

**Comment 35:** Mitsubishi argues that the Department should not impute a cost to the time that raw materials are in inventory and in transit before CTV production. Respondent argues that the Department should not make such an extensive policy change regarding inventory carrying costs after a preliminary determination when that change was not anticipated in the preliminary.

Petitioners argue that the Department was required at verification to obtain the necessary information to quantify these costs. Also, petitioners claim that until the CTV is produced, sold to an unrelated party, and receipt of final payment is obtained, Mitsubishi is incurring carrying costs.

**DOC Position:** The Department included the inventory carrying costs for components obtained from related manufacturers. Since issues often arise at verification, which typically takes place after the preliminary determination, the Department is not limited to addressing the issues raised at the preliminary determination.

**Comment 36:** Mitsubishi claims that the electricity expenses for CTVs should be lowered in the final value added calculation. The two production buildings were metered separately for electricity. However, when preparing the response, Mitsubishi allocated the total pool of overhead expenses based on standard times. As a result, CTV production received roughly 70 percent of the expense rather than the 50 percent it should have received.

**DOC Position:** The Department disagrees that an adjustment should be made. The company did not present this adjustment nor relevant documentation during verification. The Department cannot accept unverified information as the basis for its final determination. Therefore, since the Department was not able to verify it we did not use it in our final determination.

**Comment 37:** Mitsubishi claims that automatic insertion expenses were overallocated to CTV chassis in its reponse and, therefore, the Department should adjust the CTV chassis costs.

**DOC Position:** The respondent could not support its contention that automatic insertion costs were over-allocated to chassis. Therefore, we did not make an adjustment between product groups.

**Comment 38:** Petitioners claim Mitsubishi failed to provide the weighted-average costs incurred for the production of chassis used in CTVs. Petitioners state that the costs and existence of the chassis production facilities at Woodlines and Kyoto were not reported in Mitsubishi's submissions and Mitsubishi refused to provide such information. Petitioners argue that the Department should use the best information available, which is the cost of production of the highest cost Japanese producer of a comparably-sized chassis.

Mitsubishi claims that the issue of chassis costs for its Woodlines and Kyoto facilities was first raised at verification. Mitsubishi did not report these costs because it did not consider them to be relevant. Production from these plants is not commingled with production from the Bukit Timah chassis plant which produces chassis shipped to the U.S. Mitsubishi claims that it did not attempt to hide these production facilities, which the Department has known about for years. Instead, it did not believe it necessary to use anything other than the Bukit Timah costs.

**DOC Position:** The Department's analysis of the cost for the Bukit Timah facility indicates that the costs provided are representative of the weighted-average costs of producing chassis.

**Comment 39:** Mitsubishi claims that MCEA slightly overstated its finance expenses in the value added submission due to the fact that finance expenses for 1986 were calculated on an annual basis and included interest paid prior to the period of investigation. Mitsubishi contents that this payment should be excluded under the Department's usual policy of including only interest payments actually paid out during the period of investigation.

**DOC Position:** The Department used the consolidated interest expenses as a basis for determining interest expense. The Department was not presented with an adjustment during verification nor was any documentation provided during verification. Therefore, no adjustment has been made.

**Comment 40:** Mitsubishi argues that it is inappropriate to use the consolidated interest expenses for the U.S. subsidiaries. The subsidiaries are responsible for their own financing and to use an interest expense determined by the consolidated entity would be inconsistent between cases.

**DOC Position:** The Department used a proportional amount of the consolidated financial expense to determine the financial expense for each entity within the corporation. Funds from debt are fungible and the final decision regarding the amount of equity in any one entity is ultimately a result of the parent company's decisions.

**Comment 41:** Petitioners state that Mitsubishi's methods of calculating material cost may have led to an understatement of cost due to MCEA's failure to provide weighted-average, fully-absorbed material costs using a first-in, first-out inventory method. Mitsubishi claims it used average costs, not middle lots, for material costs. Costs for middle lots are only used for unrelated party transactions.

**DOC Position:** The Department reviewed the middle lots used for each quarter's costs on which the submissions were based and also the lots before and after this middle lot. The Department found the costs in the submission to be representative of actual costs.

**Comment 42:** Petitioners claim that Mitsubishi's interest expenses in the U.S. were understated and misallocated. Petitioners argue that the cost of financing was based on the terms between related parties and not on the actual cost of funds to the related lender. Also, petitioners claim that Mitsubishi incorrectly calculated net interest expense, did not itemize interest income and expenses, and did not show that the interest income was earned in production or sale of CTVs. Also, interest expense was allocated based on cost of sales which included the transfer prices of materials from related parties. This inclusion of transfer prices in the allocation of expenses may have understated the actual interest costs attributable to the cost of producing CTVs, according to petitioners.

Mitsubishi argues that interest expenses were correctly allocated to the product. The interest expenses were allocated based on cost of sales. The

cost of sales used was based on transfer prices rather than cost of production. This assured that interest expenses were properly allocated to the product.

**DOC Position:** The interest expense incurred by MCEA was not used since the Department applied the interest expenses of the consolidated company.

**Comment 43:** Petitioners claim that respondent's allocation methods have led to an understatement of cost of chassis products. Petitioners suggest that the Department should recalculate and allocate indirect department costs, GS&A expenses and fabrication costs based on the cost of goods sold and actual direct labor hours.

**DOC Position:** The Department has reallocated such expenses based on the cost of sales as opposed to value of sales. Sales values of different products would include varying amounts of profit or loss and could distort the allocation.

**Comment 44:** Petitioners claim Mitsubishi understated the cost of material control attributable to CTV chassis production. Petitioners urge the Department to recalculate these costs.

**DOC Position:** The Department made an adjustment to the cost of producing chassis to reflect the proper allocation of material control costs. This adjustment was based on verified data regarding the use of store room space.

**Comment 45:** Petitioners claim Mitsubishi miscalculated CPT material costs by not accounting for all supplier rebates. Petitioners suggest that the Department recalculate materials costs, accounting for the full amounts of the actual rebates provided on a per part basis.

**DOC Position:** The cost of production includes actual material costs incurred during the period of investigation. The rebates were spread over the costs of the material inputs. Therefore, there is no distortion of material costs for the product.

**Comment 46:** Petitioners claim Mitsubishi substantially understated its UEEC chassis production costs because UEEC accounted for its material costs based on acquisition costs and not inventory values.

**DOC Position:** The Department verified material costs and analyzed the changes in material costs between quarters. There was no substantial change in material costs between periods and, therefore, no adjustment in material costs was considered necessary.

#### Comments Pertaining to Matsushita

**Comment 1:** Petitioners argue that Matsushita does not have complete and credible cost of production information on the administrative record. The

response submitted by Matsushita did not disclose the data requested by the Department or the costs provided. Submissions of this nature cannot be adequately verified and the Department should use "best information available." Matsushita argues that it provided the Department all information requested and the Department should not use best information available.

**DOC Position:** Although during verification numerous omissions of requested data were noted, certain data pertaining to such omissions were obtained at verification. When inadequate data were not verified or included in the cost of production for the CPT, CTV or components, the Department revised the costs by using the "best information available."

**Comment 2:** The petitioners claim that the material and component costs for CTVs were reported inaccurately, resulting in an understatement of the non-CPT portion CTV cost, by using a two month lag for determining costs from related suppliers, not accounting for all costs for these parts (G&A, interest, trading house and transportation costs) and reporting only one of the three months in a quarter.

Matsushita claims that CTV and component costs were correctly stated. The cost of materials was properly based on purchase cost at a certain time prior to the date of production, due to the lag between purchase of the material and the date entering production, and that the Department was aware that only one month of the quarter had been submitted and did not request additional data until the verification. Matsushita requests that the general and administrative expenses submitted in its revised response be used for the components.

**DOC Position:** The Department agrees that all cost information requested by the Department in its questionnaire was not submitted. However, when it initially came to the Department's attention during verification that data for only one month of the quarter had been submitted, the Department obtained company source documentation which related to the other two months of each quarter. Therefore, the Department was able to supplement the costs in the response with information received during verification or obtained from the audited financial statements of the various entities manufacturing the components. The supplemental response submitted subsequent to the verification was not used for the Department's final calculations for computing general and

administrative expenses because such information was not explained.

**Comment 3:** Petitioners claim that the cost of the CTV was understated because costs related to early retirement were not included. Matsushita claims that these were extraordinary costs and should be excluded.

**DOC Position:** The Department agrees with the petitioners and has included such costs as part of the cost of production. The respondent did not provide data to support its claim that such costs were "extraordinary" nor reasoning to support the exclusion of such costs even if they were considered to be "extraordinary."

**Comment 4:** The petitioners claim that the costs of tuners and other components purchased from Matsushita Electronic Components of Malaysia by Matsushita Industrial Company (MIC) were understated because general expenses of the parent company were not included, exchange gains unrelated to production were included, and material costs from related suppliers were reported at transfer price. Matsushita contends that general and administrative expenses of the parent companies should not be included because each entity is an independent company, including the company that manufactures the tuner.

**DOC Position:** The Department allocated an amount of headquarters, general and administrative expenses to all companies involved in manufacturing the components of the CTV that were part of the consolidated corporate entity. Although each company may be considered a separate corporate entity legally, the management of the corporation and other services provided by headquarters would directly or indirectly benefit all companies included in the group. The Department did not include a deduction from the costs for exchange gains unrelated to production. The Department used the actual costs for the major components manufactured by related companies in order to determine the cost to produce the CTV, and did not rely on transfer price.

**Comment 5:** Matsushita states that standard direct labor costs and factory overhead rates which were based on actual costs incurred by the company should be used without adjustment.

**DOC Position:** We disagree. Although the rates used by the company were based on actual costs, the labor costs and factory overhead costs were allocated by actual hours and then applied to the products based on standard hours. Since the actual hours exceeded the standard hours, all costs incurred during the period of investigation which were incurred for

the production of the tubes were not absorbed, and, therefore, the product costs were understated. The Department adjusted the labor and overhead product costs to absorb fully the total costs of these elements.

**Comment 6:** The petitioners state that the Department should pay particular attention to the model matches used in foreign market value. The 13-inch model sold in the U.S. should be compared to sales to a related party in Japan, instead of a model sold to an unrelated party since the related sales were at arm's length and the sales to the unrelated company may have been exported and, therefore, are not home market sales. Also, Model 510WXB22 sold in the home market should be compared to U.S. models 501ABYB22 and A51JJL90X since it was under regular production and not solely a replacement tube. The Department should use sales of model 510WXB22 only to unrelated parties, since sales to related parties were not made at arm's length.

**DOC Position:** We have compared the 13-inch model sold in the U.S. to a 13-inch CPT sold in the home market to an unrelated party because sales made to related parties were not at arm's length. There is nothing in the record to substantiate petitioners' claim that this home market model was exported. We have not used model 510WXB22, a 19-inch model, sold in the home market to compare to the two U.S. models, even though it was in normal production and not merely produced in small quantities as a replacement tube. We found that sales quantity of this model were too small and, therefore, did not meet our viability test. Accordingly, we have used constructed value as foreign market value for 19- and 20-inch models because the volume of third country sales was determined to be inadequate under § 353.5.

**Comment 7:** The petitioners assert that difference-in-merchandise adjustments must be limited to differences in variable costs that resulted from differences in physical characteristics. Thus, the Department should not adjust for differences in "total" factory overhead, but rather only for "variable" factory overhead, and it should not adjust for differences in packing of certain components. Finally, the Department should not allow an adjustment claim when identical merchandise is being compared.

**DOC Position:** We agree. We limited our difference-in-merchandise adjustments to only variable costs for materials, labor and direct factory overhead. We did not adjust for packing differences.

**Comment 8:** The petitioners argue that home market and third country indirect selling expenses must not include G&A expenses of various head offices and general R&D expenses.

**DOC Position:** We disagree. Where various head offices were involved in the shipment of CPTs and other parts of CTVs, we have included a prorated share of their expenses.

**Comment 9:** The petitioners contend that the Department should not allow a deduction from foreign market value for rebates paid to related companies as these are simply intracorporate transfers.

**DOC Position:** We disagree. The granting of rebates is an accepted practice in this industry. To the extent that such rebates do not result in a practice that is not at arm's length between related parties, such rebates have been allowed.

**Comment 10:** Matsushita asserts that the Department should use a general company-wide profit for constructed value since it does not differentiate between profit for exports and domestic sales.

**DOC Position:** The Department used the company-wide profit for constructed value as the "best information available," since the company could not provide profit related to its home market sales.

**Comment 11:** Matsushita contends that the Department's calculation of an average short-term interest rate in the home market is wrong. The actual figure should be higher.

**DOC Position:** We agree. The higher figure is correct and we used it.

**Comment 12:** Matsushita asserts that if the Department deducts an imputed inventory carrying cost from the sales price, then it should also deduct a corresponding amount from the interest expenses.

**DOC Position:** The Department deducted a proportional amount of interest expense attributed to inventory to offset the inventory carrying costs.

**Comment 13:** Matsushita contends that the Department should use the average short-term interest rate of the parent company in each country for all calculations involving it and its subsidiaries.

**DOC Position:** We agree. We used the average short-term interest rate for the parent company in each country.

**Comment 14:** The petitioners allege that a significant amount of information was received at verification rather than in responses prior to verification. The petitioners are not privy to this information and, therefore, cannot assess its reasonableness. Additionally,

the Department found some information to be wrong at verification. After verification, Matsushita submitted new, corrected data. However, this data was not verified by the Department. Therefore, information presented during verification or unverified information should be rejected and best information should be used.

**DOC Position:** While we generally agree with the petitioners that a certain amount of information was received for the first time at verification, that information was generally submitted to the Department after verification as supplemental responses and therefore available to the petitioners. With regard to the data corrected after the verification, that data appears reasonable in light of the documents examined at verification. Therefore, we used it.

**Comment 15:** Petitioners assert that Matsushita did not report its cash and early payment discounts on U.S. sales, U.S. inland freight expenses, direct shipment discounts, cooperative advertising expenses, certain promotional expenses and warranty expenses in a sales-specific manner. Instead, it averaged these charges and prorated them over all sales, not just those sales to which these items belonged. It also misstated warranty parts costs and used a suspect figure for warranty costs incurred by Quasar. All of this leads to a skewing of actual dumping margins. Since Matsushita did not use a reasonable methodology, the Department should assume that these discounts and charges were granted and charged to all sales.

**DOC Position:** We disagree. Matsushita does not maintain its records with regard to these items on a sale-by-sale basis. We have determined that its methodology was reasonable and have therefore used it.

#### Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of CPTs from Japan that are entered, or withdrawn from warehouse, for consumption, or, or after the date of publication of this notice in the Federal Register. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the estimated average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown below. The suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/producer/exporter	Weighted-average margin percentage
Mitsubishi Electric Corporation.....	1.34
Mitsubishi, Ltd.....	22.29
Matsushita Electronics Corporation.....	32.91
Toshiba Corporation.....	33.50
All others.....	30.02

#### ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officers to assess an antidumping duty on CPTs from Japan entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the U.S. price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)). November 12, 1987.

Gilbert B. Kaplan,

*Acting Assistant Secretary for Import Administration.*

[FR Doc. 87-26590 Filed 11-17-87; 8:45 am]

BILLING CODE 3510-08-0

[A-580-605]

#### Final Determination of Sales at Less Than Fair Value; Color Picture Tubes From Korea

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

**ACTION:** Notice.

**SUMMARY:** We have determined that color picture tubes (CPTs) from Korea are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening material injury to, a United States industry.

**EFFECTIVE DATE:** November 18, 1987.

**FOR FURTHER INFORMATION CONTACT:** John Brinkmann, (202) 377-3965 or Raymond Busen, (202) 377-3404, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street

and Constitution Avenue, NW., Washington, DC 20230.

#### Final Determination

We have determined that CPTs from Korea are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)). The weighted-average margins of sales at less than fair value are shown in the "Suspension of Liquidation" section of this notice.

#### Case History

On June 24, 1987, we made an affirmative preliminary determination (52 FR 24318, June 30, 1987). The following events have occurred since the publication of that notice.

On July 1, 1987, Samsung Electron Devices Co., Ltd. (Samsung), a respondent in this case, requested that the Department extend the period for the final determination until not later than 135 days after the date on which the Department published its preliminary determination. The Department granted this request and postponed its final determination until no later than November 12, 1987 (52 FR 27698, July 23, 1987).

Questionnaire responses from both respondents, Gold Star Company, Ltd. (Gold Star) and Samsung, were verified in Korea from July 23 to July 29 and in the United States from August 24 to August 27.

On September 29, 1987, the Department held a public hearing. Interested parties also submitted comments for the record in their pre-hearing briefs of September 22, 1987, and in their post-hearing briefs of October 7, 1987.

#### Scope of Investigation

The products covered by this investigation are color picture tubes (CPTs) which are provided for in the *Tariff Schedules of the United States Annotated* (TSUSA) items 687.3512, 687.3513, 687.3514, 687.3516, 687.3518, and 687.3520. The corresponding Harmonized System (HS) numbers are 8540.11.00.10, 8540.11.00.20, 8540.11.00.30, 8540.11.00.40, 8540.11.00.50 and 8540.11.00.60.

CPTs are defined as cathode ray tubes suitable for use in the manufacture of color television receivers or other color entertainment display devices intended for television viewing.

In the initiation notice in this case, we tentatively included CPTs imported as parts of color television receiver kits or as a part of incomplete color television receiver assemblies, within the scope of

this proceeding. We recognized at that time that there could be an overlap between this proceeding and the existing order on complete and incomplete color television receivers from Korea ("CTV order") (40 FR 18336, April 30, 1984) because CPTs subsequently combined into televisions by a related party are covered by the CTV order.

We had tentatively determined to resolve this overlap by a partial revocation of the CTV order (*See, Color Television Receivers from Korea; Intention to Review and Preliminary Results of Changed Circumstances Administrative Review and Tentative Determination to Revoke Antidumping Duty Order, 52 FR 6840, March 5, 1987*). However, after consideration of all the comments received in the context of that administrative review, we decided to keep the entire CTV order in place. (*See, Final Results of Changed Circumstances Review and Determination Not to Revoke Antidumping Duty Order, 52 FR 24500, July 1, 1987*). Therefore, in the preliminary CPT determination, we found—and continue to find in this final determination—that those CPTs that are included within the scope of the CTV order will not be covered in this investigation.

In addition, we have determined that CPTs, which are not covered by the CTV order, are covered by this investigation unless all of the following criteria are met: (1) The CPT is "physically integrated" with other television receiver components in such a manner as to constitute one inseparable amalgam; and (2) the CPT does not constitute a significant portion of the cost or value of the items being imported.

This determination is driven by several considerations. First, an order against CPTs that excludes any CPT shipped with other television components could easily be circumvented by simply shipping all future CPTs to the United States in conjunction with at least one other television component. Secondly (and conversely), there must be a point at which a part, such as a CPT, becomes so integrated within another class or kind of merchandise that the part can no longer be regarded as being imported for purposes of the antidumping duty statute. Further, the statute does not permit an interpretation which could result, for example, in future petitions against car radios even when imported within fully-assembled cars or semiconductors even when imported within fully-assembled mainframe computers. Lastly, where the part

constitutes a substantial portion of the cost or value of the article being imported, the dominant article does not lose its autonomy, character and use merely because it is imported within several other less important component parts.

As requested by the Department, Samsung and Gold Star also reported U.S. sales of CPTs which were imported into the United States during the period of investigation by a related company for use in the production of CTVs. We have determined that these CPTs are already covered by the scope of the Korean CTV order and, therefore, did not use these sales in our fair value comparisons. Since all of Gold Star's sales during the period of investigation were covered by the Korean CTV order, Gold Star was not included in our fair value comparisons.

#### Fair Value Comparison Methodology

To determine whether sales of CPTs in the United States were made at less than fair value, we compared the United States price to the foreign market value of such or similar merchandise for the period June 1, 1986 through November 30, 1986.

#### Foreign Market Value

In order to determine whether there were sufficient sales of the merchandise in the home market to serve as the basis for calculating foreign market value, we established separate categories of such or similar merchandise based on the CPT screen size. We considered any CPT sold in the home market that was within plus or minus two inches in screen size of the CPT sold in the U.S. to constitute a separate product category of such or similar merchandise.

We then compared the volume of home market sales within each such or similar category to third country sales (excluding U.S. sales), in accordance with section 773(a)(1) of the Act. We determined that for each such or similar category there were insufficient home market sales to unrelated customers or arm's length sales to related customers to form an adequate basis for comparison to the CPTs imported into the United States.

For 13-inch CPTs, we determined that there were no third country sales of identical merchandise. Therefore, in accordance with § 353.5 of our regulations, we determined that the third country market with the largest sales volume of 13-inch CPTs of the most similar merchandise was the United Kingdom. Accordingly, we based foreign market value of 13-inch CPTs on those sales. Similarly, pursuant to § 353.5, with regard to 19-inch CPTs, we

determined that the third country with the largest volume of identical merchandise was Taiwan. Accordingly, we based foreign market value for 19-inch CPTs on those sales.

#### Purchase Price

As provided in section 772(b) of the Act, we used the purchase price to represent the United States price for sales of CPTs made by Samsung through a related sales agent in the United States to an unrelated purchaser prior to importation of the CPTs into the United States. The Department determined that purchase price and not exporter's sales price was the most appropriate indicator of United States price based on the following elements.

1. The merchandise was purchased or agreed to be purchased prior to the date of importation from the manufacturer or producer of the merchandise for exportation to the United States.

2. The related selling agent located in the United States acted only as a processor of sales-related documentation and as a communication link with the unrelated U.S. buyers.

3. Rather than entering into the inventory of the related selling agent, the merchandise in question was shipped directly from the manufacturer to the unrelated buyers. Thus, it did not give rise to storage and associated costs on the part of the selling agent or create flexibility in marketing for the exporter.

4. Direct shipments from the manufacturer to the unrelated buyer were the customary commercial channel for sales of this merchandise between the parties involved.

Where all the above elements are met, as in this case, we regard the primary marketing functions and selling costs of the exporter as having occurred in the country of exportation prior to importation of the product into the United States. In such instances, we consider purchase price to be the appropriate basis for calculating United States price.

#### United States Price Calculations

##### Purchase Price

We calculated purchase price based on the packed, c.i.f., duty paid prices to unrelated purchasers in the United States. We made deductions from these prices for discounts. We also made additions or deductions, where appropriate, under the following sections of the Commerce Regulations:

1. Section 353.10(d)(2)(i): We made deductions for foreign wharfage, foreign inland freight, U.S. and foreign brokerage and handling charges, ocean

freight, marine insurance, U.S. duty, and U.S. inland freight.

2. Section 353.10(d)(1)(ii): We made additions for duty drawback (i.e., import duties which were rebated, or not collected, by reason of the exportation of the merchandise to the U.S.).

#### Foreign Market Value Calculations

In accordance with section 773(a) of the Act, we calculated foreign market value based on f.o.b., packed third country prices to unrelated purchasers. We made deductions for inland freight, brokerage, and wharfage. We subtracted third country packing and added U.S. packing to third country prices. We also made additions for duty drawback (i.e., import duties which were rebated, or not collected, by reason of the exportation of the merchandise to third countries).

Because U.S. price was based on purchase price sales, we made adjustments to foreign market value under the following sections of the Commerce Regulations:

1. Section 353.15(a); (b): Adjustments were made for difference in circumstances of sale in the U.S. and third country for credit expenses, advertising expenses, warranties, and royalties.

2. Section 353.18: Where there was no identical product in the third country with which to compare a product sold in the United States, we made adjustments to the foreign market value of similar merchandise to account for differences in the physical characteristics of the merchandise. These adjustments were based on differences in the costs of materials, direct labor, and directly related factory overhead.

#### Currency Conversion

We made currency conversions in accordance with § 353.58(a)(1) of our regulations. All currency conversions were made at the rates certified by the Federal Reserve Bank.

#### Verification

As provided in section 776(a) of the Act, we verified all information used in reaching the final determination in this investigation. We used standard verification procedures, including examination of all relevant accounting records and original source documents provided by the respondents.

#### Interested Party Comments

Petitioners and respondent Samsung have raised certain issues which relate exclusively to home market sales. As explained in the "Foreign Market Value" section of this notice, we have determined that home market sales were insufficient to form an adequate basis

for comparison to the CPTs imported into the United States. Therefore, in accordance with §§ 353.4 and 353.5 of our regulations, we calculated foreign market value using sales to third countries. Since we have determined that home market sales were inadequate for purposes of calculating foreign market value, we have addressed those issues which relate both to home market and third country sales, but have disregarded issues relating exclusively to home market sales.

*Comment 1:* Samsung alleges that the Department should not use home market sales to determine foreign market value of 13-inch CPTs. Samsung argues that the statute intends that the viability of the home market be determined by the adequacy of the sales it ultimately uses for comparison. Because the Department excluded sales to related parties in making its price-to-price comparisons, the viability of the home market should be retested using only unrelated party sales. Using this methodology, home market sales of 13-inch CPTs would clearly be inadequate for making price-to-price comparisons of such and similar merchandise.

Petitioners argue that the Department should use home market sales because (1) the statute and legislative history show a strong preference for using home market sales when establishing foreign market value; (2) the sales were made in the ordinary course of trade; (3) sales of 11- to 15-inch CPTs to both related and unrelated purchasers constitute a viable home market; and (4) it is not required that the quantity of actual sales used for comparison purposes exceed 5 percent of third country sales.

*DOC Position:* Under section 773(a)(1) of the Act, the Department is required to determine whether home market sales form an adequate basis for comparison. Section 353.4 of our regulations establishes the test for making this determination. Normally, we require that home market sales comprise five percent of sales to third country markets in order for the home market to be deemed "viable." Neither the statute nor the regulation specifically addresses the issue of whether "sales" related parties should be included for purposes of determining the viability of the home market.

Where home market sales are made through a related party seller, it would usually make little difference for purposes of performing the viability test if the producer reported sales to the related party or sales by the related party. Absent unusual circumstances, we would expect the amount of sales to the related party to approximate the amount of sales made by the related

party. Also, in this situation, we would normally use the price charged to the first unrelated customer in calculating foreign market value.

Unlike these more normal situations, the Korean investigation of CPTs has presented unique circumstances. Many of the home market sales by CPT producers are to related parties who do not resell the CPTs. Instead, the related purchasers use these CPTs to produce CTVs. In this chain of transactions, the first sale to an unrelated party is the sale of a completed CTV. A completed CTV is not within the class or kind of merchandise being investigated, nor can it be considered such or similar merchandise. Thus, the sale of the completed CTV by the related purchaser cannot be used in calculating foreign market value.

In this situation, we have concluded that sales to related parties should not normally be included for purposes of performing the viability test. We have reached this conclusion based on a determination that the purpose of the viability test is to ascertain whether there is an adequate number of usable sales in the home market to form the basis for calculating foreign market value.

Section 353.22 of our regulations provides that the Department will not normally consider prices charged to related parties in determining foreign market value, unless it can be established that such prices are comparable to the prices at which such or similar merchandise is sold to unrelated buyers. Thus, unless the sales to the related buyers are made at arm's length, the Department would not normally use those sales for comparison purposes. Given the standard established by this regulation, we have concluded that sales to related parties should not be included in determining the viability of the home market unless those sales have been made at arm's length and, thus, can be used in calculating foreign market value.

*Comment 2:* Petitioners argue that the Department should make clear that the scope of this investigation, and any subsequent antidumping duty order, is contingent on the scope of the CTV antidumping duty order, so that all of Samsung's CPT imports will be covered in this proceeding or the companion CTV proceeding.

Both respondents argue that DOC correctly narrowed the scope of the CPT investigation to exclude those CPTs already subject to the outstanding CTV antidumping duty order. Gold Star contends that DOC should define the class or kind of merchandise upon

which it makes its final determination to include only those CPTs not subject to the outstanding antidumping duty order on CTVs from Korea.

**DOC Position:** We stand by our decision to narrow the scope of this investigation to include only those CPTs not subject to the outstanding antidumping duty order on CTVs from Korea. Thus, if the scope determination of the CTV order—which is currently under appeal—were overturned, we would examine those items excluded by the court from the CTV order to determine whether they might be subject to the CPT order.

**Comment 3:** Samsung argues that the Department has incorrectly treated local export sales to Korean companies in bonded factory areas as home market sales. Samsung contends that these CPTs should be treated as export sales because (1) Korean duty drawback law provides that goods shipped to a bonded factory are considered exported when they are shipped to the bonded factory and (2) Korean law states that goods sold under local letters of credit must be exported and not diverted for resale in the home market.

Petitioners contend that the sales should be treated as U.S. sales because Samsung knew that nearly all the CPTs it sells under local letters of credit are exported by Samsung's customers as CPTs, and Samsung has acknowledged that many of these CPTs are ultimately shipped to the United States.

**DOC Position:** From the documentation verified, it is clear that these CPTs are destined for export to unknown destinations in an unknown form. Samsung did not state that it had prior knowledge that specific shipments of these CPTs were destined for the United States. We verified from a variety of source documents that Samsung did not know the destination of these CPTs, except that they are for export as CPTs or as CPTs in CTVs. None of the local export sale customers are being investigated by the Office of Compliance as CTV or CTV kit exporters, and the only known Korean CPT exporters were Samsung, Gold Star, and Daewoo. Thus, we have no evidence which indicates that respondent knew or should have known whether these CPTs were ultimately shipped to the United States, either as CPTs or CTVs. Accordingly, these local export sales are considered export sales.

**Comment 4:** Petitioners argue that certain of Samsung's U.S. sales which showed revised upward prices should be rejected because Samsung has not established that its price revisions were made in the ordinary course of trade. Furthermore, since Samsung's dates of

sale were based on purchase order modification dates, the sales should be rejected because the January 1987 price revisions were outside the June-November 1986 period of investigation.

Samsung contends that the Department should accept the revised prices because they were verified prices agreed to and paid by the customer in the ordinary course of business.

**DOC Position:** We verified that part of the sales in question had been involved and shipped during the period of investigation under an October 1986 purchase order revision. A subsequent January 16, 1987 Samsung price revision, however, raised the CPT price starting with deliveries after January 20, 1987. The remaining CPTs were involved and shipped in January and February 1987 under the revised price established by the January 16, 1987 price revision. Accordingly, the January 1987 revised sales prices which fell outside our period of investigation were not used in making our final determination.

**Comment 5:** Petitioners argue that the Department erred in allowing Samsung's duty drawback claim because Samsung failed to establish (1) that it paid the import duties refunded, and (2) that any correlation exists between the amount of duty drawback received and the import duties paid during the period of investigation on the subject CPTs.

Samsung states that Korean Customs only paid a drawback for duties that Samsung proved were paid—either by showing its own import documents or by showing its suppliers' certificates. Thus, Samsung can never receive more in drawback than was actually paid in duties. Samsung also states that there is no incentive for it to delay its drawback application because it would be foregoing use of those funds.

**DOC Position:** During verification, Samsung was able to demonstrate that it received duty drawback only in the amount of duties actually paid. Furthermore, we found no evidence to suggest that Samsung delays its drawback applications.

**Comment 6:** Petitioners argue that Samsung's claimed U.S. commission expenses should be treated as rebates or price discounts and deducted from the U.S. price, without making an offset with respect to indirect selling expenses in the comparison market. Petitioners believe that the fees paid on Samsung's U.S. transactions are akin to customer rebates because no commission agreement exists between the parties.

Samsung alleges these commissions are not rebates because no payments are made to the purchaser. Payments are made to a separate company that happens to be related to the purchaser.

Samsung alleges these payments are fees for performing services, and should be offset with indirect selling expenses.

**DOC Position:** We verified that no commission agreement existed between the parties involved. Further, we were unable to verify that any service was provided for the alleged commission. Absent evidence to the contrary, we have treated the amounts in question as a discount and deducted the amounts from the selling price.

**Comment 7:** Petitioners argue that Samsung's U.S. price should be adjusted downward to account for the antidumping duties that will be paid by Samsung's U.S. subsidiary, Samsung Pacific International (SPI).

Samsung argues that both the current and proposed regulations intend that such adjustments are only applicable when the importer (i.e., the party paying the antidumping duties) is reimbursed for the payment of such duties. Samsung states that no evidence exists to suggest it will be reimbursed for antidumping duties.

**DOC Position:** As stated in *Television Receivers, Monochrome and Color, From Japan; Final Results of Antidumping Duty Administrative Review* (52 FR 8941, March 20, 1987), we do not consider estimated antidumping duties paid or antidumping bond premiums to be expenses related to the sales under review. Therefore, they should not be deducted from United States price. Furthermore, § 353.55(a)(2) of our regulations provides an adjustment for reimbursement of antidumping duties only for entries subject to an antidumping duty order. This is clearly not the case in this instance.

**Comment 8:** Petitioners argue that the Department should compute foreign market value for 19-inch CPTs using a monthly weighted-average, rather than a weighted-average for the entire 6-month period of investigation, because of rapidly changing prices throughout the 6-month period.

**DOC Position:** As noted in the "Foreign Market Value" section of this notice, we used third country prices to compute foreign market value. Our analysis indicated that sales to third country customer(s) were made at varying prices over the entire period with no consistent trend. Therefore, in accordance with § 353.20 of our regulations, we based foreign market value on the weighted-average price of all sales during the entire period.

**Comment 9:** Petitioners argue that no adjustment for physical differences in merchandise should be made for differences in manufacturing yields.

Petitioners allege differences in manufacturing yields are not necessarily due to physical differences in the merchandise, but may be due to production efficiency, random chance, manufacturing downtime, worker efficiency, breakage, or other factors.

**DOC Position:** Samsung has revised its physical differences in merchandise adjustments to exclude any cost differences due to differences in manufacturing yield.

**Comment 10:** Petitioners contend that Samsung's claimed circumstance-of-sale adjustment for certain home market advertising expenses should be rejected. They claim these expenses are either institutional in nature or are not directed at the ultimate customer or end-user of the product. Furthermore, petitioners allege Samsung has incorrectly based its advertising expense claim on the amount of advertising expenses accrued, rather than paid, during the period. Petitioners state that we should allow, as part of any advertising expense claim, only those actual expenses recorded in Samsung's advertising expense ledger in the months covered by our investigation.

Samsung states that a circumstance-of-sale adjustment is warranted for expenses incurred in advertising in magazines, newspapers, and trade publications because these publications are read by the ultimate customers or end-users (i.e., television dealers and distributors) who purchase televisions using Samsung CPTs from television and other video manufacturers. Furthermore, Samsung alleges that, under generally accepted accounting principles, the accrual method is considered more accurate than the cash method.

**DOC Position:** As noted in the "Foreign Market Value" section of this notice, foreign market value was based on sales to third countries. Our verification and analysis indicated that Samsung's claimed advertising expenses in export markets included (1) institutional advertising which promoted Samsung's name in general without stressing any particular product, and (2) advertising for "all products" which promoted CPTs as well as other Samsung products. Sample newspaper and magazine advertisements provided in the responses and at verification indicated that the advertisements were directed solely at the customer's customer—in this case, the retailer or wholesaler of the CTVs containing Samsung's CPTs. Therefore, in accordance with § 353.15 of our regulations, we allowed advertising as a circumstance-of-sale adjustment.

With regard to the method of recording advertising expenses, we

consider the accrual method to be more accurate than the cash method because the former recognizes expenses actually incurred by the company for activities undertaken during the review period, while the latter recognizes expenses that relate to a company's activities during a previous period.

**Comment 11:** Petitioners contend that Samsung has overstated its home market warranty expenses by failing to demonstrate that certain fabrication costs associated with recycling defective CPTs and certain after-service activities expenses are incurred pursuant to a warranty or technical service agreement at the time of the CPT sale. Furthermore, to the extent that Samsung has included fixed expenses in its direct warranty expense claim, this portion of the claim should be denied.

Samsung argues that our regulations explicitly recognize all warranty expenses as direct expenses. Moreover, Samsung argues that treating fixed warranty expenses as indirect would unfairly penalize Samsung for its decision to perform warranty services in-house. It argues that if it offered the same exact services, but used an independent contractor and paid on a per repair basis, the expense would be variable and, in petitioners' view, a direct expense.

**DOC Position:** As noted above in the section on "Foreign Market Value Calculation," foreign market value was based on sales to third countries. Our analysis and verification showed that warranty expenses incurred on third country and U.S. sales were variable in that they only related to replacement of CPTs. There were no after-service division expenses related to U.S. or third country sales. Therefore, in accordance with § 353.15 of our regulations, warranty expenses were allowed as a circumstance-of-sale adjustment.

#### Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of CPTs from Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The Customs Service shall continue to require a cash deposit or the posting of a bond on all entries equal to the estimated average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown below. The suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/producer/exporter	Weighted-average margin percentage
Samsung Electron Devices Co., Ltd.....	1.91
All others .....	1.91

#### ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officers to assess an antidumping duty on CPTs from Korea entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the U.S. price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

November 12, 1987.

Gilbert B. Kaplan,

*Acting Assistant Secretary for Import Administration.*

[FR Doc. 87-26591 Filed 11-17-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-559-601]

#### Final Determination of Sales at Less Than Fair Value; Color Picture Tubes From Singapore

**AGENCY:** Notice.

**SUMMARY:** We have determined that color picture tubes from Singapore are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening material injury to, a United States industry.

**EFFECTIVE DATE:** November 18, 1987.

#### FOR FURTHER INFORMATION:

Contact John Brinkmann, (202) 377-3965 or Jess Bratton, (202) 377-3963, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230.

### Final Determination

We have determined that color picture tubes from Singapore are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (The Act). The weighted-average margins of sales at less than fair value are shown in the "Suspension of Liquidation" section of this notice. On June 24, 1987, we made an affirmative preliminary determination (52 FR 24318, June 30, 1987). The following events have occurred since the publication of that notice.

On June 28, 1987, counsel for Hitachi Electronic Devices (Singapore) Pte., Ltd., the respondent in this case, requested that the Department extend the period for the final determination until not later than 135 days after the date on which the Department publish its preliminary determination. The Department granted this request, and postponed its final determination until not later than November 12, 1987 (52 FR 27696, July 23, 1987).

The questionnaire response from the respondents was verified in Singapore from July 13 to July 22, and in Taiwan from August 3 to August 7 and in the United States from August 12 to August 25.

Interested parties submitted comments for the record in briefs on September 28, and October 9, 1987.

### Scope of Investigation

The products covered by this investigation are color picture tubes (CPTs) which are provided for in the *Tariff Schedules of the United States Annotated* (TSUSA) items 687.3512, 687.3513, 687.3514, 687.3516, 687.3518, and 687.3520. The corresponding Harmonized System (HS) numbers are 8540.11.00.10, 8540.11.00.20, 8540.11.00.30, 8540.11.00.40, 8540.11.00.50 and 8540.11.00.60.

CPTs are defined as cathode ray tubes suitable for use in the manufacture of color television receivers or other color entertainment display devices intended for television viewing.

Petitioners have also requested that the Department examine CPTs which are shipped and imported together with other parts as television receiver kits (which contain all parts necessary for assembly into complete television receivers) or as incomplete television receiver assemblies that contain a CPT as well as additional components. Color television receiver kits ("kits") are provided for in TSUSA items 684.9655, while incomplete television receiver assemblies ("assemblies") are provided

for in TSUSA items 684.9658, 684.9658 and 684.9660.

During the period of investigation, Hitachi did not sell kits and assemblies in the United States. Nonetheless, current import statistics indicate that substantial quantities of kits and assemblies are being exported to the United States. Thus, the issue before the Department is whether to include in the scope of this proceeding present and future shipments of CPTs which are classified for Customs purposes as kits or assemblies. We have determined that where a CPT is shipped and imported together with all the parts necessary for assembly into a complete television receiver (i.e., as a "kit"), the CPT is excluded from the scope of this investigation. The Department has previously determined in the Japanese (46 FR 30163, June 5, 1981) and Korean (49 FR 18336, April 30, 1984) television receiver ("CTV") cases that kits are to be treated for purposes of the antidumping statute as television receivers, not as a collection of individual parts. Stated differently, a kit and a fully-assembled television are a separate class of kind of merchandise from a CPT. Accordingly, we have determined that when CPTs are shipped together with other parts as television receiver kits, they are excluded from the scope of this investigation. We will determine in any future administrative review whether factual circumstances similar to those found by the Department in the Japanese CPT investigation warrant including Singaporean kits within this proceeding as transshipped CPTs.

With respect to CPTs which are imported for Customs purposes as incomplete television assemblies, we have determined that these entries are included within the scope of this investigation unless both of the following criteria are met: (1) The CPT is "physically integrated" with other television receiver components in such a manner as to constitute one inseparable amalgam; and, (2) the CPT does not constitute a significant portion of the cost or value of the items being imported. This determination is driven by several considerations. First, an order against CPTs that excludes any CPT shipped with other television components could easily be circumvented by simply shipping all future CPTs to the United States in conjunction with at least one other television component. Secondly (and conversely), there must be a point at which a part, such as a CPT, becomes so integrated within another class or kind of merchandise that the part can no longer be regarded as being imported as

a separate item for purposes of the antidumping duty statute. Further, the statute does not permit an interpretation which could result, for example, in future petitions against car radios imported within fully-assembled cars or semiconductors imported within fully-assembled mainframe computers, when the part in question is inconsequential or small compared to the cost or value of the product of which it is a part. However, where the part (here a CPT) constitutes a substantial portion of the cost or value of the article being imported (here an assembly), the dominant article does not lose its autonomy, character and use merely because it is imported with several other less important component parts. We accordingly determine that assemblies are within the scope of this investigation.

### Fair Value Comparison Methodology

To determine whether sales of CPTs in the United States were made at less than fair value, we compared the United States price to the foreign market value of such or similar merchandise for the period June 1, 1986 through November 30, 1986.

### Foreign Market Value

In order to determine whether there were sufficient sales of the merchandise in the home market to serve as the basis for calculating foreign market value, we established separate categories of such or similar merchandise, based on the CPT screen size. We considered any CPT sold in the home market that was within plus or minus two inches in screen size of the CPT sold in the U.S. to be such as similar merchandise.

We then compared the volume of home market sales within each such or similar category to third country sales (excluding U.S. sales), in accordance with section 773(a)(1) of the Act. We determined that there were sufficient home market sales to unrelated customers and/or arm's length sales to related customers, for each such or similar category to form an adequate basis for comparison to the CPTs imported into the United States. Therefore, foreign market value was calculated using home market sales.

### Purchase Price

As provided in section 772(b) of the Act, we used the purchase price to represent the United States price for sales of CPTs made by Hitachi through a related sales agent in the United States to unrelated purchasers prior to importation of the CPTs into the United States. The Department determined that

purchase price and not exporter's sales price was the most appropriate indicator of United States price. We based that decision on the following elements.

1. The merchandise was purchased or agreed to be purchased by the unrelated U.S. buyer prior to the date of importation from the manufacturer or producer of the merchandise for exportation to the United States.

2. The related selling agent located in the United States acted only as the processor of sales-related documentation and as a communication link with the unrelated U.S. buyers;

3. Rather than enter the inventory of the related selling agent, the merchandise in question was shipped directly from the manufacturer to the unrelated buyer. Thus, it did not give rise to storage and associated costs on the part of the selling agent or create added flexibility in marketing for the exporter.

4. Direct shipments from the manufacturer to the unrelated buyer were the customary commercial channel for sales of this merchandise between the parties involved.

Where all the above elements are met, as in this case, we regard the primary marketing functions and selling costs of the exporter as having occurred in the country of exportation prior to the importation into the United States. In such instances, purchase price is the appropriate basis for calculating United States price.

#### *Exporter's Sales Price*

For certain sales we based United States price on exporter's sales price, in accordance with section 772(c) of the Act, since the sale to the first unrelated purchaser took place in the United States after importation.

#### **United States Price Calculations**

##### **Purchase Price**

We calculated purchase price based on the packed, c.i.f. duty paid prices to unrelated purchasers in the United States. We made deductions under the following section of the Commerce Regulations:

##### **1. Section 353.10(d)(2)(i)**

We deducted foreign inland freight, brokerage and handling charges, ocean freight, marine insurance, U.S. duty and U.S. inland freight and insurance.

##### *Exporter's Sales Price*

For all exporter's sales price sales, the CPTs were imported into the United States by a related importer and incorporated into a CTV before being sold to the first unrelated party. Therefore, it was necessary to construct

a selling price for the CPT from the sale of the CTV. To calculate exporter's sales price we used the packed, c.i.f. duty paid prices of CTVs to unrelated purchasers in the United States. We made deductions for discounts. We also made additions or deductions, where appropriate, under the following sections of the Commerce Regulations:

##### **1. Section 353.10(d)(2)(i)**

We made deductions for foreign wharfage, foreign inland freight, U.S. and foreign brokerage and handling charges, ocean freight, marine insurance, U.S. duty, and U.S. inland freight.

##### **2. Section 353.10(e)(1)**

We made deductions for commissions paid to unrelated parties for selling the merchandise in the United States.

##### **3. Section 353.10(e)(2)**

We made deductions for direct and indirect selling expenses incurred by or for the account of the exporter in selling CPTs in the United States. Since it is the CTV and not the CPT which is ultimately sold in the United States, a proportional amount of CTV selling expenses were allocated to the CPT based on the ratio of CPT cost of production to CTV cost of production. The total for the indirect selling expenses allocated to the CPT formed the cap for the allowable home market selling expenses offset under § 353.15(c). We deducted direct selling expenses for credit cost, advertising, warranties and end-of-year volume rebates.

##### **4. Section 353.10(e)(3)**

For exporter's sales price sales involving further manufacturing, we decided all value added in the United States. This value added consisted of the costs associated with the production of the CTV, other than the costs of the CPT, and a proportional amount of the profit or loss related to these production costs which did not include the selling expenses. Profit or loss was calculated by deducting from the sales price of the CTV, all production and selling costs incurred by the company for CTVs. The total profit or loss was then allocated proportionately to all components of cost. The profit or loss attributable only to the production costs, other than CPT costs, was considered to be part of the value added in the U.S. production.

In determining the costs incurred to produce the CTV, the Department included (1) the costs of production for each component, (2) movement, inventory carrying cost and packing expense of the components, and (3) material, fabrication, general expenses,

including general and administrative expense and general R&D expenses incurred on behalf of the CTV by the parent. The weighted-average quarterly costs of each component were converted at the weighted-average exchange rate during that quarter. These aggregated quarterly costs were then matched to the sales price of the CTV during that quarter to determine the profit or loss.

The Department found no basis, such as an extended period for production or an extended time between receipt of the components in the U.S. and completion of the CTV, for lagging costs.

Additionally, lagging the exchange rates for components, including the CPT, could materially distort the determination since the U.S. price of the CPT would not be valued as the date of sale of the CTV.

In calculating the CPT and CTV costs, the Department relied primarily on the cost data provided by the respondents. In those instances where it appeared all costs were not included or were not appropriately quantified or valued in the response, certain adjustments were made.

To determine the company's financial expense incurred in the production of the CTV, the Department considered the various unusual aspects of the manufacturing process. Because the total process, including the manufacturing of the various components as well as the CTV, was global in nature, involving numerous related companies around the world, the Department based the interest expense on the costs incurred by the consolidated corporate entity. Additionally, because this global process required the corporation to finance the costs of the components for an unusually lengthy period of time prior to their receipt by the U.S. manufacturer, the Department also included inventory carrying costs for those components manufactured by related companies. To impute this expense the Department used the simple average of the consolidated company's outstanding debt to calculate the financing costs of carrying these components prior to the completion of the production of the CTV.

The interest expense was based on the consolidated corporate expense. The Department deducted interest income related to operations and a proportional amount of expenses attributable to accounts receivable and inventory since these costs were included in the cost of production for the final determination on a product specific basis. The interest expense was then applied as a percentage of the costs of manufacturing

of each product. Since Hitachi had very little interest expense, only inventory carrying costs and credit costs related to selling were included in the cost of production.

For the major components manufactured by related companies (i.e. chassis and CPT), the Department used the costs incurred in producing such components and did not rely on the transfer prices of those components between related corporate entities when determining the CTV costs incurred by the consolidated corporation.

Royalty expenses incurred for production purposes were considered to be part of manufacturing, not selling expenses.

CPT and chassis costs were adjusted to reflect actual costs of production. They had been reported at transfer price, in the submissions. For the CPT, the Department used the cost of production for the gun manufactured by a related company and adjusted for the yield loss experienced in manufacturing the tube. The Department also allocated general research and development and general and administrative expenses of the parent company to the CPT. For the chassis, the Department recalculated the general and administrative expenses of the company manufacturing the chassis as a percentage of cost of sales, and allocated general R&D and general and administrative expenses of the parent company to the chassis on a cost of sales basis. For other additional manufacturing costs incurred in the U.S., the Department included trading house expenses related to the components, inventory write-off expenses, and an allocated amount of general R&D and general and administrative expenses of the parent company to the CTV on a cost of sales basis. Packing expenses of the CTV were revised to reflect verified costs. Inventory carrying costs were calculated for the CPT and chassis.

#### Foreign Market Value Calculations

In accordance with section 773(a) of the Act, we calculated foreign market value based on delivered, packed, home market prices to unrelated end related purchasers. We included sales to related purchasers pursuant to 19 CFR 353.22(b) when the prices paid by those purchasers were at or above the prices paid by unrelated purchasers. We made deductions, where appropriate, for inland freight, handling and insurance. We subtracted home market packing and added U.S. packing to home market prices.

Where U.S. price was based on purchase price sales, we made adjustments to foreign market value

under the following sections of the Commerce Regulations:

#### 1. Section 353.15(a), (b)

Circumstances of sale adjustments were made for differences in directly related selling expenses in the U.S. and home market for credit expenses.

#### 2. Section 353.16

Where there was no identical product in the home market with which to compare a product sold to the United States, we made adjustments to the foreign market value of similar merchandise to account for differences in the physical characteristics of the merchandise. These adjustments were based on differences in the costs of materials, direct labor, and directly related factory overhead.

Where U.S. price was based on exporter's sales price we made deductions from the prices used to calculate foreign market value under the following sections of the Commerce Regulations:

#### 1. Section 353.15(c)

We made deductions for credit costs directly related to sales and indirect selling expenses incurred by or for the account of the respondent in selling the CPTs in the home market. The amount of indirect expenses deducted was limited to the total indirect expenses incurred for CPT sales in the United States. The total indirect CPT expenses, as noted in the U.S. Price Calculation section of this notice, were derived by allocating to CPTs a proportional amount of CTV selling expenses.

#### Currency Conversion

For comparisons involving exporter's sales price transactions, we used the official exchange rate on the dates of sale since the use of that exchange rate is consistent with section 615 of the Trade and Tariff Act of 1984 (1984 Act). We followed section 615 of the 1984 Act rather than § 353.56(a)(2) of our regulations because the later law supersedes that section of the regulations. For comparisons involving purchase price transactions, we made currency conversions in accordance with § 353.56(a)(1) of our regulations. All currency conversions were made at the rates certified by the Federal Reserve Bank.

#### Verification

As provided in section 776(a) of the Act, we verified all information used in reaching the final determination in this investigation. We used standard verification procedures including examination of all relevant accounting

records and original source documents provided by the respondent.

#### Interested Party Comments

**Comment 1:** Petitioners argue that CPTs which are imported as part of kits or incomplete CTVs should continue to be included within the scope of the investigation. They argue that the Customs classification of these CPTs as "incomplete television receivers" or "kits" under TSUSA items 684.9655-684.9663, which are dutiable at a rate of five percent, does not necessitate their exclusion from a CPT order. They cite *Diversified Products Corp. v. U.S.*, 572 F. Supp. 883, 887 (CIT 1983) as a precedent which allows the Department to modify Customs classification in its determination of class or kind of merchandise.

**DOC Position:** We agree in part with petitioners. (See the "Scope of Investigation" section of this notice.)

**Comment 2:** Petitioners argue that CPTs sold to related parties which are subsequently incorporated into CTVs before they are sold to unrelated customers are properly included within the scope of the investigation. They cite section 772(e) of the Act as giving the Department authority to include merchandise which is further manufactured within the scope.

The respondent argues that the Department should not include these transactions in the scope of this investigation since (1) the CPTs are sold as complete CTVs which are different products, sold in different markets, for which prices are determined by different market forces; and (2) the U.S. value added provision applies only when exporter's sales price calculations must be made. It contends that the Department could use the transfer price of these CPTs to related parties and base U.S. price on purchase price, thus making it unnecessary to investigate these CTV transactions.

**DOC Position:** Section 772(e) of the Act requires the Department to make adjustments to exporter's sales price where the imported merchandise under investigation is subject to additional manufacturing or assembly by a related party. In this instance, CPTs are imported from Singapore by related parties where they are further assembled into CTVs before being sold to the first unrelated party. Therefore, in order to determine the U.S. price of the CPT, we properly deducted the value added to the CPT after importation.

The use of transfer prices between related parties to determine U.S. price is not provided for in section 772. See the "U.S. Price Calculation" section above.

for a discussion of the methodology used.

**Comment 3:** Petitioners argue that the Department erred in its preliminary determination by failing to impute the inventory carrying cost associated with obtaining CTV components from related suppliers in calculating the cost of manufacture for CTVs. Petitioners maintain that the inventory carrying cost of the CTV components should be based on the time-in-inventory at the related suppliers' premises and the time-in-transit to the CTV production line in the United States.

**DOC Position:** We agree with the petitioners. We have imputed inventory carrying costs based on the time the company financed such costs prior to the date of completion of the production of the CTV. We have included those costs in calculating the cost of manufacture of the CTV.

**Comment 4:** Petitioners state that the inventory carrying costs incurred for CPT's prior to the time that they are incorporated into a CTV are CTV production costs rather than CPT costs. The respondent argues that these costs should be considered CPT costs.

**DOC Position:** We agree with the respondent. Inventory carrying costs related to components which were added during the production of the CPT were considered as part of the value added in the U.S. because such costs were an integral part of these components. Likewise, the Department considered the inventory carrying costs of the CPT to be an integral part of the CPT costs prior to the importation into the United States.

**Comment 5:** The petitioners allege that the Department erred in its methodology of computing the exporter's sales price offset cap. They contend that the Department should not calculate an offset cap for CPTs from the CTV indirect selling expenses because selling expenses for CTVs will always be higher than those for CPTs. Rather, it should use indirect expenses of selling CPTs in the U.S. market to the related CTV producer for the exporter's sales price offset cap.

**DOC Position:** We disagree. Since it is CTVs and not CPTs which are ultimately sold in the U.S. and all selling expenses occur at the time of the CTV sale, we have prorated the selling expenses of CTVs to reflect the share of selling expenses attributable to CPTs for the purposes of creating an exporter's sales price offset cap. We view this methodology as more equitable and accurate than that proposed by petitioners. Petitioners' methodology would not be accurate because the respondent sold CPTs to related

companies in the U.S. and the indirect selling expense incurred on such sales would not be representative of such expenses had the sales been to unrelated parties.

**Comment 6:** Petitioners argue that the methodology used by the Department to determine U.S. price for imports of CPTs by related parties is statutorily mandated under the value added provisions of section 772(e)(3) of the Act and is supported by Department regulations and practice. However, the Department should not add profit to the CPT in those limited situations where there is evidence that the CPT is being transferred at prices below its cost of production or where the respondent's entire CPT operation is unprofitable. In such instances, the profit accrues to the CTV and not the CPT.

The respondent argues that the absence of any reference to profit in the "value added" sections of the statute or regulations is evidence that the law never contemplated such an adjustment and is, therefore, limited to costs associated with manufacturing or assembly in the United States.

**DOC Position:** We agree with petitioners, in part. It has been our longstanding practice to deduct the profit (or loss) associated with U.S. value added when the related party in the United States performs further manufacturing on the imported product.

We do not agree, however, that the adjustment should be limited to those situations where the transfer price exceeds the cost of producing the CPT or where the CPT operation is profitable. The profitability of the "sale" of the CPT to the related importer derives directly from the profitability of the subsequent sale of the CPT because this is the first sale to an unrelated customer. Whether the transfer price for the CPT is less than or exceeds the cost of producing the CPT does not affect that profitability.

**Comment 7:** The respondent argues that if profit is considered an appropriate part of U.S. value added, the Department should include movement charges and duties associated with transporting CPTs to the U.S. as a part of the cost of manufacture of the CPT for purposes of calculating CPT profit. Furthermore, the Department should not add any profit attributable to CTV selling expenses to the value added since section 772(e)(3) limits the application of increased value to the process of manufacture or assembly performed on the imported merchandise.

Petitioners argue the Department should not allocate profit to CPT movement costs because these are costs attributable to the production of the

CTV in the U.S., not to the production of the CPT. Furthermore, profit arising from selling expenses is properly a part of value added because the amount of profit earned on the sale of a CTV is directly affected by the cost to make it and the cost to sell it.

**DOC Position:** We agree with the respondent that section 772(e)(3) of the statute limits the value added deduction from U.S. price to any increased value including additional material and labor resulting from the process of manufacturing or assembly. Material and labor were specifically identified as elements of increased value. Not only were selling expenses not contemplated as elements of increased value, they were specifically provided for in section 772(e)(2) which calls for the deduction of expenses generally incurred by or for the account of the exporter in the United States in selling identical or substantially identical merchandise. Therefore, we did not include in the value added to the CPT in the U.S. any profit attributable to CTV selling expenses.

We also agree with the respondent that CPT movement costs should be included as CPT costs in the allocation of profit to CPTs. Such costs are incurred prior to importation while the value added provisions apply to any increase in value made after importation.

**Comment 8:** Petitioners argue that in making its final calculations, the Department should include the U.S. exporter sales price sales which respondent claims involved damaged CTVs. They contend that Hitachi has not established that the merchandise was damaged or that the sales were not made in the ordinary course of trade.

**DOC Position:** We disagree. We verified that the sales in question involved damaged merchandise. We have not considered them in making this determination.

**Comment 9:** Petitioners argue that home market packing and inland freight should be reduced by the amount of profit earned by Hitachi Express, Pte., Ltd. on the services it provided the respondent because the two companies are related.

**DOC Position:** The question is moot. Since the home market and U.S. packing charges and inland freight were identical, the profit earned by the related company that packed Hitachi's CPTs was included in both home market and U.S. packing charges.

**Comment 10:** Petitioners note that U.S. import statistics during the period of investigation show the entry of over 127,000 incomplete television receivers

from Singapore, far in excess of the number of CPTs reported as Hitachi's U.S. sales. Since Hitachi is the only known producer of CPTs in Singapore, petitioners conclude that it is possible that Hitachi's unrelated home market customers shipped Hitachi CPTs to the U.S. Petitioners maintain that, were this the case, Hitachi either knew or should have known the ultimate destination was the U.S. Therefore, Hitachi's home market sales to unrelated customers should not be used as a basis of foreign market value.

**DOC Position:** Because all home market sales of the identical or most similar model were made to related customers, we have used only sales to related customers in determining foreign market value.

**Comment 11:** Petitioners argue that the Department should not include royalty expenses associated with U.S. exporter's sales price sales in production costs if the royalty expense is directly related to sales.

**DOC Position:** Since the royalties were paid for technical and production related expertise, these costs were included in the cost of production.

**Comment 12:** Petitioners argue that the credit expense on U.S. exporter's sales price transactions were improperly reported. They note that respondent averaged all credit expenses for all CTV customers rather than reporting actual credit expense on a sale-by-sale basis and based the average on the entire fiscal year rather than on the period of investigation.

**DOC Position:** While we would prefer to make credit adjustment on a sale-by-sale basis, this is not always possible. In this instance, we found that the respondent's method of allocating its accrued credit expense was reasonable because records of its individual sales are maintained at its selling office across the United States and because our review of selected invoices confirmed the accuracy of the accrual method of accounting for credit expenses. The average age of accounts receivable used was verified to have been based only on the period of investigation, not the entire fiscal year. For this reason, we have accepted the credit expense reported by the respondent.

**Comment 13:** The petitioners argue that the respondent improperly reported the advertising expense on U.S. exporter's sales price transactions by allocating total advertising expense to all products on the basis of sales value rather than reporting the actual, model-specific expense for the products under investigation.

**DOC Position:** While we agree in principle with the petitioners, the allocation methodology employed by the respondent is reasonable since the respondent's accounting records for advertising expense are not maintained on a product-specific basis. We verified that all of the products to which total advertising expense was allocated were consumer goods sold through channels similar to those for CTVs and that each category of advertising expense related to all products.

**Comment 14:** Petitioners argue that the Department should impute a freight charge for U.S. exporter's sale price transactions because the respondent allocated the freight expense improperly on the basis of sale value rather than volume or weight.

**DOC Position:** We agree in principle with the petitioners. However, the facts of this case necessitate our acceptance of the allocation of the freight-out expense on the basis of sales value rather than volume. We verified that each of the respondent's shipments contained a variety of products, the mix varying from customer to customer. The freight invoices the respondent received generally did not itemize charges for shipments covered. Given the complexity of calculating freight on any other basis, we accepted the allocation based on sales value.

**Comment 15:** Petitioners argue that the discounts and rebates granted on U.S. exporter's sales price transactions should be recalculated on a sales-specific basis rather than on an average basis. Hitachi argues that reporting sale-by-sale amounts would have been an enormous burden given the number of exporter's sales price transactions and the fact that many of the sales records are kept in regional offices throughout the country. Hitachi further views petitioners' objection to averaging for U.S. prices as only a one-sided argument.

**DOC Position:** We agree with the petitioners that the most accurate reporting of these discounts and rebates would be on the basis of individual sales. However, given the burden of reporting the amounts for each sale, we have determined that the averaging of these discounts and rebates closely approximates their effect on Hitachi's sales prices. In addition, at verification the total amounts reported for each category were tied to Hitachi's audited profit and loss statements, demonstrating the reliability of the discounts and rebates reported.

**Comment 16:** Petitioners argue that because the amount of volume rebate reported for U.S. exporter's sales price sales was verified to have been

understated, the volume rebate should be recalculated based on the expenses actually incurred during the period of investigation.

The respondent contends that, although it was not mentioned in the Department's verification report of Hitachi Sales Corporation of America, the discrepancy between the amount of volume rebate reported and the actual amount incurred was explained during verification. The amount reported was based on the expense accrued during the period of investigation. The total amount accrued for the fiscal year was compared to the actual expense for the year. The difference noted in the verification report was due to an extraordinarily large payment being made prior to the period of investigation. For the period of investigation the actual and accrued amounts for the volume rebate were virtually identical. Therefore, the amount reported was accurate.

**DOC Position:** We agree with the respondent. The volume rebate was accurately reported.

**Comment 17:** Petitioners argue that flooring expenses incurred in U.S. exporter's sales price sales are a direct selling expense rather than an indirect selling expense as claimed by Hitachi and should be deducted from the U.S. price.

**DOC Position:** We agree. As was stated in the Department's verification report, the flooring expense is an expense paid to companies who finance purchases of CTV customers. Therefore, we have treated it as a direct selling expense.

**Comment 18:** Petitioners contend that Hitachi undereported its selling expenses by including service revenue in the denominator (total sales) of the ratio used to allocate expenses to the CTVs sold.

**DOC Position:** We disagree. The total sales amount used as a denominator in the ratio did not include service revenue but reflected only "goods sold."

**Comment 19:** Petitioners assert that the respondent underreported the selling expenses on U.S. exporter's sales price transactions by failing to report the selling expenses that the parent company incurs on behalf of its related U.S. sales office. Respondent claims that no such expenses are incurred.

**DOC Position:** During verification we found no evidence of Hitachi Sales Corporation of America's parent company incurring any expenses on U.S. exporter's sales price transactions.

**Comment 20:** Petitioners contend that all parent company expenses incurred in establishing and administering Hitachi's

**worldwide supply network of manufacturing and distribution facilities should be included in CTV costs.** Respondent argues that all members of the Hitachi family conduct business with one another on a strictly arm's length basis and the transfer prices and production costs reported were complete.

**DOC Response:** The Department includes all costs necessary to produce the merchandise under investigation. In the submission, Hitachi, Ltd.'s general and administrative expense had not been allocated to the chassis or CTV. For the final determination, we have allocated general and administrative expense incurred by Hitachi, Ltd. to these items on a cost of sales basis.

**Comment 21:** Petitioners argue that the Department should include inventory write-offs of obsolete parts in the cost of production since they represent expenses incurred in producing the product.

**DOC Response:** The Department allocated a portion of write-offs recorded by Hitachi Consumer Products of America's plant to the cost of production of the CTV since they were considered to be costs incurred to produce the products. The Department agrees that obsolete parts are expenses incurred in normal operations which must be absorbed by current production.

**Comment 22:** Petitioners assert that the respondent failed to report the cost of packing completed CTVs and that these costs must be added in the value added adjustment.

**DOC Position:** The respondent reported packing costs for the CTV separately from the CTV cost of production. In making this determination the Department recalculated the CTV packing costs and included them in the CTV cost of production.

**Comment 23:** Petitioners assert that Hitachi under-reported production costs by failing to include the administrative costs incurred in CTV component distribution by related trading houses. Respondent maintains that no trading houses were involved in the transactions in this case.

**DOC Response:** Where applicable the costs incurred by the trading houses for the chassis and the CPTs were considered to be part of the costs of these components. The CTVs which were produced with CPTs from Singapore did not utilize the Hitachi, Hong Kong trading houses to transport CTV components to the United States.

**Comment 24:** Petitioners claim that Hitachi understated R&D expenses since it allocated neither general nor product-specific R&D expenses incurred by Hitachi Ltd. to the chassis or to other

component production costs. They argue that, in addition to factory level R&D for CPT production, the expenses of parent and/or subsidiary R&D should be included. Respondent argues that the R&D incurred in developing component parts is covered by the royalty payments made by related companies to Hitachi.

**DOC Response:** The Department captures all costs necessary to produce the CPT. General on-going R&D was considered to be a necessary part of these costs. In its submission, Hitachi, Ltd.'s general R&D was not allocated to the CPT chassis or CTV. Therefore, R&D expense incurred by Hitachi, Ltd. was allocated to these items on a cost of sales basis.

**Comment 25:** Respondent argues that in calculating CTV cost at the preliminary determination, the Department mistakenly doublecounted certain costs incurred by Hitachi which are associated with the packing and shipping of CPTs and other CTV components. Respondent requests that this double counting be eliminated in the final determination.

**DOC Response:** Hitachi had included shipping and other movement charges in the costs items listed as "miscellaneous" in its submission. During verification we discovered that such costs had been included in the cost of production reported by the respondent. Therefore, for the final determination the Department excluded the charges reflected in the cost of production for all components, recalculated the charges for the chassis and yoke and added these new charges to the cost of production. For the CPT adjustments, the specific sales charges reported were used.

**Comment 26:** Respondent argues that the Department should not include an amount for interest expense in its calculation of the cost of production of the CPT. They claim that Hitachi had no net interest expense during the period for which cost information was provided.

**DOC Response:** The Department used the methodology described under § 353.10(e)(3) of the "U.S. Price Calculation" section of this notice. Because Hitachi's interest expense is very low, this methodology resulted in only inventory carrying costs and credit costs related to sales being included as financial expenses in the cost of production.

**Comment 27:** Respondent argues that the Department should calculate and publish separate rates for purchase price and exporter's sales price transactions. They contend that, since purchase price transactions are sales of CPTs to

unrelated OEM customers, and exporter's sales price transactions involve CPTs imported by a Hitachi family company for use in the production of CTVs, it would be inappropriate to average margins on sales having such diverse marketing conditions. Petitioners argue that there is only one class or kind of merchandise under investigation which is CPTs, and it is Department practice to calculate one margin for the class or kind of merchandise whether the sales are purchase price or exporter's sales price.

**DOC Position:** Consistent with our past practice for fair value investigations, we are publishing a single antidumping duty rate for each firm investigated.

**Comment 28:** The respondent contends that the Department erred in its preliminary determination by including an imputed inventory carrying cost for finished CTVs in the indirect CTV selling expenses because: (1) Inventory carrying cost is included in the cost of manufacture as a general expense found in accounts such as building depreciation, electricity and other expenses; (2) it is improper and contrary to the Department's policy to impute opportunity costs since they are theoretical rather than actual costs; and (3) under 19 CFR 353.15(d) the Department lacks the authority to impute indirect selling expenses as differences in circumstances of sale.

**DOC Position:** We disagree. The inventory carrying costs at issue are an imputed interest expense measuring the financial costs of holding inventory over time. As such, these costs would not be included in building depreciation, electricity, or other expenses in the cost of manufacturing. To the extent that a company has borrowed funds to finance its holding of inventory, we have reduced those interest expenses by the imputed inventory carrying costs.

It has been the Department's practice to impute inventory carrying costs in exporter's sales price situations. We do not believe these costs are theoretical because a company is foregoing sales revenue as long as the merchandise is in inventory. We have not treated these inventory carrying costs as circumstances of sale selling expenses but as indirect selling expenses under § 353.10(e)(2) of the Commerce Regulations.

**Comment 29:** Petitioners note that due to the failure of the respondent to report properly some home market sales where the date of sales was altered by a price change quotation, the home market sales listing was verified as incomplete. Petitioners maintain that the

Department should obtain information on all such price adjustments.

**DOC Position:** On August 17, 1987, the respondent submitted a corrected home market sales listing which we are satisfied completely reports all of the sales at issue.

**Comment 30:** Petitioners argue that Hitachi should not be allowed to increase either the packing or inland freight charges of home market CPT's by including the cost of transporting CPTs to the warehouse.

**DOC Position:** This issue is moot. In the revised sales listing submitted October 9, 1987, neither home market packing nor inland freight were increased.

**Comment 31:** Petitioners argue that the respondent's claim for inland insurance in Singapore should be denied because payment of the insurance premiums could not be verified. The respondent maintains that, although the premium has not been paid, Hitachi is nonetheless liable for payment and the charge is, therefore, justified.

**DOC Position:** We have granted the claim for home market inland insurance. We verified that the insurance contract was in force at rates corresponding to those reported. We assume that Hitachi is liable for payment of the premium and thus has incurred the expense.

**Comment 32:** Respondent argues that, despite comments to the contrary in the verification report, the indirect selling expenses of Hitachi Electronic Components, Ltd. (Singapore Office) (HITEC) were not overreported. In particular, the respondent contends that HITEC's payment to its parent office in Hong Kong was properly included in the indirect selling expenses because that office performs administrative services which are essential to all HITEC operations, including CPT sales.

**DOC Position:** We disagree. During verification we discovered that several expense items which were related exclusively to semiconductor sales had been included in the total indirect selling expenses which were allocated to CPT's. We also established that the Hong Kong office sells only semiconductors. The respondent was unable to provide any evidence that the operations of the Hong Kong office were related to CPT sales. Therefore, we have denied the respondent's claim and have recalculated the home market indirect selling expenses accordingly.

#### Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of CPTs from Singapore that are entered, or

withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the estimated average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown below. The suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/producer/exporter	Weighted-average margin percentage
Hitachi Electronic Devices, Pte., Ltd.	6.33
All others	5.33

#### ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officers to assess an antidumping duty on CPTs from Singapore entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the U.S. price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

November 12, 1987.

Gilbert B. Kaplan,

Acting Assistant Secretary for Import Administration.

[FR Doc. 87-26592 Filed 11-17-87; 8:45 am]

BILLING CODE 3510-09-00

APPENDIX D

U.S. CUSTOMS SERVICE RULING ON THE CLASSIFICATION OF  
COLOR PICTURE TUBES ACCORDING TO CHIEF USE



B-50

ATT/HG/RR/

DEPARTMENT OF THE TREASURY  
U.S. CUSTOMS SERVICE  
CUSTOMS INFORMATION EXCHANGE

JUL 19 1983

CIE N-36/75

RE: I.A. # 33-81

CLA-2:CO:R:CV:S  
067255 SC  
MAR 21 1983

Amended - 071353 eff 6/1/83

This ruling concerns your request for Internal Advice No. 33/81 involving the tariff classification of certain television picture tubes imported from Japan.

FACTS:

Information has been submitted by the importer in an effort to establish chief use. As a result, a variety of cathode ray tubes have been depicted, including the 340BKB-39, which has a green phosphor, and the 370BUB22(L), which has a long-persistence phosphor. However, on the basis of the information before us, it appears that a majority of the tubes included have medium-persistence B-4 (white) or B-22 (red-green-blue color) phosphors such as those used in ordinary television picture tubes. Some are of average resolution and others are high-resolution types.

Additional information indicates that some of the tubes in question are imported with a special shadow mask which makes it impossible to show images of moving objects. This special shadow mask has circular holes instead of the elliptical holes of the shadow mask used in conventional color television picture tubes.

ISSUE:

Whether certain cathode ray tubes are classifiable under the provisions for television picture tubes in items 687.35, 687.42, and 687.43, Tariff Schedules of the United States (TSUS), or as other cathode ray tubes under item 687.54, TSUS.

- 2 -

LAW AND ANALYSIS:

General Headnote 10(e)(1), TSUS, provides:

(e) in the absence of special language or context which otherwise requires---

(1) a tariff classification controlled by use (other than actual use) is to be determined in accordance with the use in the United States at, or immediately prior to, the date of importation, of articles of that class or kind to which the imported articles belong, and the controlling use is the chief use, i.e., the use which exceeds all other uses (if any) combined;

We have examined the information which the importer submitted in his effort to establish chief use of the tubes in question. The chief use of an article is the use in the United States of articles of that class or kind to which the imported article belongs. The importer has submitted only information as to how the imported article is used, but he presents no information concerning the use of merchandise of the same class or kind produced by other suppliers and domestic manufacturers of such tubes. While we recognize the difficulty in establishing a definition for a television picture tube because of the rapidly changing technology, the I.E.E.E. Standard Dictionary of Electrical and Electronics Terms defines a picture tube as a cathode-ray tube used to produce an image by variation of the beam intensity as the beam scans the raster. An essential attribute of a television picture tube is its ability to produce a visual image of a scene. It can be observed that all cathode ray tubes operate in the same manner. The electrons fall in the form of a beam on the face plate of the tube which is covered with fluorescent material showing the visible images.

Television picture tubes are classifiable on the basis of chief use; however, cathode ray tubes possessing the following attributes cannot be con-

- 3 -

sidered television picture tubes for tariff purposes:

1. A monochrome tube having a phosphor of a color other than white (P4 or equivalent). (Projection television picture tubes excepted).
2. A color tube having long persistence (LP) phosphors and a phosphor other than P22.
3. A color tube having a shadow mask aperture (pitch) of .31 millimeters or smaller.
4. Monochrome and color tubes having electron guns optimized for small spot size, i.e., one millimeter or smaller.
5. Monochrome tubes with electron guns having an inherent beam current limitation such as 50 microamperes maximum, and color tubes with electron guns having an inherent beam current limitation such as 200 microamperes maximum.
6. Monochrome tube gun elements which include electrostatic deflection plates not present in electromagnetically deflected systems. In either monochrome or color tubes, the neck diameter will be larger compared to known television cathode ray tubes. A general guide is that a neck diameter of .36 millimeters or larger is not a television cathode ray tube.
7. Cathode ray tubes with a viewing area geometry that departs significantly from the standard television aspect ratio of 3:4 (ratio of short dimension to long dimension).
8. Monochrome cathode ray tubes having special components mounted or laminated to the faceplate so that standard television images are not viewable.

It may be noted that in conjunction with other factors and not as a single controlling element, price can indicate that a cathode ray tube may be something other than one intended for television viewing. Where the price of a cathode ray tube exceeds that of known television picture tubes of like size, so as to offset the tariff differential, there is no likelihood that the television picture tube will be used in television receivers.

- 4 -

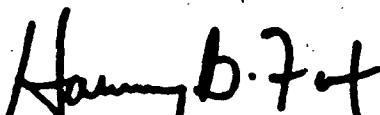
CONCLUSION:

In the absence of evidence that cathode ray tubes using B4(P4) or B22 (P22) phosphors are not of the same class or kind as television picture tubes, such tubes are classifiable as television picture tubes. A cathode ray tube having a spot size of .7 millimeters or a special mask which makes it impossible to show an adequate picture on the face of the tube would not qualify as a television picture tube.

Cathode ray tubes not meeting the criteria for television picture tubes are classifiable under the provision for cathode ray tubes in item 687.54, TSUS.

Television picture tubes classifiable in item 687.42, TSUS, are eligible for Generalized System of Preferences treatment under section 502(a)(3) of the Trade Act of 1974, providing for free entry, if the requirements of the Customs regulations are met.

Sincerely,

  
Harvey B. Fox  
Director, Classification  
and Value Division

District Director of Customs  
U.S. Customs Service  
300 S. Ferry Street  
Terminal Island, California 90731



APPENDIX E

THE DEPARTMENT OF COMMERCE'S OCTOBER 1986 CLARIFICATION  
CONCERNING COLOR PICTURE TUBES FROM KOREA

MEMORANDUM FOR: Richard W. Moreland  
Acting Director  
Office of Compliance

THROUGH: William L. Matthews *glfth*  
Division Director *1/17/86*  
Office of Compliance

FROM: Laura Merchant *AL 11-16-87*  
Office of Compliance

SUBJECT: Clarification of Scope and Analysis of  
Comments on the Department's Telex Suspending  
Liquidation on Korean Printed Circuit Boards  
and Korean Picture Tubes

ISSUE

The issue discussed here is whether color picture tubes and printed circuit boards (PCBs) entered into the United States separately are included within the scope of the antidumping duty order on color television receivers, complete and incomplete, from Korea. If entered together (either attached or unattached) these two items constitute an "incomplete receiver" and are specifically covered by the order. When entered separately, however, the PCBs and color picture tubes included in this scope ruling are not specifically identified in the order's scope description.

Background

The antidumping duty order on color television receivers from Korea applies to "color television receivers complete and incomplete." The Department has not specifically included separate importations of certain printed circuit boards ("PCBs")

-2-

and color picture tubes in its prior scope descriptions. Further, the TSUS classifications listed in the order do not include the item numbers for printed circuit boards and parts imported without a color picture tube, 684.98, or color picture tubes, 687.35. However, "incomplete receivers", which consist of a PCB and a color picture tube, have consistently been included in the scope of this proceeding.

The International Trade Commission's ("ITC's") injury determination on color television receivers from Korea and Taiwan describes the covered merchandise as follows:

The imported articles under investigations are complete and incomplete color television receivers (CTV's) imported from Taiwan and Korea. Complete receivers are fully assembled and ready to function, whereas incomplete receivers and kits consist of a color picture tube and printed circuit board or ceramic substrate with components, which when assembled are capable of receiving a television signal.

ITC Final Determination at 3-4 ("Definition of the domestic industry") (emphasis added); and:

For the purposes of these investigations, incomplete receivers consist of a color picture tube and a printed circuit board or ceramic substrate with components assembled thereon. The circuit board or substrate is designed to perform the intermediate frequency amplification function and the picture and audio demodulation functions of a color television receiver. Color television receiver kits contain all parts necessary for manufacturing complete television receivers. Various imported subassemblies and components used in the manufacture of television receivers are not subject to these investigations.

-3-

Id. at A-2-A-3 ("The Products---Description and uses") (emphasis added); and finally:

Imports of the color television receivers (Complete or incomplete) included in these investigations are classified for tariff purposes under TSUS items 685.11 and 685.14.

Id. at A-3 ("Tariff treatment") (emphasis added).

The record of the second administrative review of this case discloses that exports of "incomplete receivers" have decreased significantly while certain PCBs and color picture tubes, which constitute the bulk of a color television receiver and the sole parts comprising an "incomplete receiver", are now being exported to the United States in large and growing numbers. Imports of PCBs have grown from 163,952 units in 1983 to 1,232,600 units in 1985, and picture tube imports have increased from 99,298 to 776,255 units during the same period. These statistics show that imports of PCBs in 1985 were seven times what they were in 1983, while color picture tube imports have increased almost eightfold. At the same time, imports of incomplete receivers have declined sharply and imports of complete color television receivers have declined by 46%. Based on the information available to us, we conclude that the value added by assembling the PCBs and color picture tubes in the Korean-owned television factories in the United States is small, and that the assembly process is simple and takes little time. Put simply, imports of PCBs and color picture tubes have surpassed imports of complete and incomplete receivers and appear to be replacing them.

-4-

On January 23, 1986, we invited interested parties to submit comments on the issue of whether PCBs and color picture tubes are within the scope of the order. Those comments are addressed below.

Comments

The Korean respondents argue that certain color picture tubes and PCBs, when imported separately, are not within the scope of the order. They argue that the Department should follow the "doctrine of entirieties." Under the doctrine of entirieties the Customs service will classify two or more physically separate articles as a single commercial unit (an entirety) only if the articles are imported in the same shipment. Under this approach, separate imports of PCBs and color picture tubes would not be considered incomplete receivers.

The respondents further contend that separate PCBs and color picture tubes never were intended to be included in this proceeding since the language in the petition covered only "devices which are capable of receiving and processing both broadcast electronic signals and converting those signals into a visual and audio presentation....," and that neither a PCB nor a color picture tube by itself possesses this capability. Further, in its final determination the ITC defined "incomplete receiver" as "a color picture tube and a printed circuit board or ceramic substrate with components assembled thereon," and added that

-5-

"(v)arious imported subassemblies and components used in the manufacture of television receivers are not subject to these investigations."

Daewoo also argues that since there is no domestic industry which produces PCBs and assemblies for color television receivers, the ITC did not find injury to a domestic industry by reason of imports of those products. Since the ITC never had the opportunity to decide this issue, the appropriate relief would be a petition by the U.S. industry producing PCBs and color picture tubes.

Samsung argues that this is not a case where the type of imports has changed since the original determination, as was the case with portable electric typewriters, for example. Imports of PCBs and color picture tubes were entering the United States at the time of the less than fair value and injury investigations and the antidumping duty order, and the ITC did not overlook or ignore such imports but rather specifically excluded them.

Samsung and Daewoo further argue that the TSUS item numbers that the Department has used throughout this proceeding should be accorded great weight in deciding whether separate entries of PCBs and color picture tubes are covered by the order. While not controlling on the question of the order's scope, the TSUS numbers are extremely useful as indications of the Department's and the

-6-

ITC's intent, particularly since the published TSUS coverage has not changed since publication of the antidumping duty order. That coverage has never included the TSUS numbers for PCBs with components, other subassemblies without picture tubes, or picture tubes.

Finally, Samsung argues that the inclusion of separately imported printed circuit boards and color picture tubes within the scope of the order would contravene a consistent line of prior administrative decisions in the Japanese television case. The Department's 1985 final results notice in that case specifically excluded "certain subassemblies not containing the components essential for receiving a broadcast signal and producing a video image" (50 FR at 30867). In reaching that decision, the Department relied on a Customs Service memorandum from Chief Counsel Thaddeus Rojek dated June 22, 1979. Mr. Rojek wrote: "The term 'television receiver' applies to any unit which is generally capable of receiving a broadcast television signal and producing a video image." The Rojek memorandum, in Samsung's view, effectively adopted the doctrine of entireties and found individual parts and subassemblies without picture tubes to be outside the scope.

In response to these arguments, the domestic industry maintains that the Department has the authority and responsibility to ensure the integrity of its antidumping duty orders. Because the antidumping statute defines the operative event for

-7-

examination to be the act or likelihood of sale, tariff classification should not constrain the Department in its analysis. Importation merely provides a convenient vehicle for enforcement after examination of sales of foreign merchandise. The only relevant question is whether the merchandise as sold to the first unrelated U.S. purchaser is a Korean television receiver. The Unions also point out that the Department has acted in the past to preserve the integrity of its antidumping duty orders by including within the scope of an order subassemblies of products covered by those orders (citing Cellular Mobile Telephones and Subassemblies from Japan, 50 FR 45447 (1985), and Steel Jacks from Canada, 50 FR 42577 (1985)). Unlike a scope decision, where the Department must consider whether the "horizontal" reach of an order covers a particular product, the Unions argue the issue is whether Korean manufacturers should be allowed to circumvent the order "vertically" by importing subassemblies and components.

Position:

We agree that the Department has broad authority to ensure that domestic industries receive the protection that our antidumping duty orders are intended to provide. The purpose of the antidumping law is to protect domestic producers against sales of imported merchandise at less than fair value which have been found to cause injury. Ellis K. Orlowitz Co. v. United States, 200 F.Supp. 302, 306 (Cust.Ct.1961); City Lumber Co. v. United States,

290 F.Supp. 385, 392 (Cust.Ct.1968); Matsushita Electric Industrial Co., Ltd. v. United States, 6 C.I.T. 25, 569 F.Supp. 853, 859 at n.17 (1983), rehearing denied, 6 C.I.T. 187, 573 F.Supp. 122 (1983); Badger-Powhatan v. United States, \_\_\_ C.I.T. \_\_\_, 608 F.Supp. 653, 656 (1985). To achieve this protection, Congress charged the Department with the task of vigorously enforcing the Tariff Act of 1930 ("the Tariff Act"). See H.R. Rep. No. 317, 96th Cong., 2d Sess. 48 (1979).

An important component of the Department's broad enforcement responsibility is issuing antidumping duty orders and monitoring compliance with those orders under section 751 of the Tariff Act. The antidumping duty order is the first step in enforcement of the consequences mandated by the Tariff Act when sales have been made at less than fair value. See Royal Business Machines, Inc. v. United States, 1 C.I.T. 80, 507 F.Supp. 1007, 1012-1013 (1980).

The Trade Agreements Act of 1979 reflects Congress's concern with expeditious collection of antidumping duties pursuant to an order, and not with providing exceptions to or avoidance of such collection. Asahi Chemical Industry Co., Ltd. v. United States, 4 C.I.T. 120, 548 F.Supp. 1261, 1265 (1982).

It is clear that our responsibility to enforce antidumping duty orders includes the responsibility to see that those orders achieve their intended purpose: the protection of a United States industry against an injurious unfair trade practice. Congress's

intent that we undertake this responsibility is obvious from the overall scheme Congress enacted for vigorous and aggressive administration of the antidumping law, of which the provisions pertaining to antidumping duty orders are a crucial component.

Respondents urge us to rule that these separately imported PCBs and color picture tubes are not within the scope of the order. To make such a decision, we would have to ignore the fact that the vast majority of color television receivers from Korea - whether complete or incomplete - are now being imported as separate entries of PCBs and color picture tubes. If we rule as respondents propose, the order will no longer afford the domestic industry the protection it was designed to provide against imports at less than fair value of all Korean color television receivers, complete and incomplete, regardless of their tariff classification. Under respondents' interpretation of the antidumping law, the order does not apply when the two units comprising an incomplete receiver (a product clearly within the scope of the order) are entered separately, but are snapped together shortly thereafter for sale as incomplete receivers. Congress could not have intended this result: not only does it make no sense in view of the protective purpose of antidumping orders, but it is clearly contradicted by the legislative history discussed above. Unless separately imported PCBs and color picture tubes are within the scope of our order, we cannot meet our obligation to enforce the statute and the order will not fulfill its intended purpose. Because this

-10-

scope ruling is necessary to meet our obligation under the antidumping duty law, we believe this action is required by statute. See Ambassador Division of Florsheim Shoe Co. v. United States, Appeal No. 84-814 at 6-9 (11/19/84). Therefore, none of the technical arguments respondents offer to justify our abdicating this responsibility is persuasive.

The "doctrine of entireties" is a means for assigning TSUS item numbers to two or more articles imported separately. The Customs classification issue that the doctrine helps resolve is whether the items are to be assigned normal customs duties separately or together as one "entirety." See, e.g., Mattel, Inc. v. United States, 8 C.I.T. 323 (1984), and cases cited therein. Respondents state that in all of the "entireties" cases, regardless of their outcome, the articles under consideration were imported in the same container or shipment. They argue that since the PCBs and color picture tubes do not meet this threshold criterion, they cannot be considered incomplete receivers under the entireties doctrine.

As Gold Star and Zenith correctly point out, however, the Department is not required to follow Customs' classification principles in determining whether particular articles are within the scope of an order. Our mandate under section 751 of the Tariff Act is to determine, for each entry of the class or kind of merchandise covered by an order, the amount by which the foreign

-11-

market value exceeds the United States price. The Department has the authority to determine whether an imported product is within that class or kind of merchandise covered by an order. See Kyowa Gas Chemical Industry Co. v. United States, 7 C.I.T. 138 (1984); Alsthom Atlantique, et al. v. United States, et al., Appeal Nos. 85-2082, 85-2158 (March 24, 1986). For the purpose of enforcing an antidumping duty order, this authority supersedes the Customs Service's authority to classify merchandise pursuant to Section 1500 of the Tariff Act. Determinations by the Department under the antidumping duty law may properly result in the creation of classes of merchandise that do not correspond to classifications found in the tariff schedules, or may define or modify an existing classification in a manner neither contemplated nor desired by Customs. Conversely, Customs cannot, by classifying certain imports under TSUS item numbers not listed in the order, change the scope of an antidumping duty order. See Royal Business Machines, Inc. v. United States, 1 C.I.T. 80, 87 at n.18 (1980). In fact, the Tariff Act authorizes the Department to instruct the Customs Service as to the particular merchandise covered by a preliminary or final antidumping duty determination or an antidumping duty order.

While in some cases we nevertheless find it useful to refer to TSUS classifications to describe the merchandise included in the scope of a determination, we do not find the "entireties doctrine" helpful in resolving the issue presented here. If we adopt a

strict "entireties" approach here the order will no longer provide a U.S. industry with effective protection against sales of imported complete and incomplete color television receivers U.S. at dumped prices. We see no reason to elevate this doctrine above our clear responsibility to enforce the order, since the doctrine's underlying policy of allowing importers to select the most advantageous classification possible, if adopted in this case, will undermine the intended purpose of the order and contravene the purpose of the antidumping law.

For similar reasons, we also find that the absence of the TSUS numbers covering PCBs and color picture tubes from the list of TSUS numbers used throughout this proceeding to describe its scope does not help us resolve the question presented. TSUS classifications do not control the scope of an order. See Diversified Products Corp. v. United States, 6 C.I.T. 155, 572 F.Supp. 883 (1983). Here, in fact, the order plainly states that it covers color television receivers "regardless of tariff classification," and states that the merchandise is "currently classifiable" under certain TSUS numbers. Having specifically stated in our scope language that we are not relying exclusively on these TSUS numbers to define the scope of this proceeding, we see no reason to accord the absence of the TSUS numbers for PCBs and color picture tubes the "great weight" respondents suggest. Besides, since the question is whether merchandise currently classifiable under TSUS numbers which have not previously appeared

-13-

in the scope description are nonetheless covered by the order, the mere absence of those TSUS numbers adds nothing to our analysis.

We also disagree that the scope descriptions from prior stages of the Department's proceeding and the ITC injury determination, which have never explicitly referred to PCBs or color picture tubes, precludes us from finding those products to be within the scope of the order. The ITA has specifically included incomplete receivers in the scope description of every published notice since the preliminary less-than-fair-value determination. Moreover, the ITC unquestionably found injury to a domestic industry by reason of imports of incomplete receivers from Korea.

Nothing in the ITC injury determination indicates that the two items which, when attached together, form an incomplete receiver must be imported together to constitute an incomplete receiver for injury purposes. Rather, the language at pp. 3-4 of the injury determination, quoted above in full, specifically states that "incomplete receivers... consist of a color picture tube and printed circuit-board or ceramic substrate with components, which when assembled are capable of receiving a television signal." (Emphasis added). Similarly, the language at p. A-3 concerning tariff treatment states that imports of the receivers included in the investigation---not the covered products themselves---are classified for tariff purposes under certain TSUS numbers. Further, the only "entireties" language in the ITC

-14-

determination relates specifically to "component television receivers" which, unlike incomplete receivers, consist of tuners, display units, and speakers. The pertinent paragraph states that:

When the items are imported together (as entireties) and classified as receivers they are covered by these investigations. However, individual items (e.g. display units) imported separately are not covered unless classified by the Customs Service as receivers.

Id. at A-2 (emphasis added). No such qualification appears in any of the paragraphs quoted above concerning incomplete receivers.

For this reason we disagree that the last sentence of the paragraph at pp. 3-4, <sup>1/</sup> quoted above, necessarily means that only incomplete receivers imported as entireties were covered by the injury determination, and are thus the only incomplete receivers covered by the order. While that sentence could be interpreted to refer to the two parts comprising an incomplete receiver, it could just as easily be construed as referring to kits, which are described in the previous sentence:

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1/ The sentence reads: "Various imported subassemblies and components used in the manufacture of television receivers are not subject to these investigations."

-15-

Color television receiver kits contain all parts necessary for manufacturing complete television receivers.

This ambiguity, combined with the absence of any "entireties" language in connection with incomplete receivers, leads us to conclude that incomplete receivers imported as separate PCBs and color picture tubes were not specifically excluded from the final injury determination.

Even if the ITC's injury determination could be interpreted to exclude separately imported PCBs and color picture tubes, it is clear that the ITC never considered the injurious consequences of the large-scale circumvention of this order by way of these separate shipments. As we stated earlier, it is the Department's responsibility to address problems of this type. Here, the order was clearly designed to protect a domestic industry against unfairly priced sales of incomplete receivers from Korea, which the ITC unquestionably found to be causing injury. The question now is not whether separate imports of the two units comprising an incomplete receiver are injuring an industry in the United States, but whether those products are within the class or kind of merchandise covered by the order. Evidence in the record of this review indicates that incomplete receivers are now being brought into the United States in the form of separately imported PCBs and color picture tubes, which are attached together for sale as incomplete receivers. For the reasons stated above, these

products are clearly within the scope of the order. Because the domestic industry is already entitled under the order to protection from sales at dumped prices of PGS and color picture tubes destined for assembly into incomplete receivers, it is not necessary for any U.S. industry to file a petition to obtain relief against imports of those products.

Finally, precedents concerning the scope of the Japanese television order are irrelevant to disposition of the scope issue at hand. Each stage of a proceeding adopts the scope of previous stages of that particular proceeding, Royal Business Machines, Inc. v. United States, 1 C.I.T. 80, 507 F.Supp. 1007 (1980), aff'd, 699 F.2d 692 (1982). The facts developed in other proceedings, even if those other proceedings concern similar products, do not determine the scope of the order at issue. Thus, we are not required to conform the scope of this order to that of the Japanese order, nor must we consider precedents concerning the scope of the Japanese order in settling the issue before us. The scope of the Japanese case, which has a different factual background from the scope in this case, clearly reflects concern that all the covered products be capable of receiving a broadcast signal. Since that emphasis is absent from the scope description in the Korean case, precedent resulting in the language concerning receipt of a broadcast signal is not helpful in clarifying the intended scope of the Korean order. Further, the order in this case specifically states that it covers all color television

-17-

receivers, regardless of their tariff classification. Since the imports at issue here really amount to imports of incomplete receivers, which are clearly covered by the order, we need not look beyond the facts developed in this proceeding in making this determination.

Recommendation:

We recommend a final determination that certain Korean printed circuit boards and color picture tubes (as listed in our January 9, 1986 telex to Customs) be found to be included in the scope of the antidumping duty order covering color television receivers from Korea.

  
Richard Moreland  
Acting Director  
Office of Compliance  
10/17/88  
(Date)

APPENDIX F

THE DEPARTMENT OF COMMERCE'S OCTOBER 31, 1986, NOTIFICATION TO THE  
U.S. CUSTOMS SERVICE CONCERNING COLOR PICTURE TUBES FROM KOREA

Full COV

UNCLASSIFIED

ROUTINE

ANALYST LAURA MERCHANT 377-3601 DATE 10-21-86

OFFICE OF COMPLIANCE, DOC

ANTIDUMPING COMPLIANCE DIVISION

TO: ALL REGIONAL COMMISSIONERS, ALL AREA DIRECTORS, ALL DISTRICT DIRECTORS, ALL PORT DIRECTORS, DIRECTOR, C.I.E.

INFO: DEPARTMENT OF COMMERCE, IMPORT ADMINISTRATION  
OFFICE OF COMPLIANCE, ROOM B-099

PROM: COMMERCIAL COMPLIANCE DIVISION

SUBJECT: ANTIDUMPING-CLARIFICATION OF MERCHANDISE SUBJECT TO SUSPENSION OF LIQUIDATION - COLOR TELEVISION RECEIVERS FROM KOREA (A-580-008)

1. ON JANUARY 9, 1986 WE DIRECTED ALL CUSTOMS OFFICIALS TO SUSPEND LIQUIDATION BUT NOT COLLECT A CASH DEPOSIT ON THE FOLLOWING ITEMS:

A. PRINTED CIRCUIT BOARDS OR ASSEMBLIES CONTAINING BUT NOT LIMITED TO

- 1) INTERMEDIATE FREQUENCY (IF) AMPLIFIER
- 2) AUDIO DETECTOR
- 3) HORIZONTAL AND VERTICAL SYNCHRONIZING CIRCUITS
- 4) HORIZONTAL OSCILLATOR OR SWEEP ASSEMBLY
- 5) POWER SUPPLY, AND

- B. PICTURE TUBES
2. CASH DEPOSITS ARE NOW TO BE COLLECTED ON THE ABOVE ITEMS.
  3. THE CASH DEPOSIT RATES TO BE APPLIED TO ALL IMPORTS OF THESE ITEMS ARE AS FOLLOWS:

<u>MANUFACTURER/EXPORTER</u>	<u>CASH DEPOSIT</u>
DAEWOO ELECTRONICS CO., LTD.	14.88%
GOLD STAR CO., LTD.	7.47%
SAMSUNG ELECTRONICS CO., LTD.	12.23%
OTHER FIRMS	14.88%

4. KOREA ELECTRONICS CO., LTD. (KEC) AND ANAM ELECTRIC INDUSTRIAL CO., LTD. WERE EXCLUDED FROM THE ORDER. NO CASH DEPOSIT SHOULD BE COLLECTED FOR KEC AND ANAM.
5. IF CUSTOMS OFFICERS HAVE ANY QUESTIONS REGARDING THIS MATTER, PLEASE CONTACT FIELD OPERATIONS BRANCH, COMMERCIAL COMPLIANCE DIVISION, CUSTOMS HEADQUARTERS, (PTS 566-8121).

JOHN DURANT  
 ACTING DIRECTOR  
 COMMERCIAL COMPLIANCE DIVISION



APPENDIX G

THE DEPARTMENT OF COMMERCE'S MARCH 5, 1987, NOTICE CONCERNING COLOR  
TELEVISION RECEIVERS AND COLOR PICTURE TUBES FROM KOREA

**(A-530-008)****Color Television Receivers From Korea; Intention To Review and Preliminary Results of Changed Circumstances Administrative Review and Tentative Determination To Revoke Antidumping Duty Order****AGENCY:** International Trade Administration/Import Administration, Department of Commerce.**ACTION:** Notice of intention to review and preliminary results of changed circumstances administrative review and tentative determination to revoke antidumping duty order.

**SUMMARY:** The Department of Commerce has received information which shows changed circumstances sufficient to warrant an administrative review, under section 751(b)(1) of the Tariff Act, of the antidumping duty order on color television receivers from Korea. The Department has received information in the form of a newly filed petition against Korean imports of color picture tubes which necessitates a review of the scope of the color television receiver order. That order includes complete color television receivers and incomplete color television receivers, including certain color picture tubes and printed circuit boards. The potential difficulties in administering two proceedings covering identical merchandise provides a reasonable basis for the Department to review its affirmative determination with respect to separately imported components of incomplete television receivers.

In addition, these perceived difficulties provide a reasonable basis for the Department to revoke the order with respect to separately imported components of incomplete color television receivers. Therefore, we tentatively determine to revoke in part the order on Korean color Television receivers. The revocation will apply to all entries of separately imported components of incomplete color television receivers entered or withdrawn from warehouse, for consumption on or after the date of publication in the Federal Register of the color picture tube investigation preliminary determination of sales at less than fair value if that determination is affirmative. Interested parties are invited to comment on these preliminary results and tentative determination to revoke.

**EFFECTIVE DATE:** March 5, 1987.**FOR FURTHER INFORMATION CONTACT:**  
Laura Merchant or David Mueller,

**Office of Compliance, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230; telephone: (202) 377-2923.**

**SUPPLEMENTARY INFORMATION:**

**Background**

On April 30, 1984, the Department of Commerce ("the Department") published in the Federal Register (49 FR 18336) and antidumping duty order on color television receivers from Korea. The order covered both complete and incomplete television receivers.

On October 17, 1986, the Department issued a clarification of the scope of this order. In this scope ruling, the Department clarified that the term "incomplete color television receiver" in the Korean television receiver order includes color picture tubes and printed circuit boards, whether these components have been assembled prior to importation or are assembled subsequent to importation. Furthermore, these components constitute an incomplete television receiver even if they are not imported simultaneously, as long as they are subsequently combined to form an incomplete television receiver.

On November 28, 1986, the International Association of Machinists and Aerospace Workers, the International Brotherhood of Electrical Workers, the International Union of Electronic, Electrical, Technical, Salaried and Machine Workers, AFL-CIO-CLC, and the Industrial Union Department, AFL-CIO, filed an antidumping petition on behalf of the domestic color picture tube industry in which they allege that Korean manufacturers of color picture tubes are selling this merchandise at less than its fair value in the United States, thereby causing injury to the domestic industry. The Department initiated an investigation December 22, 1986. (51 FR 45787).

On January 15 and January 26, we received letters from Samsung Electronic Devices Co., Ltd., Samsung Electronics America, Inc., Samsung International, Inc. (collectively "Samsung"), and Gold Star Co., Ltd., Gold Star Electronics International, Inc., Gold Star of America, Inc. (collectively "Gold Star"), respectively, in which they claimed that, according to the Department's scope ruling, imported color picture tubes and printed circuit boards constitute incomplete television receivers, and, therefore, are already covered under the antidumping duty order on color television receivers from Korea.

The initiation of an investigation on color picture tubes from Korea has created changed circumstances within the meaning of section 751(b) of the Tariff Act in the antidumping duty proceeding on color television receivers from Korea. We are therefore authorized to undertake a review of our original determination in the Korean color television receiver order.

**Scope of the Review**

Imports covered by the review are shipments of incomplete color television receivers imported in individual components, and subsequently assembled in the United States, currently classified under items 684.9864, 684.9866, 687.3516, 687.3518, and 687.3520 of the Tariff Schedules of the United States Annotated.

**Preliminary Results of Review and Tentative Determination**

As a result of our review, we preliminarily determine that the administrative difficulties associated with the potential double coverage of color picture tubes under two orders necessitates a partial revocation of the Korean television receiver order. This partial revocation applies to color picture tubes and printed circuit boards that are imported separately for final assembly in the United States.

The Department strives, in every antidumping duty investigation, to define the scope of its order in a manner which can be both easily understood and easily administered. Situations arise, nevertheless, wherein it becomes necessary to define an order in a more complicated manner in order to prevent evasion of that order. The investigation of Korean color television receivers presented such a situation.

In the order resulting from the Korean color television investigation, an incomplete color television receiver was defined as a color picture tube and a printed circuit board, and was expressly included within the scope of the order. Subsequent to the issuance of that order, certain Korean manufacturers of color television receivers began importing color picture tubes and printed circuit boards in separate shipments for final assembly in the United States. The Department viewed this action as an obvious attempt to circumvent the antidumping duty order on incomplete television receivers. The Department, therefore, issued a clarification of the scope of the television order in which it expressly stated that an incomplete television receiver would be viewed as such, regardless of the form in which its components were imported. In other words, if a color picture tube and a

printed circuit board were imported in different packages, as opposed to being imported in the same package, they nevertheless would constitute an incomplete color television receiver.

However, difficulties have arisen in the administration of this order as a result of the recent filing of an antidumping duty petition against imports of Korean-manufactured color picture tubes. The filing of this case has presented the Department with the difficult situation of having to resolve the potentially conflicting scopes of two different antidumping duty proceedings. The inclusion of color picture tubes under both the television order and any order which might be issued on color picture tubes alone, could result in the assessment of double duties on the same merchandise which would constitute a violation of our international obligations under the GATT Antidumping Code.

We are, therefore, placed in the position of trying to harmonize the investigations in both the Korean television proceeding and the Korean color picture tube proceeding so as to provide effectively adequate relief in both cases. The serious administrative obstacles associated with the continued coverage of color picture tubes under the Korean television receiver order, combined with the relief to the domestic color picture tube industry which would result from an antidumping duty order on color picture tubes if one were issued, have persuaded us to conclude preliminarily that the investigations would be best harmonized by a partial revocation of the Korean color television receiver order.

Therefore, we tentatively determine to revoke the order on incomplete color television receivers from Korea that are imported separately, and subsequently combined. We intend to instruct the Customs Service to proceed with liquidation of all unliquidated entries of this merchandise entered, or withdrawn, for consumption on or after the effective date of the color picture tube investigation preliminary determination without regard to antidumping duties, and to refund any estimated antidumping duties collected with respect to those entries. The current requirement for a cash deposit of estimated antidumping duties will continue until publication of the final results of this review.

This notice does not cover unliquidated entries of incomplete color television receivers, imported separately, from Korea, which are entered or withdrawn from warehouse, for consumption prior to the date of publication in the Federal Register of the

6842 Federal Register / Vol. 52, No. 43 / Thursday, March 5, 1987 / Notices

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preliminary determination on color picture tubes from Korea. The Department will cover any such entries in a separate review of the Korea television order, if one is requested.

Interested parties may submit written comments on these preliminary results and tentative determination to revoke within 30 days of the date of publication of this notice, and may request a hearing within 5 days of the date of publication or the first workday thereafter. If a hearing is requested, it will be held on April 13, 1987. The Department will publish the final results of the review and its decision on revocation, including its analysis of issues raised in any such written comments or at a hearing.

This intention to review, administrative review, tentative determination to revoke, and notice are in accordance with sections 751 (b) and (c) of the Tariff Act (19 U.S.C. 1675 (b), (c)), and §§ 353.53(a) and 353.54 of the Commerce Regulations (19 CFR 353.53(a), 353.54).

Dated: February 26, 1987.

Gilbert B. Kaplan,

Deputy Assistant Secretary, Import Administration.

[FIR Doc. 87-4874 Filed 3-4-87; 8:45 am]

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APPENDIX H

THE DEPARTMENT OF COMMERCE'S JULY 1, 1987, NOTICE CONCERNING COLOR  
TELEVISION RECEIVERS AND COLOR PICTURE TUBES FROM KOREA

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(A-590-008)

**Final Results of Changed Circumstances Review and Determination Not to Revoke Antidumping Duty Order; Color Television Receivers From Korea**

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

**ACTION:** Final Results of Changed Circumstances Administrative Review and Determination Not to Revoke Antidumping Duty Order.

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**SUMMARY:** On March 5, 1987, the Department of Commerce published its intention to review and preliminary results of changed circumstances administrative review and tentative determination to revoke in part its antidumping duty order on color television receivers from Korea (52 FR 6840) (CEG). We gave interested parties an opportunity to submit oral or written comments on the preliminary results and tentative revocation. We received written comments from the petitioners and two of the respondents.

We have now completed our review and have decided not to revoke in part the antidumping duty order on color television receivers from Korea.

**EFFECTIVE DATE:** July 1, 1987.

**FOR FURTHER INFORMATION CONTACT:** Laura Merchant or David Mueller, Office of Compliance, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; telephone: (202) 377-2923.

**SUPPLEMENTARY INFORMATION:**

## Background

On March 5, 1987, the Department of Commerce ("the Department") published in the Federal Register (52 FR 6840) an intention to review and preliminary results of changed circumstances administrative review and tentative determination to revoke in part the antidumping duty order on color television receivers from Korea (49 FR 18336). The Department has now completed that review.

## Scope of the Review

Imports covered by the review are shipments of incomplete color television receivers imported in individual components, and subsequently assembled in the United States, currently classified under items 684.9884, 685.9888, 687.3510, and 687.3520 of the Tariff Schedules of the United States Annotated.

## Final Results of Review and Determination Not to Revise

As a result of our review, we have determined not to revoke in part the antidumping duty order on color television receivers from Korea. Our decision is based upon a thorough analysis of the issues presented by the overlapping scope of the antidumping duty order on color television receivers from Korea and the Korean color picture tube investigation. The overlapping coverage stems from the earlier inclusion of certain color picture tubes within the scope of the antidumping duty order on color television receivers from Korea. On October 17, 1986, the Department issued a clarification of the scope of its antidumping duty order on color television receivers from Korea (hereinafter "Scope Ruling"). In that scope ruling, the Department expressly stated that an incomplete television receiver, consisting of a color picture tube and a printed circuit board, would be viewed as such regardless of the form in which its components were imported. Thus, if a color picture tube and a printed circuit board were imported in different packages, as opposed to being imported in the same package, they nevertheless would constitute an incomplete television receiver for purposes of the collection of antidumping duties. The subsequent filing of a petition on color picture tubes from Korea and the Department's initiation of an investigation created the potential for an overlap in the scope of the two proceedings.

While the Department has maintained throughout that it has no intention of assessing double antidumping duties on imports of color picture tubes, the

initiation of the color picture tubes investigation raised the novel question whether merchandise currently covered under an existing antidumping duty order should instead be included within the scope of a new investigation. In other words, even though the Department had previously determined that certain color picture tubes were included within the scope of the antidumping duty order on color television receivers from Korea (see "Scope Ruling"), the Department questioned whether, in light of the subsequent filing of a petition on color picture tubes from Korea, it would be more appropriate to remove color picture tubes from the color television receiver order and include them within the scope of the new investigation.

While the Department tentatively determined that a partial revocation of the color television receiver order would best harmonize the two proceedings and avoid the problem of the overlapping scope coverage of the two proceedings, the Department, upon further reflection, has determined that a partial revocation of the television receiver order is not the appropriate means by which to resolve the issue of double coverage. Instead, the Department has determined that it will continue to include those color picture tubes and printed circuit boards imported for assembly by a related party in the United States within the scope of the antidumping duty order on color television receivers from Korea. The scope of the later color picture tube investigation will, therefore, exclude those color picture tubes which fall within the scope of the color television receiver order.

The Department's decision in this regard was influenced by a number of factors, including the strong rationale for the original scope determination in color television receivers from Korea (see "Scope Ruling"), and the likelihood of inadequate protection for the domestic color television industry if color picture tubes and printed circuit boards are removed from the scope of the color television receiver order. These considerations have reinforced our concern over the substantive impact of a determination to partially revoke the antidumping duty order on television receivers from Korea, as well as our resolve to prevent circumvention of antidumping duty orders. Since the Department has determined that color picture tubes and printed circuit boards imported separately for final assembly in the United States constitute incomplete color television receivers for purposes of collection of antidumping duties, color picture tubes destined for

that purpose may appropriately be excluded from the scope of the current color picture tube investigation.

The Department's determination regarding the definite scope of the color picture tube investigation is appropriate and necessary at this time in light of the issuance of the preliminary affirmative determination of sales at less than fair value on color picture tubes from Korea. Section 733(d)(1) of the Tariff Act of 1930, as amended, requires that upon the issuance of a preliminary determination, the administering authority shall order the suspension of liquidation of all entries of merchandise subject to the determination which are entered, or withdrawn from warehouse, for consumption on or after the date of publication of the notice of determination in the Federal Register. This provision requires the Department to suspend liquidation on all imports of the class or kind of merchandise included within the scope of the investigation. The Department has decided, therefore, that it is appropriate to determine at this time whether or not those color picture tubes that have been included within the scope of the television receiver order will continue to be included within that order or will be subject to a suspension of liquidation under the scope of the color picture tube preliminary determination. The failure to make such a determination at this point would in effect amount to a determination that certain color picture tubes fall within the scope of both the color television receiver order and the color picture tube investigation.

## Petitioner's Comments

**Comment One:** Zenith contends that a final determination to revoke in part the antidumping duty order on color television receivers from Korea would be premature, unnecessary and inappropriate. According to Zenith, a partial revocation of the television receiver order would strip the domestic television industry of important protection to which it has shown itself entitled. Thus, although Zenith appreciates the Department's concern over the potential administrative problems that may emerge from the color picture tube investigation, Zenith does not believe that the appropriate solution to the problem lies in the abandonment of the Department's carefully constructed and sound policy that seeks to combat blatant evasion of United States trade laws.

**DOC Position:** For the reasons stated in the final determination section of this notice, we agree with Zenith that a partial revocation of the color television

receiver order does not provide the most appropriate solution to the overlap in coverage of the two proceedings.

**Comment Two:** The Unions contend that a partial revocation of the color television receiver order would be an appropriate solution to the overlapping scope of the two proceedings, but that such a revocation need not, and should not, take place until the Department's issuance of a final determination in the color picture tube investigation. Even then, according to the Unions, the partial revocation should be conditioned upon an affirmative injury finding by the International Trade Commission in the color picture tube investigation.

**DOC Position:** The Department disagrees with the Unions both as to the propriety of a partial revocation of the color television receiver order, and as to the appropriate time for a final determination on the revocation. As explained in detail in the final determination section of this notice, the Department has decided not to revoke in part the antidumping duty order on color television receivers from Korea. It has made this determination concurrently with the issuance of its preliminary affirmative determination of sales at less than fair value of color picture tubes in order to avoid the suspension of liquidation on identical merchandise under two separate proceedings.

#### Respondents' Comments

**Comment One:** Gold Star contends that the only way to harmonize the overlapping scope of the two proceedings is to eliminate from the color picture tube investigation all color picture tubes which are already subject to the existing Korean television receiver order. According to Gold Star, since the Department determined in its scope ruling on Korean television receivers that separately imported color picture tubes and printed circuit boards which are attached together for sale as incomplete receivers are within the scope of that order, the Department has no choice but to exclude those color picture tubes from its subsequently initiated investigation of color picture tubes from Korea. Furthermore, Gold Star argues that the Department has a consistent practice of narrowing the scope of a new investigation to avoid double coverage when faced with a petition to investigate merchandise already covered by an outstanding antidumping duty order (citing *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished From Japan: Initiation of Antidumping Duty Investigation*, 51 FR 33286 (Sept. 19, 1986); *Preliminary Affirmative Countervailing Duty Determination*,

#### *Certain Textile Mill Products from Mexico and Rescission of Initiation With Respect To Certain Articles of Sisal*, 50 FR 301, 302 (Jan. 3, 1985).

**DOC Position:** While we do not necessarily agree with Gold Star's claim that the cited cases are dispositive with respect to the unique facts presented in the instant case, we agree with Gold Star and are not partially revoking the color television receiver order, but instead, are narrowing the scope of the subsequently initiated color picture tube investigation.

**Comment Two:** Samsung contends that the Department's tentative determination to revoke the scope decision in the television receiver proceeding as of the preliminary determination in the color picture tube case does not correct the problem presented by the overlap in the two proceedings. According to Samsung, the Department must either revoke the scope ruling in its entirety, or limit the color picture tube investigation to those tubes not already defined as televisions.

**DOC Position:** While the Department agrees with Samsung that color picture tubes must either fall within the scope of one proceeding or the other, it has not conclusively determined whether, under the appropriate circumstances, it might not be reasonable, from an administrative standpoint, to remove a product from the scope of an earlier investigation and include it instead within the scope of a subsequently initiated investigation.

This administrative review, determination not to revoke, and notice are in accordance with section 751(b) and (c) of the Tariff Act (19 U.S.C. 1675 (b), (c)) and §§ 353.53 and 353.54 of the Commerce Regulations (19 CFR 353.53, 353.54).

Dated: June 25, 1987.  
Gilbert R. Kaplan,  
*Deputy Assistant Secretary for Import Administration*  
[FR Doc. 87-14942 Filed 6-30-87; 8:45 am]  
GPO 1987 OMB NO. 2500-03-02

APPENDIX I

U.S. CUSTOMS SERVICE LETTER CONCERNING THE CLASSIFICATION OF  
CERTAIN TELEVISION APPARATUS IMPORTED FROM MEXICO

RECEIVED NOV 19 1984



## DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

WASHINGTON

NOV 15 1984

REFER TO

CLA-2 OO:R:CV:V  
553020 BNS

Paul D. Cullen, Esq.  
 Collier, Shannon, Rill & Scott  
 1055 Thomas Jefferson Street, NW.  
 Washington, D.C. 20007

Dear Mr. Cullen:

On September 19, 1983, you filed a petition with the Customs Service pursuant to section 516(a), Tariff Act of 1930, as amended (19 U.S.C. 1516(a)), on behalf of several domestic interested parties. The petition disputes Customs current classification of certain television apparatus imported from Mexico, under item 685.14, Tariff Schedules of the United States [TSUS].

This response, written pursuant to 19 U.S.C. 1516(c) and 19 CFR 175.22(b), is to notify you that we have reviewed your petition, additional comments of May 9, 1984, and all other submissions received as the result of our notice published in the Federal Register on January 26, 1984 (49 FR 3201) and have determined that the current tariff classification for the merchandise in question is correct. Our reasons for this determination appear below.

FACTS

Your petition indicates that since May of 1982, Matsushita Industrial Company [MIC] of Franklin Park, Illinois, has been importing color television picture tubes manufactured in Japan and initially shipped to its assembly facility in Mexico, Matsushita Industrial de Baja California [MIBA]. Each picture tube is subsequently shipped to the United States together with a chassis and control panel which were assembled at the MIBA plant in Mexico. Following their arrival at MIC's plant in the U.S., the picture tube, and chassis and control panel assembled in Mexico are incorporated into completed television receiver sets produced in the U.S. The production of completed receiver sets requires the addition of a cabinet, a deflection yoke, speakers, in some instances a degaussing coil, and perhaps other miscellaneous parts. Additionally, you indicate that once assembled, the completed television receiver sets require extensive testing and adjustment prior to being sold for public consumption.

After the picture tubes leave Japan no manufacturing operations are performed on them until they reach the U.S. Rather, in Mexico the tubes, packed in their original Japanese shipping cartons, are loaded on trucks with equal numbers of completed chassis and control panels, and shipped to the U.S.

DISCUSSION OF ARGUMENTS**A. PRESIDENTIAL PROCLAMATIONS**

The initial section of your petition contains a comprehensive history of items 685.11 - 685.14, TSUS. You conclude from this history that the President had no authority to amend the TSUS in 1979 to divide then item 685.20, TSUS, into items 685.11 - 685.14, TSUS. You indicate that since the President was without authority to change the TSUS, and there is no legal basis for the existing tariff classification of items 685.11 - 685.14, TSUS, "Customs must classify the imported articles described in this petition under their own designation, 'television apparatus, and parts thereof,' unless there exists a specific provision for a particular part, in which case General Headnote 10(ij), TSUS, should govern." Finally, you conclude that since a specific provision for picture tubes does exist (item 687.35, TSUS), the application of General Headnote 10(ij), TSUS, mandates the classification of the tubes in question thereunder.

Any agreement by us with the above argument would necessarily require a finding that the President was without authority to amend the TSUS. However, we are of the opinion that this office has no jurisdiction to make such a finding; therefore, we make no conclusions with respect to your initial argument. Our lack of jurisdiction in this area is supported by the absence of both specific and implied statutory authority confirming such jurisdiction, as well as by language contained in judicial decisions.<sup>1</sup> Likewise, your petition contains no citation supporting an opposite conclusion.

Additionally, under 19 U.S.C. 1516, a domestic interested party is permitted to contest only the appraised value, classification, and rate of duty of specific importations, and not the validity of a series of tariff provisions having no relevance to the classification of the merchandise in question. Therefore, even if we had authority to rule on the validity of the presidential proclamations in issue, our ruling under section 1516 would be limited to the applicability of that item under which the merchandise in question is currently being classified (item 685.14, TSUS), and would not specifically extend to the validity of the other tariff provisions contested in your petition (items 685.10, 685.11, and 685.13, TSUS).

**B. CLASSIFICATION AS AN ASSEMBLY**

The second portion of your petition argues in the alternative that notwithstanding the invalidity of the TSUS item numbers in question, Customs classification of the imported merchandise under item 685.14, TSUS, is incorrect. In this regard, in your additional remarks of May 9, 1984, you note that in our rulings on the subject merchandise and in the comments submitted as the result of our Federal Register notice, the subject merchandise has been variously described as a kit, an entirety, and an assembly. Additionally, you note that we have previously cited General Headnote 10(h), TSUS, as support for our classification under item 685.14, TSUS. In your opinion, the diversity of descriptions and rationales in support of classification under item 685.14, TSUS, reflects, "the confusion in current Customs practice and

1. Cf. United States Cane Sugar Refiners' Ass'n v. Block, 3 CIT 196, 201, 544 F. Supp. 883, 887 (1982), aff'd 69 CCPA 172, 683 F.2d 399 (1982), in which the court indicated that Customs "obviously" has no authority to override a presidential proclamation.

- 3 -

compels the need for reassessment of that practice." Accordingly, we will briefly explain our classification.

Initially, we note that considerable discussion has been devoted to defining the items contained in the inferior heading which appears in the TSUS just prior to items 685.13 and 685.14. That heading reads:

Assemblies (including kits containing all parts  
necessary for assembly into complete receivers)

Although we do not here decide whether the merchandise in question is a type of kit, clearly it is not a kit containing all parts necessary for assembly into complete receivers.<sup>2</sup> Additionally, it appears that the purpose of the kits provision in item 685.14, TSUS, is to make it clear that such kits were specifically intended to fall within that classification.<sup>3</sup> Finally, the presence of the kits provision in item 685.14, TSUS, supports the conclusion that at least some of the merchandise classifiable therein need not be physically fastened together, an allegation discussed in more detail later in this letter.

Having determined that the merchandise in question is not a kit of the type described in item 685.14, TSUS, we turn to the evidence and arguments which specifically support its classification therein as an assembly. Initially, when one analyzes the structure of items 685.11 through 685.18, TSUS, it is immediately apparent that the superior heading for television receivers and parts thereof contains two major subdivisions; items 685.11 - 685.14, TSUS, for television receivers and parts having a picture tube; and items 685.15 - 685.18, TSUS, for television receivers and parts not having a picture tube.

It is equally obvious to us that assuming the merchandise in question was imported without a picture tube, it would be classifiable under one of the inferior headings for television receivers and parts not having a picture tube, in items 685.15 - 685.18, TSUS. It is therefore illogical and inconsistent with the structure of the tariff schedule in question not to classify such merchandise with a picture tube under the provision for television receivers and parts having a picture tube, assemblies, in item 685.14, TSUS.

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2. The term "complete," as it applies to items 685.11 through 685.19, TSUS, is defined in headnote 3(a), Part 5, Schedule 6, TSUS, as a receiver fully assembled, whether or not packaged or tested for distribution to the ultimate purchaser. Since the merchandise in question is not capable of being fully assembled into a television receiver, it does not fall within the specific provision for kits in item 685.14, TSUS. Additionally, we recognize that in our letter reconsidering Headquarters Ruling 067477 SC of September 24, 1981 (Headquarters Ruling 067670 SC, dated April 16, 1982), the merchandise was referred to and classified as a "kit" for a color television receiver. In this regard, the April 1982 ruling, which cited General Headnote 10(h), TSUS, as its basis, would have been more consistent with the language of the TSUS had it referred to the merchandise as an "assembly". This inadvertance was in all probability caused by the incoming memorandum from the San Diego District, which specifically used the word "kit" rather than "assembly".

3. In the absence of the specific kit provision in item 685.14, TSUS, such kits would be classifiable as complete receivers in item 685.11, TSUS, pursuant to General Headnote 10(h), TSUS.

- 4 -

In support of your proposed classification you have cited the definition for "assembly" which applies to items 720.70 - 720.86, TSUS. That definition, "two or more parts or pieces fastened together," is claimed as proof that the assemblies referred to in item 685.14, TSUS, must be physically fastened together. In this regard, we note that the definition for assemblies in schedule 7 of the TSUS contains specific language mandating that the assemblies contained therein be fastened together, while no such language appears in the assemblies provision contained in schedule 6, a fact supporting the conclusion that the assemblies in item 685.14, TSUS, are not limited to parts which are physically fastened together.

Additional evidence that item 685.14, TSUS, includes merchandise not physically fastened together is found in dictionary definitions for the word "assembly." Those definitions indicate that an assembly may be either a collection or assemblage of parts which are unassembled, or an article formed from the assembly of a collection or assemblage of unassembled parts. Likewise, as previously stated, the inclusion of the specific kits provision in item 685.14, TSUS, also indicates that some merchandise classifiable therein need not be physically fastened together. Finally, information in our possession indicates that given current design standards, it would be virtually impossible to transport television assemblies composed of picture tubes, chassis and other parts physically fastened together, without an unacceptably large percentage of them being damaged. It also appears that since at least 1977 (when a statistical annotation for color television receivers having a picture tube, assemblies, first appeared in the TSUS), there have been no such assemblies designed which were capable of being shipped physically fastened together. Under the above circumstances, agreement with your conclusion that merchandise classifiable in item 685.14, TSUS (other than kits containing all parts necessary for assembly into complete receivers) must be physically fastened together would create an orphan tariff provision. Obviously, such a result was not intended by the provision's drafters. In conclusion, it is our opinion that item 685.14, TSUS, is an ex nomine provision which specifically applies to color television picture tubes imported together with other components and under which the merchandise in question is classifiable.

#### C. CLASSIFICATION AS AN UNFINISHED ARTICLE

Notwithstanding the above conclusion, you argue that the applicability of General Headnote 10(ij), TSUS, and the inapplicability of General Headnote 10(h), TSUS, and the doctrine of entireties mandate the separate classification of the picture tube, and the chassis and control panel in the merchandise in question. Initially, we emphasize our conclusion, previously discussed, that a discussion of the General Headnotes and the doctrine of entireties is unnecessary since the tariff provision in question (item 685.14, TSUS) clearly

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4. The Random House Dictionary of the English Language, 89 (1973); Webster's New Collegiate Dictionary, 67 (1977); Webster's New World Dictionary, 83 (2nd College Ed. 1974); The American College Dictionary, 75 (1970).

- 5 -

provides for assemblies imported with a color television picture tube. However, we are also of the opinion that even in the absence of the specific language in item 685.14, TSUS, the merchandise in question would still be classifiable as an unfinished article under the eo nomine provision for television reception apparatus, and parts thereof which currently appears as part of the superior heading to item 685.14, TSUS. Therefore, an analysis of your argument appears below.

The two general headnotes which you cite provide as follows:

10. (h) unless the context requires otherwise, a tariff description for an article covers such article whether assembled or not assembled, and whether finished or not finished;
- (ij) a provision for "parts" of an article covers a product solely or chiefly used as a part of such article, but does not prevail over a specific provision for such part.

Likewise, the doctrine of entireties and General Headnote 10(h), TSUS, have been described and discussed as follows:

It often happens that merchandise consists of two or more components which are shipped together and are intended to be used together. They may or may not be physically joined together. The question arises as to whether the components are dutiable separately or whether they are to be considered an entirety for tariff purposes, dutiable as one complete article.

In general, it may be said that an article will be regarded as an entirety when the components, upon being joined, form a new article which has a character or use different from that of any of the parts.... Conversely, where . . . the components retain their individual identities and are not subordinated to the identity of the combination, duty will be imposed on the individual entities of the combination as though they had been imported separately.<sup>5</sup>

Additionally:

To a large extent, General Headnote 10(h) embodies the time-honored doctrine of "entireties." Under the doctrine of entireties unassembled parts or components are treated for tariff purposes as though they were assembled or combined at the time of importation, if the following conditions are present:

- (1) The parts or components must be designed or intended to be assembled or combined after importation into the article in question.

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5. R. Sturm, A Manual of Customs Law 288-89 (1st ed. 1974).

- 6 -

(2) The parts or components must be packed separately (not commingled) in the same shipment for the same importer.

(3) The article, "constructively" assembled or combined into an entirety, must itself fall within the product description under consideration. That is, the "constructive" assembly or combining of the imported parts or components alone must produce an article to which the product description applies.

The leading case on the subject is Daisy - Heddon, Div. Victor Comptometer Corp. v. United States, 66 CCPA 97, C.A.D. 1228 (1979). \* \* \* Affirming the lower court, the Court of Customs and Patent Appeals held [in Daisy-Heddon] that the imported articles were properly classified as fishing reels \* \* \* because the articles would have been substantially complete reels if imported in an assembled condition.

\* \* \* \*  
The Daisy - Heddon decision listed the following factors that could appropriately be considered in determining whether an imported article was substantially complete:

- (1) Comparison of the number of omitted parts with the number of included parts;
- (2) Comparison of the time and effort required to complete the article with the time and effort required to place it in its imported condition;
- (3) Comparison of the cost of the included parts with that of the omitted parts;
- (4) The significance of the omitted parts to the overall functioning of the completed article; and
- (5) Trade customs, i.e., whether the trade recognizes the importation as an unfinished article or merely as a part of that article.<sup>6</sup>

Initially, we conclude that the doctrine of entireties is not relevant to our determination in this case since it appears that the joining of the imported components does not form a new article having a character or use different from that of any of its parts. Rather, that which is important is the possibility that under General Headnote 10(h), TSUS, the imported components form an

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6. P. Feller, U.S. Customs and International Trade Guide §6.05[2] (1984).

- 7 -

unfinished article. Therefore, applying the above headnotes and principles to the present situation the question essentially is whether, when constructively assembled, the merchandise in question is a type of television reception apparatus which is substantially complete.<sup>7</sup> For purposes of our analysis, we initially note that headnote 3(a), Part 5, Schedule 6, TSUS, provides as follows:

3. The provisions of this headnote apply to "television apparatus and parts thereof" provided for in items 685.11 through 685.19, inclusive, of this part.
  - (a) The term "complete", as used to describe television receivers, means a television receiver, fully assembled, whether or not packaged or tested for distribution to the ultimate purchaser.

In our opinion the above headnote specifically proscribes the consideration of costs related to adjustment, testing and cabinetry in determining whether the merchandise in question is substantially complete. However, because the above headnote was inserted into the TSUS pursuant to Presidential Proclamation 4707, the validity of which you dispute, we will analyze the issues involved as if the headnote did not exist.

First, available evidence, including statements in a submission from counsel representing MIC, indicates that the articles in question, "are fully compatible with each other, and are used together in the same model color television receiver, which is completed by MIC in its Franklin Park, Illinois, facility."<sup>8</sup> Discussions with our field personnel confirm that the picture tubes, chassis, and control panels are capable of being used together. We assume in the absence of any allegation to the contrary in your submission that the above statements and findings are factually correct.

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7. In footnote 7 on page 17 of your addendum to the original petition, you indicate that the application of the Daisy - Heddon criteria in this case is inappropriate because the imported merchandise is in need of further processing. Initially, we note that in Daisy - Heddon the court distinguished the situation there present from one where, "an article is incomplete because the material which comprises the article is in need of further processing" (emphasis added). In this regard, there has been no allegation in your petition that any of the materials comprising either the imported merchandise or a completed television receiver set needs further processing. Rather, the "processing" which you allege is necessary consists of adjustment and testing of a completed television receiver set. As discussed later in this letter, we have determined that such testing and adjustment costs are not intrinsically bound up with the manufacture of a completed article. Accordingly, because no constituent materials are in need of further processing and the costs referred to do not relate per se to the manufacture of the completed article, we are of the opinion that a Daisy - Heddon analysis is entirely appropriate for purposes of the instant discussion.

8. Submission on behalf of Matsushita Industrial Company at 8-9 (March 26, 1984).

- 8 -

Additionally, available evidence, including statements from MIC's counsel<sup>9</sup> and information received from our field personnel, indicates that the chassis, control panels, and picture tubes are always packed separately, and imported and entered together, on the same vehicle, in equal numbers and for the same importer. It therefore appears that the second previously stated condition has been met in this case.

Turning to the constructive assembly test and the Daisy - Beddon criteria in particular, business confidential information submitted by MIC's counsel indicates that the number of parts needed to prepare the imported merchandise for sale to the ultimate consumer is small in comparison to the number of parts included in the imported merchandise. We note that your petition does not dispute the above conclusion.

Likewise, statistics supplied by MIC's counsel, and estimated figures in your petition, indicate that the cost of those components added in the United States is more than a de minimis portion of the total cost of all parts contained in a completed television receiver set. Nevertheless, the data also reveals that the major cost associated with those components which are added in the United States relates to the cabinet, which, in our opinion, is relatively insignificant to the overall functioning of the final product.<sup>10</sup> Accordingly, the cost of the components not included in the imported merchandise, and which are necessary for the completion of a finished television receiver set, is relatively small when compared to the cost of the components in the imported assemblies.

A comparison of the time and effort needed to place the entered merchandise in its imported condition to the time and effort necessary for the completion of a finished television receiver set in the United States initially requires us to ascertain those elements and processes which are necessary to convert the imported merchandise into a finished television receiver set. In this regard, you have included in your comparison amounts for adjustment and testing costs, but without breaking these costs out separately from amounts estimated for labor and factory overhead. In any event, you estimate that between 25 and 39 percent

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9. *Id.* at 10.

10. In Yamaha International Corp. v. United States, Slip Op. 84-20 (March 9, 1984), the United States Court of International Trade indicated that an organ cabinet was not essential to the classification of certain imported components as an unfinished "electronic musical instrument" because Congress had specifically provided that that term encompassed all musical instruments in which the sound is generated electronically — which can be satisfied without a cabinet. Similarly, in the instant case, Congress specifically provided for television "reception" apparatus in the superior heading to item 685.14, TSUS. Accordingly, although we acknowledge that a cabinet is necessary for a completed television receiver set to be marketed to the public, there has been no allegation, and we are aware of no evidence indicating, that a cabinet is related to the reception function provided for in the tariff schedules.

- 9 -

of the total value of a completed television receiver set is added in the United States, while making no estimate comparing the time necessary for the manufacture of the imported merchandise to the time necessary for completion of a television receiver set in the United States. You indicate that your inclusion of adjustment and testing costs in your estimate is justified because the record is unclear as to when and where the adjustments are conducted.

Although you claim it is unclear as to where and when the adjustments are made, MIC's counsel indicates that testing and adjustment is performed after the television receiver has been completed.<sup>11</sup> In the absence of contrary evidence, we are of the opinion that the above statement must be assumed correct. It therefore appears that such costs are not intrinsically bound up with the actual manufacture of a television receiver set, even though they may be necessary before a finished product can be marketed to the ultimate consumer. Accordingly, we are of the opinion that testing and adjustment costs are not properly part of the time and effort comparison set forth in Daisy - Beddon. Rather (when adjustment and testing costs are not included), the data in our possession indicates that the time and effort required to produce the imported merchandise substantially exceeds that necessary to convert the imported merchandise into a completed television receiver set.

Finally, neither your petition, nor any of the comments received as the result of our Federal Register notice, provides evidence concerning whether the industry in question recognizes the importation as an unfinished article or merely as a part of that article. However, there is evidence regarding the significance of the omitted parts to the overall functioning of the completed article. In this regard, we are of the opinion for the reasons stated below that the parts omitted from the imported merchandise are relatively insignificant to the overall function of a television receiver set.

Initially, we note that we have not located any judicial decisions defining the term "television receiver" or "television reception apparatus," or directly indicating that which is necessary for an imported article to be considered as an unfinished television receiver or television reception apparatus rather than as a part of a television receiver or television reception apparatus. In this regard, even the technical publications which we consulted<sup>12</sup> failed to define or discuss the term "television receiver" in a section or category related exclusively to that term. Rather, all of these technical sources mention or discuss television receivers in sections related to either radios or radio receivers,<sup>13</sup> and agree that all radio receivers perform three basic

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11. Submission on behalf of Matsushita Industrial Company at 52-53, n. 31 (March 26, 1984).

12. Encyclopedia of Electronics and Computers, 690 (McGraw-Hill, 1984); 15 The New Encyclopaedia Britannica, 423 (1975); 23 The Encyclopedia Americana, 147 (International ed. 1980); Van Nostrand's Scientific Encyclopedia, 1477 (4th ed., 1968).

13. For example, the first two sentences of the Encyclopaedia Britannica article cited above, read as follows:

The term radio covers the radiation and detection of signals propagated through space as electromagnetic waves to convey information. One of the chief branches of telecommunication, radio embraces wireless telegraphy, telephony, and television.

- 10 -

functions: selectivity, amplification, and detection. More particularly, one article<sup>14</sup> compares the differences between a radio receiver and a television receiver as follows:

The development of television has led to extensions of the b.f. [beat frequency] principles involved in the usual radio receiver but has not required any radically different ones. The main difference between the sound receiver and the picture receiver is in the width of the bands which must be handled, television requiring a band several megacycles wide while sound requires only a few kilocycles. This means that the radio frequency channels must be capable of selecting between stations yet also pass very wide sidebands. In addition the amplification circuits after the detector (corresponding to the audio amplifiers of the sound set) must satisfactorily amplify over a range of a few million cycles.

Although, as previously mentioned, we are not aware of any judicial decisions defining "television receiver" or "television reception apparatus" for Customs purposes, or differentiating unfinished television receivers or television reception apparatus from parts of television receivers or television reception apparatus, there have been several decisions relating to unfinished radio receivers. In the most notable of the above cases, General Electric Co. v. United States, 2 CIT 84 (1981), aff'd 69 CCPA 166 (1982), at issue was the classification of certain radio chassis which, in their condition as imported, were not capable of use by the ultimate consumer, and which were to be combined with other components to produce various stereo components systems. Specifically, certain of the imported chassis were to be completed by the addition of a power transformer, a "jack pack," a power cord, certain internal wiring, a cabinet, knobs, a calibration scale, an 8-track tape player, a record changer, and speakers.

In ruling that the imported chassis were encompassed within the common meaning of the term "radio receiver," the court cited various definitions for the terms "radio" and "radio receiver" and articles discussing radio receivers,<sup>15</sup> and noted, in agreement with our findings, that none of the definitions or articles mentioned transformers, power cords, speakers, and cabinets as basic components of radio receivers. Specifically, the court noted that power transformers and power cords do not relate to radio reception per se: while with regard to the exclusion of speakers from the common meaning of "radio receiver," the court cited Symphonic Electronics Corp. v. United States, 77 Cust. Ct. 147, C.R.D. 76-5 (1976). In conclusion, the court found that the imported merchandise performed the basic functions of a radio receiver (selectivity, amplification, and detection), and that it was classifiable as an unfinished radio receiver pursuant to General Headnote 10(h), TSUS. In making

14. Van Nostrand's Scientific Encyclopedia, 1477 (4th ed. 1968).

15. Cooke & Markus, Electronics & Nucleonics Dictionary, 380, 387 (McGraw-Hill, 1960); McGraw-Hill Encyclopedia of Science and Technology, 256 (Rev. 1966 ed.); 11 Encyclopaedia Britannica, 485-486 (1970 ed.); 19 Collier's Encyclopedia, 610-611 (1978); 23 Encyclopedia Americana, 121gg - 121hh (1973).

- 11 -

the above determination, the court specifically cited Daisy-Heddon as authority for the proposition that classification of merchandise as an unfinished article pursuant to General Headnote 10(h) does not depend merely on the presence or absence of an essential part such as a power transformer and power cord.

We conclude from the technical authorities previously cited, and the General Electric decision and cases cited therein, that for customs purposes the basic function of a "television receiver" or "television reception apparatus" is to select, amplify, and detect particular radio waves. From information provided by Matsushita's counsel, and which is not contested in your petition, it appears that the imported merchandise is capable of performing the above reception function, as well as converting a demodulated television signal into light.<sup>16</sup>

Notwithstanding the ability of the imported merchandise to perform the basic reception functions of any television reception apparatus, you argue that the omission of certain parts (yoke, speakers, and degaussing coil) from the imported merchandise should preclude its classification as an unfinished article. While we recognize that these components are essential to the successful marketing of completed television receiver sets to the public, thus far the courts have not relied on or adopted an argument in similar cases making the classification of an article dependent on its ability to be marketable.<sup>17</sup>

We conclude from the above discussion that the imported merchandise performs the basic functions of a television receiver or television reception apparatus. Likewise, after taking into account all of the Daisy-Heddon criteria we conclude that the imported merchandise is an unfinished television receiver or television reception apparatus pursuant to General Headnote 10(h), TSUS.

#### D. SUBSTANTIAL TRANSFORMATION, CONTINGENCY OF DIVERSION, AND DUMPING

In addition to all of the arguments made in your petition and previously discussed, you indicate that the imported merchandise should not be classified as a single entity under item 685.14, TSUS, because it undergoes a substantial transformation in the United States to become finished color television receiver sets. Additionally, you indicate that the television picture tubes in question, which are originally produced in Japan, must be entered separately as articles produced in Japan through the application of the principle of contingency of

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16. Submission on behalf of Matsushita Industrial Company at 10 (March 26, 1984).

17. While the Daisy - Heddon court stated that factors other than those specifically listed in its decision may be necessary to the resolution of a particular case, it noted in General Electric, for example, that the merchandise therein was not ready or capable of use by the ultimate consumer without further fabrication (2 CIT at 85) and refrained from relying on that fact in its decision.

- 12 -

diversion.<sup>18</sup> Finally, you indicate that since the imported merchandise lacks a yoke, affirmation of our current classification would be inconsistent with certain antidumping findings listing those components necessarily contained in a television receiver.

Initially, we know of no doctrine which specifically precludes merchandise from being classified under either an ex nomine provision, such as item 685.14, TSUS, or as an unfinished article pursuant to General Headnote 10(h), TSUS, because it may be substantially transformed after importation into the United States. We do recognize that some principles involved in making a substantial transformation determination may be similar to criteria mentioned in the Daisy - Heddon case. However, Daisy - Heddon does not specifically mention substantial transformation and we do not here assume that the court in that case wished it as such to be a consideration. Accordingly, having already decided that the merchandise in question is properly classifiable under item 685.14, TSUS, either as an ex nomine article or as an unfinished article, the doctrine of substantial transformation is irrelevant to our determination.<sup>19</sup>

With regard to your contingency of diversion argument, it should be noted that 19 U.S.C. 1516 allows interested parties to contest only the "appraised value, classification, or rate of duty." In the instant case, our prior discussion of the issues involved led us to conclude that the imported merchandise was properly classifiable under item 685.14, TSUS, dutiable at 5 percent ad valorem. That determination was neither dependent on, nor affected by, either the country of origin or exportation of the merchandise involved. Likewise, even had we ruled that the chassis and control panels were classifiable separately from the picture tubes (which would then have been dutiable at 15 percent ad valorem), such determination would neither have depended on, nor been affected by, either the country of origin or exportation of the merchandise. Accordingly, to the extent that your petition addresses the country of origin of any of the merchandise involved in the present case, it is outside the areas specified by section 1516 (classification, value, rate of duty) as proper for a ruling.

Additionally, to the extent that your contingency of diversion argument was meant to support the notion that the merchandise in issue is not classifiable as an entity under either the ex nomine provision for assemblies in item 685.14, TSUS, or as an unfinished article pursuant to General Headnote

18. In the past, the doctrine of contingency of diversion has been used to ascertain the country of exportation for merchandise for appraisement purposes. Under the doctrine, "merchandise imported from one country, being the growth, production, or manufacture of another country, must be appraised at its value in the principal markets of the country from which immediately imported, unless it is shown that it was destined for the United States at the time of original shipment without any contingency of diversion." United States v. G. W. Sheldon & Co. (Damon Raike & Co.), 53 Treas. Dec. 34, 36, T.D. 42541 (1928).

19. In this regard, because we find the doctrine of substantial transformation irrelevant to our classification determination, there is no need to rule on whether such a transformation occurs in the United States, and we therefore refrain from so ruling.

- 13 -

10(h), TSUS, we have previously discussed all of the relevant classification issues involved. Indeed, we have been unable to find any citation indicating that contingency of diversion may affect the classification of merchandise.<sup>20</sup>

Finally, regarding the alleged inconsistency between our current classification and prior government determinations under the antidumping laws, our previous discussion should make it clear that under Daisy - Heddon the omission of an essential part (such as a yoke) does not preclude the application of General Headnote 10(h), TSUS. More importantly, Footnote 1 in your Exhibit 6, a memorandum authored by the Chief Counsel, U.S. Customs Service, specifically indicates:

We note at this point that determinations of the "class or kind" of merchandise subject to a dumping finding under the Antidumping Act do not turn on the same issues as those presented when classifying merchandise under the Tariff Act of 1930.

The above conclusion is fully consistent with our ruling MFG 431.51 WR, 018022, dated June 15, 1972, a copy of which is enclosed, in which we indicated that television tubes and chassis imported in the same shipment were classifiable pursuant to General Headnote 10(h), TSUS, as television apparatus in item 685.20, TSUS. In the same letter, however, we specifically stated that: "The tariff classification of an article is not considered as determinative of the scope of an antidumping investigation." Accordingly, we reaffirm our previous decision that the principles involved in tariff classification under the Tariff Act of 1930 differ from those considerations involved in decisions under the antidumping laws; and that there is little if any relationship between the two.

#### HISTORY OF RULINGS

In addition to the foregoing, we would like to bring to your attention that Customs has a long and consistent history of ruling that merchandise similar to that here in question is classifiable either under item 685.14, TSUS, or its predecessor provision, item 685.20, TSUS; and that this history predates the rulings cited in your petition. We are therefore enclosing copies of the following decisions:

1. MFG 431.51 MA, 009050, dated February 3, 1971.
2. MFG 431.51 WR, 018022, dated June 15, 1972

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20. As noted on page 46 of your petition, contingency of diversion is used to determine the country of exportation for purposes of ascertaining export value when appraising merchandise. Likewise, under General Headnotes 3(a), 3(c) and 3(d), TSUS, we are required to ascertain whether merchandise was imported directly or indirectly from certain countries or insular possessions for purposes of ascertaining its dutiable status; however, such a determination is not involved in the instant case. Finally, because it is irrelevant to the classification of the merchandise in this case, we refrain from making any determination concerning a possible contingency of diversion for the picture tubes in question.

- 14 -

3. CLA-2:R:CV:S L, 431.51, 029088, dated July 30, 1973
4. CLA-2:R:CV:MSP, 053119 SC, dated September 7, 1973
5. CLA-2 R:CV:MSP, 051204 SC, dated August 1, 1977.

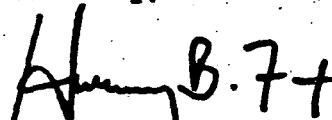
Although your petition indicates that our most recent rulings may be somewhat confusing in their use of the words "kit," "entirety," and "assembly," all of the enclosed decisions clearly evidence a conclusion by Customs that the merchandise was an unfinished article classifiable as such pursuant to General Headnote 10(h), TSUS.

#### CONCLUSION

In summary, we conclude:

1. The U.S. Customs Service has no authority to rule on the legality of a presidential proclamation changing the wording of the tariff schedules. Rather, in performing our administrative ruling function, we must rely on whatever language is currently contained in the TSUS.
2. The merchandise here in issue is properly classifiable under the eo nomine provision for television receivers and parts thereof, having a picture tube, assemblies, color, in item 685.14, TSUS.
3. The merchandise here in issue is an unfinished article classifiable under the superior heading to item 685.14, TSUS, pursuant to General Headnote 10(h), TSUS.
4. The above ruling is consistent with and reaffirms a line of Customs rulings issued under item 685.20, TSUS, the predecessor provision to current item 685.14, TSUS.

Sincerely,

 B.7+

Harvey B. Fox  
Director, Classification  
and Value Division

Enclosures



**APPENDIX J**

**SUPPLEMENTARY TABLES ON COLOR TELEVISION RECEIVERS AND TUBES**

Table J-1

Color television receivers: U.S. shipments by U.S. producers 1/ of color picture tubes and their affiliates, and U.S. shipments by Japanese- and Korean-owned producers 2/ located in the United States, 1984-86, January-June 1986, and January-June 1987

(In thousands of units)

Item	1984	1985	1986	January-June--				
				1986	1987			
<b>U.S. shipments:</b>								
By U.S. producers:								
Receivers produced in the United States.....	8,450	7,492	6,697	3,322	2,763			
Receivers produced outside the United States 3/.....	1,085	1,135	2,179	1,088	1,339			
Subtotal.....	9,535	8,627	8,876	4,410	4,102			
By Japanese- and Korean- owned producers located in the United States:								
Receivers produced in the United States.....	4,099	4,525	5,390	2,372	2,277			
Receivers produced outside the United States 3/.....	3,311	2,684	2,480	1,110	1,190			
Subtotal.....	7,410	7,209	7,870	3,482	3,467			
Total.....	16,945	15,836	16,746	7,892	7,569			

1/ General Electric, Philips, RCA, Sony, and Zenith.

2/ American Kotobuki, Gold Star, Hitachi, Matsushita, Mitsubishi, NEC, Samsung, Sanyo, Sharp, Toshiba America, and US JVC.

3/ These data include a small amount of black and white television receivers.

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

Table J-2

Color television receivers produced in the United States: U.S. shipments by U.S. producers and by Japanese- and Korean-owned producers located in the United States, by companies, 1984-86, January-June 1986, and January-June 1987.

(In thousands of units)

Item	1984	1985	1986	January-June--				
				1986	1987			
<b>U.S. shipments by U.S. producers:</b>								
General Electric.....								
North American Philips.....	***	***	***	***	***			
RCA.....	***	***	***	***	***			
Zenith Electronics Corp.....	***	***	***	***	***			
Sony Corp. of America.....	***	***	***	***	***			
Total.....	8,450	7,492	6,697	3,322	2,763			
<b>U.S. shipments by Japanese- and Korean-owned producers:</b>								
American Kotobuki.....								
Gold Star of America, Inc.....	***	***	***	***	***			
Hitachi Consumer Products.....	***	***	***	***	***			
U.S. JVC Corp.....	***	***	***	***	***			
Matsushita Industrial.....	***	***	***	***	***			
Mitsubishi.....	***	***	***	***	***			
NEC Home Electronics.....	***	***	***	***	***			
Samsung.....	***	***	***	***	***			
Sanyo Manufacturing Corp.....	***	***	***	***	***			
Sharp Electronics.....	***	***	***	***	***			
Toshiba America, Inc.....	***	***	***	***	***			
Total.....	4,099	4,525	5,390	2,372	2,277			

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

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

Table J-3

Color television receivers produced outside the United States: U.S. shipments by U.S. producers and by Japanese- and Korean-owned producers located in the United States, by companies, 1984-86, January-June 1986, and January-June 1987 1/

(In thousands of units)

Item	1984	1985	1986	January-June--				
				1986	1987			
<b>U.S. shipments by U.S.-producers of color picture tubes:</b>								
General Electric/RCA.....								
Zenith Electronics Corp.....	***	***	***	***	***			
Sony Corp. of America.....	***	***	***	***	***			
Total.....	1,085	1,135	2,179	1,088	1,339			
<b>U.S. shipments by Japanese- and Korean-owned producers of color picture tubes located in the United States:</b>								
Gold Star of America, Inc....	***	***	***	***	***			
Hitachi.....	***	***	***	***	***			
U.S. JVC Corp.....	***	***	***	***	***			
Matsushita.....	***	***	***	***	***			
Mitsubishi.....	***	***	***	***	***			
NEC Home Electronics.....	***	***	***	***	***			
Samsung.....	***	***	***	***	***			
Sharp Electronics.....	***	***	***	***	***			
Toshiba America, Inc.....	***	***	***	***	***			
Total.....	3,311	2,684	2,480	1,110	1,190			

1/ These data include a small amount of black and white television receivers.

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.

Table J-4

Color picture tubes: Purchases and intracompany transfers by the color-television-receiver-producing affiliates of U.S. producers 1/ of color picture tubes and by Japanese- and Korean-owned color television receiver producers 2/ located in the United States, 1984-86, January-June 1986, and January-June 1987

(In thousands of units)

Item	1984	1985	1986	January-June--	
				1986	1987
<b>Purchases of color picture tubes</b>					
by U.S. producers of color television receivers:					
Intracompany transfers.....	***	***	***	***	***
Other tubes produced in the United States.....	***	***	***	***	***
Tubes produced outside the United States.....	***	***	***	***	***
Subtotal.....	8,838	7,632	7,768	3,854	3,446
<b>Purchases of color picture tubes by Japanese- and Korean-owned producers of color television receivers located in the United States:</b>					
Tubes produced in the United States.....	2,923	2,758	3,539	1,582	2,190
Tubes produced outside the United States.....	1,350	2,228	2,768	1,259	752
Subtotal.....	4,273	4,986	6,307	2,841	2,942
Total.....	13,111	12,618	14,075	6,695	6,388

1/ General Electric, Philips, RCA, Zenith, and Sony.

2/ American Kotobuki, Gold Star, Hitachi, US JVC, Matsushita, Mitsubishi, NEC, Samsung, Sanyo, Sharp, and Toshiba America.

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

Table J-5

Color picture tubes: Purchases and intracompany transfers by the color-television-receiver-producing affiliates of U.S. producers of color picture tubes, by companies, 1984-86, January-June 1986, and January-June 1987

(In thousands of units)

Item	1984	1985	1986	January-June--				
				1986	1987			
<b>Purchases of color picture tubes by U.S. producers of color television receivers:</b>								
<b>Intracompany transfers:</b>								
General Electric.....	***	***	***	***	***			
North American Philips.....	***	***	***	***	***			
RCA.....	***	***	***	***	***			
Zenith Electronics Corp....	***	***	***	***	***			
Sony Corp. of America.....	***	***	***	***	***			
Subtotal.....	***	***	***	***	***			
Other tubes produced in the United States:								
General Electric.....	***	***	***	***	***			
North American Philips.....	***	***	***	***	***			
RCA.....	***	***	***	***	***			
Zenith Electronics Corp....	***	***	***	***	***			
Sony Corp. of America.....	***	***	***	***	***			
Subtotal.....	***	***	***	***	***			
Tubes produced outside the United States:								
General Electric.....	***	***	***	***	***			
North American Philips.....	***	***	***	***	***			
RCA.....	***	***	***	***	***			
Zenith Electronics Corp....	***	***	***	***	***			
Sony Corp. of America.....	***	***	***	***	***			
Subtotal.....	***	***	***	***	***			
Total.....	8,838	7,632	7,768	3,854	3,446			

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

Table J-6

Color picture tubes: Purchases by Japanese- and Korean-owned color television receiver producers located in the United States, by companies, 1984-86, January-June 1986, and January-June 1987

(In thousands of units)

Item	1984	1985	1986	January-June--	
				1986	1987
<b>Purchases of color picture tubes by Japanese- and Korean-owned color television receiver producers located in the United States:</b>					
Tubes produced in the United States:					
American Kotobuki.....	-	-	***	-	***
Gold Star of America, Inc..	***	***	***	***	***
Hitachi Consumer Products..	***	***	***	***	***
U.S. JVC Corp.....	***	***	***	***	***
Matsushita Industrial.....	***	***	***	***	***
Mitsubishi.....	***	***	***	***	***
NEC Home Electronics.....	***	***	***	***	***
Samsung International.....	***	***	***	***	***
Sanyo Manufacturing Corp...	***	***	***	***	***
Sharp Electronics.....	***	***	***	***	***
Toshiba America, Inc.....	***	***	***	***	***
Subtotal.....	2,923	2,758	3,539	1,582	2,190
Tubes produced outside the United States:					
American Kotobuki.....	***	***	***	***	***
Gold Star of America, Inc..	***	***	***	***	***
Hitachi Consumer Products..	***	***	***	***	***
U.S. JVC Corp.....	***	***	***	***	***
Matsushita Industrial.....	***	***	***	***	***
Mitsubishi.....	***	***	***	***	***
NEC Home Electronics.....	***	***	***	***	***
Samsung.....	***	***	***	***	***
Sanyo Manufacturing Corp...	***	***	***	***	***
Sharp Electronics.....	***	***	***	***	***
Toshiba America, Inc.....	***	***	***	***	***
Subtotal.....	1,350	2,228	2,768	1,259	752
Total.....	4,273	4,986	6,307	2,841	2,942

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



APPENDIX K

PURCHASE PRICES REPORTED IN RESPONSE TO COMMISSION QUESTIONNAIRES

Table K-1

Color picture tubes: Weighted-average purchase prices of domestic color picture tubes purchased from unrelated and related parties, by screen size, 1985-87

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Table K-2

Color picture tubes: Weighted-average purchase prices of imported Japanese color picture tubes purchased from unrelated and related parties, by screen size, 1985-87

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Table K-3

Color picture tubes: Weighted-average purchase prices of imported Canadian color picture tubes purchased from unrelated and related parties, by screen size, 1985-87

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Table K-4

Color picture tubes: Weighted-average purchase prices of imported Korean color picture tubes purchased from unrelated and related parties, by screen size, 1985-87

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Table K-5

Color picture tubes: Weighted-average purchase prices of imported color picture tubes from Singapore purchased from unrelated and related parties, by screen size, 1985-87

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Table K-6

Color picture tubes: Weighted-average purchase prices of domestic color picture tubes purchased from unrelated and related parties, by screen size and by supplying producers, 1985-87

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Table K-7

Color picture tubes: Weighted-average purchase prices of imported Japanese color picture tubes purchased from unrelated and related suppliers, by screen size and by supplying producers, 1985-87

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Table K-8

Color picture tubes: Weighted-average purchase prices of imported Canadian color picture tubes purchased from unrelated and related suppliers, by screen size and by supplying producers, 1985-87

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Table K-9

Color picture tubes: Weighted-average purchase prices of imported Korean color picture tubes purchased from unrelated and related suppliers, by screen size and by supplying producers, 1985-87

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Table K-10

Color picture tubes: Weighted-average purchase prices of imported color picture tubes from Singapore purchased from unrelated and related suppliers, by screen size and by supplying producers, 1985-87

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Table K-11

Color picture tubes: Individual bid competition prices for 13-inch color picture tubes purchased by Sanyo from unrelated domestic and import sources, by country of origin and suppliers, 1985-87

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Table K-12

Color picture tubes: Individual bid competition prices for 19-inch color picture tubes purchased by Sanyo from unrelated domestic and import sources, by country of origin and suppliers, 1985-87

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Table K-13

Color picture tubes: Individual bid competition prices for 20-inch color picture tubes purchased by Sanyo from unrelated domestic and import sources, by country of origin and suppliers, 1985-87

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Table K-14

Color picture tubes: Individual bid competition prices for 25-inch color picture tubes purchased by Sanyo from unrelated domestic and import sources, by country of origin and suppliers, 1985-87

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Table K-15

Color picture tubes: Individual bid competition prices for 19-inch color picture tubes purchased by Sharp from unrelated domestic and import sources, by country of origin and suppliers, 1985-87

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Table K-16

Color picture tubes: Individual bid competition prices for 20-inch color picture tubes purchased by Sharp from unrelated domestic and import sources, by country of origin and suppliers, 1985-87

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Table K-17

Color picture tubes: Individual bid competition prices for 25-inch color picture tubes purchased by Sharp from unrelated domestic and import sources, by country of origin and suppliers, 1985-87

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Table K-18

Color picture tubes: Purchase prices for imported Japanese 13-inch color picture tubes purchased by Matsushita from a related party source, by suppliers, 1985-87

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Table K-19

Color picture tubes: Individual bid competition prices for 19-inch color picture tubes purchased by Matsushita from unrelated domestic sources and from a related source in Japan, by country of origin and by suppliers, 1985-87

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Table K-20

Color picture tubes: Purchase prices for imported Japanese 20-inch color picture tubes purchased by Matsushita from a related party source, by suppliers, 1985-87

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Table K-21

Color picture tubes: Individual bid competition prices for 25-inch color picture tubes purchased by Matsushita from unrelated domestic sources and from a related source in Japan, by country of origin and suppliers, 1985-87

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Table K-22

Color picture tubes: Purchase prices for imported 20-inch color picture tubes purchased by Philips from an unrelated source in Singapore, by suppliers, 1985-86

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Table K-23

Color picture tubes: Purchase prices for domestic 19-inch color picture tubes purchased by Philips from an unrelated and a related source, by suppliers, 1986 and 1987

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Table K-24

Color picture tubes: Individual bid competition prices for imported Japanese 20-inch color picture tubes purchased by Philips from unrelated sources in Japan and domestic 20-inch tubes purchased from a related source, by suppliers, 1985-87

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Table K-25

Color picture tubes: Purchase prices for domestic 25-inch color picture tubes purchased by Philips from an unrelated and a related source, by suppliers, 1986 and 1987

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