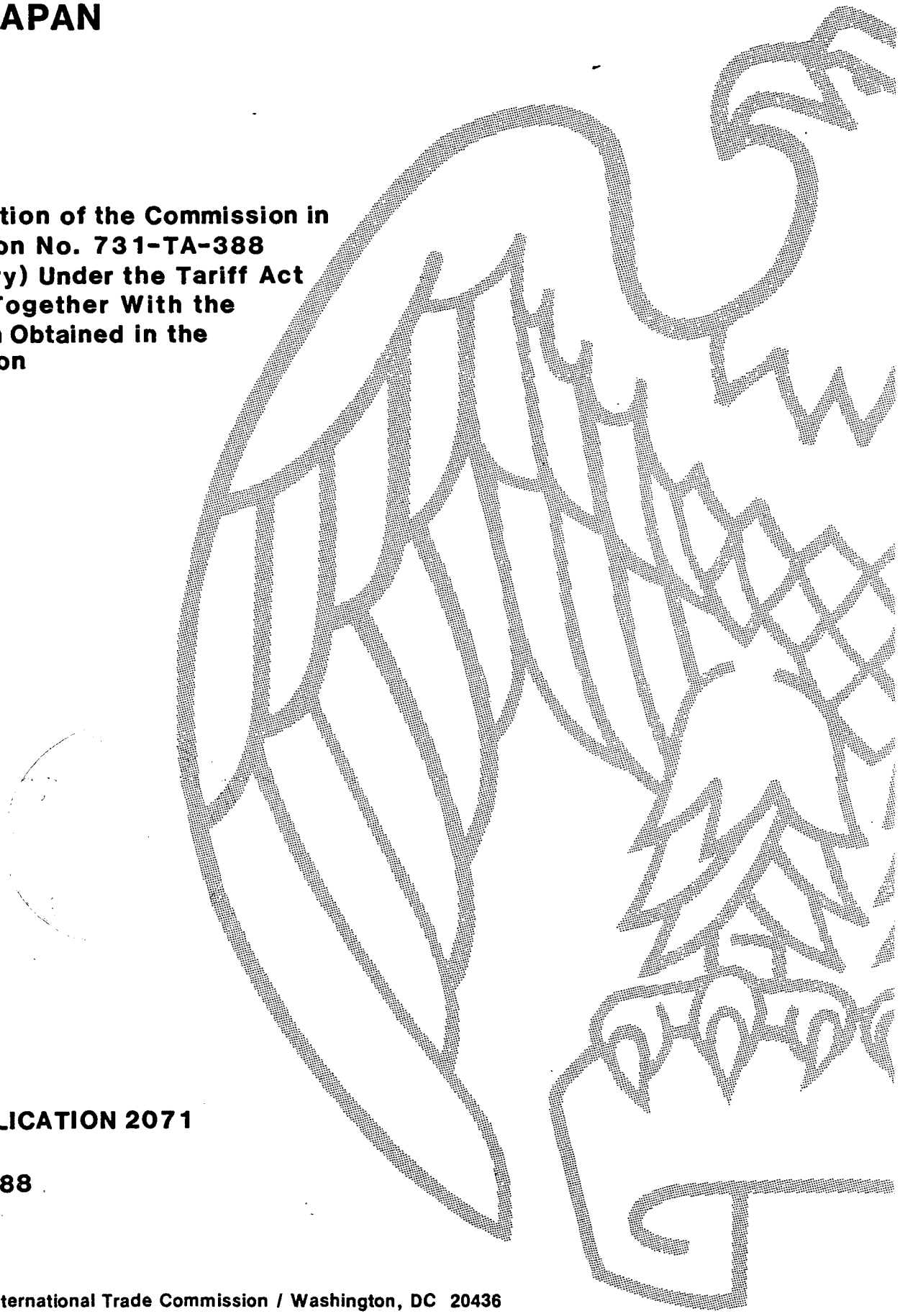
CERTAIN ALL-TERRAIN VEHICLES FROM JAPAN

Determination of the Commission in Investigation No. 731-TA-388 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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C O N T E N T S

CONTENTS--Continued

Tables

CONTENTS--Continued

Tables--Continued

CONTENTS--Continued

Tables--Continued

Figures

Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-388 (Preliminary)

CERTAIN ALL-TERRAIN VEHICLES FROM JAPAN

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Japan of certain all-terrain vehicles (ATVs), 2/ provided for in item 692.10 of the Tariff Schedules of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On February 9, 1988, a petition was filed with the Commission and the Department of Commerce by Polaris Industries L.P., Minneapolis, MN, alleging that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of LTFV imports of all-terrain vehicles from Japan. Accordingly, effective February 9, 1988, the Commission instituted preliminary antidumping investigation No. 731-TA-388 (Preliminary).

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/ The products covered by this investigation are all-terrain vehicles, assembled or unassembled, currently reported under item 692.1090 of the Tariff Schedules of the United States Annotated (TSUSA) and classifiable in subheading 8703.21.0000 of the proposed Harmonized Tariff Schedule of the United States. ATVs are motor vehicles designed for off-pavement use by one operator and no passengers and contain internal combustion engines of less than 1000cc cylinder capacity. The ATVs under investigation are non-amphibious, have three or four wheels, and weigh less than 600 pounds. They have a seat designed to be straddled by the operator and handlebars for steering control.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of February 18, 1988 (53 FR 4904). The conference was held in Washington, DC, on March 1, 1988, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

The Commission unanimously determines that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of all terrain vehicles (ATVs) from Japan that are allegedly being sold at less than fair value (LTFV). Our affirmative determination is based primarily on the recently declining financial performance of the industry, the significant market share of the imports, and evidence of some price undercutting by the imports. 1/ 2/ The decision to issue an affirmative determination in this case presented a close question, but we find the evidence obtained was not sufficiently "clear and convincing" to warrant a finding of "no reasonable indication" of material injury by reason of the imports under investigation. 3/ 4/ 5/

1/ Chairman Liebeler and Vice Chairman Brunsdale discuss the pricing evidence in their Additional Views.

2/ Commissioner Cass discusses the pricing data in his Additional Views.

3/ See American Lamb Co. v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986).

4/ Because of the small number of firms engaged in the production or importation of ATVs in the United States, much of the information gathered in this investigation is confidential, and cannot be specifically discussed.

5/ Commissioner Eckes chooses not to characterize his determination as a "close question."

Like product [6/]

In each investigation, the Commission must first define the domestically-produced product that is like the imports under investigation. The imported articles subject to this investigation are certain all-terrain vehicles from Japan. ATVs are motor vehicles designed for off-pavement use by one person and no passengers, containing internal combustion engines of less than 1000 cc cylinder capacity. They have three or four wheels, weigh less than 600 pounds, and are non-amphibious. [7/]

Petitioner, Polaris Industries, L.P., a snowmobile manufacturer which began production of ATVs in 1985, argued for a single like product defined as all ATVs produced in the United States. [8/] In support of its position, petitioner maintained that all ATVs are made at the same production facilities, by the same workers, using the same equipment, and are sold through the same distributors and dealers. Furthermore, according to petitioner, all models of ATVs have the same general appearance, are perceived by customers to be generally the same, and are interchangeable for most purposes. [9/]

6/ The term "like product" means "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to investigation . . . ." 19 U.S.C. § 1677(10).

7/ U.S. Department of Commerce's Notice of Initiation, 53 Fed. Reg. 7222 (March 7, 1988).

8/ Transcript of March 1, 1988 Conference ("Tr.") at 47-48. No party has argued that the like product definition be broadened to include other products, such as dune buggies.

9/ Petitioner's Postconference Brief at 5.

Respondents [10/] argued for a number of subdivisions of the like product: (1) three- versus four-wheel ATVs; (2) "small displaced ATVs with engines under 130 cc"; and/or "mini" ATVs (having an engine displacement of under 100 cc) versus all other ATVs; [11/] and (3) at least with respect to Yamaha and Honda, certain of their models of ATVs. [12/] All of these ATVs are within the scope of investigation as defined by the Commerce Department.

Respondents believe that significant support for their like product arguments is provided by their contentions that: (1) the domestic industry has not produced three-wheel ATVs since 1985, and (2) the domestic industry does not produce mini or small-displacement ATVs or models that compete with the specific Honda or Yamaha ATVs identified. [13/] Respondents also assert that three-wheel ATVs have different physical configurations and handling characteristics from four-wheel ATVs, [14/] are lighter and smaller than four-wheeled vehicles, and are somewhat less stable as well. Further,

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10/ Honda Motor Co., Ltd., American Honda Motor Co., Inc., Suzuki Motor Co., Ltd., U.S. Suzuki Motor Corp., and Yamaha Motor Corp., U.S.A.

11/ Respondents' Brief at 41-45. The Honda respondents disagree with this definition as they consider mini ATVs to be those below 90 cc in engine displacement, not 100 cc as the rest of the respondents argue. See Honda Postconference Brief at 10-11.

12/ The Honda TRX70 and TRX125 models, see Honda Postconference Brief at 12; and the Yamaha "Terrapro" model, see Yamaha letter of March 3, 1988 at 3.

13/ Respondents' Brief at 42-45; Honda Postconference Brief at 8; Yamaha letter of March 3, 1988.

14/ In particular, that three-wheel ATVs have three wheels instead of four, a smaller turning radius, and leave three "tracks" instead of two.

respondents maintain that three-wheel ATVs cost less, are priced lower and are mechanically less complex than four-wheel vehicles. 15/

Respondents argue that mini and small-displacement ATVs (under 130 cc in engine size) are not "like" full size ATVs because they are smaller and "are used primarily for recreation, not the utility uses to which the Polaris models are put." 16/ They further contend that mini and small-displacement ATVs are used primarily by young people and "cannot be comfortably used by full sized adults." 17/ Further, mini ATVs (though evidently not small-displacement ATVs) were argued to be priced substantially below full-size ATVs. 18/

Factors the Commission has previously examined in deciding which domestically produced products are like the imports under investigation include: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, and (5) customer or producer perceptions. 19/ Information gathered in this preliminary investigation indicates that characteristics and

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15/ Respondents' Brief at 43. See also Honda Brief at 8-10. Further, some three-wheel ATVs will float on marshland while four-wheel ATVs will not. Id.

16/ Respondents' Brief at 45.

17/ Id. at 44-45.

18/ Id. at 45.

19/ 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 (Sept. 1987); Certain Copier Toner from Japan, Inv. No. 731-TA-373 (Preliminary), USITC Pub. 1960 (March 1987).

uses of the various types of ATVs are more similar than dissimilar, perform the same general function, are sold through the same channels of distribution, and are produced with the same equipment, employees, production facilities, and essential materials, and are produced by similar manufacturing processes. 20/ Therefore, for the purpose of this preliminary investigation, we find one like product, consisting of all ATVs. 21/ 22/

Respondents argue that because the domestic industry does not produce three-wheel ATVs, small-displacement ATVs, mini ATVs, or ATVs substantially identical to certain specified Honda and Yamaha models, the like product should not include all ATVs. This argument is not convincing. The statute directs the Commission to define the like product as those domestically produced articles like, "or in the absence of like, most similar" in characteristics and uses to the imported articles under investigation, 23/ and in this case all the ATVs specified by respondents are within the scope of investigation defined by the Department of Commerce. Thus, even if it were

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20/ See e.g., Tr. at 52 (essentially the same equipment is used to manufacture both three-wheel and four-wheel ATVs); Tr. at 36 (different engine sizes do not change the basic uses to which an ATV is put); Report at A-3--A-6.

21/ Chairman Liebeler and Vice Chairman Brunsdale intend to explore whether certain closely related vehicles, such as light-weight tractors, should be included in the definition of the like product in any final investigation.

22/ Commissioner Cass also intends to explore the appropriate scope of the like product determination in the final investigation but concurs in the Commission's definition of like product in light of the record evidence available at this stage of the investigation.

23/ 19 U.S.C. § 1677(10).

otherwise appropriate to accept respondents' definition, the absence of domestic production of those articles indicates that the Commission must look to the domestically produced articles "most similar" to the imports. 24/ 25/

Further, while arguing that there are some differences among different types of ATVs, respondents have not pointed to differences that would result in clear demarcations between separate like products. Under similar circumstances in other investigations, we have been reluctant to find separate like products absent such clear dividing lines. 26/ In particular, the end use and engine-size criteria proposed by respondents do not provide such clear guidelines. For example, even respondents cannot agree on whether Polaris' Trail Boss model should be classified as a utility or a recreational vehicle, 27/ or where the line should be drawn between mini and

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24/ See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); Lime Oil from Peru, Inv. No. 303-TA-16 (Preliminary), USITC Pub. 1723 at 5 (July 1985) (rejecting the argument that there was no like product in that case).

25/ Moreover, as a factual matter there was domestic production of three-wheel ATVs prior to 1986, and there is domestic production of an ATV that is in either the small-displacement or mini-ATV range specified by respondents.

26/ See, e.g., Operators for Jalousie and Awning Windows from El Salvador, Invs. Nos. 701-TA-272, 731-TA-319 (Final), USITC Pub. 1934 at 4 (Jan. 1987); Granular Polytetrafluoroethylene Resin from Italy and Japan, Invs. Nos. 731-TA-385 and 386 (Preliminary), USITC Pub. 2043 at 5, n.9 (Dec. 1987).

27/ Compare Yamaha letter of March 3, 1988 at 3 (Yamaha's Terrapro model is solely adapted to utility uses, cannot really be adapted to recreational uses and is thus "wholly unlike" the Polaris Trail Boss models) with Honda

(Footnote continued on next page)

small-displacement ATVs. 28/

With respect to the three-wheel/four-wheel issue, we note information in the record suggesting that during the period of investigation these two types of ATVs were used for the same purposes and competed with each other for the same types of customers. 29/ Three-wheel ATVs appear to be interchangeable with four-wheel ATVs, especially for sport uses. It also appears undisputed that the same distribution network is used to market all of the various types of ATVs delineated by respondents. 30/ 31/

(Footnote continued from previous page)
Postconference Brief at 12 ("Polaris models are designed primarily for utility use").

28/ Honda would evidently define "mini ATVs" as those with an engine displacement of less than 90 cc; the respondents generally would define such "mini ATVs" as those with an engine displacement of less than 100 cc. Compare Honda Postconference Brief at 10-11 with Respondents' Brief at 41 (defining mini-ATVs as those with an engine displacement of under 100 cc).

29/ See, e.g., Report at A-2.

30/ In connection with their like product arguments, respondents also argued for "excluding" imports of three-wheel ATVs, mini and small-displacement ATVs, and certain Yamaha and Honda models of ATVs from any affirmative determination. Respondents cited no statutory basis for such exclusion. We disagree with respondents' assertion that exclusion is mandated because there is no "statutory or policy" justification for not excluding the imports. See Respondents' Brief at 42. The justification for not excluding the imports is the statutory scheme: The imports are included within the scope of investigation defined by the Commerce Department, which controls the Commission's scope of investigation. See 19 U.S.C. § 1673b(a); Sprague Electric Co. v. United States, 84 Cust. Ct. 260, 262 (1980) (the "'Commission has no authority to refine or modify the class or kind of merchandise found to be, or likely to be, sold at LTFV.'"). Our task under the statute is to determine whether there is a reasonable indication of material injury to the domestic industry producing products "like" the imports under investigation.

31/ See the Additional Views of Chairman Liebeler and Vice Chairman Brunsdale on this issue.

Domestic industry [32]

In this investigation, there are only two candidates for inclusion in the definition of the domestic industry, Polaris, the petitioner, and Kawasaki Motors Manufacturing, Corp. (KMM). [33] Although KMM entered an appearance through counsel in this investigation, it did not appear at the conference or file a brief with the Commission. Petitioner argued that Kawasaki's operations in the United States are not sufficient to warrant its inclusion in the domestic industry, but petitioner conceded that it lacks the data to make a definitive judgment. [34] Respondents took no position on the question.

In deciding whether a given firm is a domestic producer (as opposed to an importer) the Commission has looked to the overall nature of production-related activities, including the source and extent of a firm's capital investment, the technical expertise involved in the U.S. production activities, the value added to the product in the United States, employment levels, the quantities and type of parts sourced in the United States, and any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative, and the determination

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32/ The domestic industry is defined by the statute as domestic producers of the like product. See 19 U.S.C. § 1677(4)(A).

33/ There are some preliminary indications of sales by other manufacturers of vehicles that could be considered ATVs. We intend to investigate whether it would be appropriate to include those vehicles and their manufacturers in our consideration of the like product and industry in any final investigation.

34/ Tr. at 7, 15-17; Petitioner's Postconference Brief at 8.

rests on the facts of each case. 35/

Our consideration of these factors leads us to conclude for purposes of this preliminary determination that KMM engages in sufficient production-related activity to warrant inclusion in the domestic industry as a producer. Both petitioner and KMM add value to the product in the United States, employ significant numbers of workers, and import certain parts used in the production of ATVs. We do not find the operations of these two firms to be sufficiently different to warrant considering Polaris a producer but not KMM. We intend to examine this question more closely in any final investigation.

Related Parties

The statute permits the Commission to exclude from the domestic industry in "appropriate circumstances" producers that are also importers, or are related to importers or foreign exporters. 36/ Application of the "related parties" provision is within the Commission's discretion based on the facts presented in each case. 37/ Respondents took no position on KMM's possible related party status, indicating that they lacked sufficient information to

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35/ See, e.g, Erasable Programmable Read Only Memories from Japan, Inv. No. 731-TA-288 (Final), USITC Pub. 1927 at 11 & n. 23 (Dec. 1986); Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 (Dec. 1985); Copier Toner, USITC Pub. 1960 at 9, n. 22.

36/ 19 U.S.C. § 1677(4)(B).

37/ Empire Plow Co. v. United States, 11 CIT___, 675 F. Supp. 1348, 1352 (1987).

take a position. [38/] While petitioner also conceded it lacked sufficient information as to KMM, it argued for exclusion of KMM as a related party, because KMM imports "perhaps all" of its "production," and KMM is "shielded from any negative impact from the dumped imports." [39/] Petitioner further argued that inclusion of KMM in the industry would "distort the Commission's injury and retardation of establishment analyses." [40/]

Having examined the facts of record in this investigation, we find that KMM is a "related party" under the statute because it is related to a Japanese exporter of allegedly LTFV ATVs. [41/] However, we must also consider whether "appropriate circumstances" exist for excluding KMM from the domestic industry.

The related parties provision enables the Commission to avoid any distortion in the aggregate data on the domestic industry that might result from including related parties whose operations are shielded from the effect of the imports. [42/]

Factors the Commission has examined in prior cases include:

38/ Tr. at 123.

39/ Petitioner's Postconference Brief at 9, 11; Tr. at 49.

40/ Petitioner's Postconference Brief at 11.

41/ KMM is owned by Kawasaki Heavy Industries (KHI) of Japan. KHI produces ATVs in Japan and exports them to the United States through Kawasaki Motor Corporation (KMC), which is also a subsidiary of KHI. KMM also distributes its U.S.-produced ATVs solely through its "sister" corporation, KMC.

42/ Polytetrafluoroethylene Resin, USITC Pub. 2043 at 9. See also EPROMs, USITC Pub. 1927; Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 (1986).

> (1) the position of the related producers vis-a-vis the rest of the domestic industry;
>
> (2) the reasons why the domestic producers have chosen to import the product under investigation--to benefit from the unfair trade practice, or to enable them to continue production and compete in the domestic market; and
>
> (3) the percentage of domestic production attributable to the related producers. 43/

We have also considered whether each company's records are maintained separately from its "relations" and whether the primary interests of the related producers lie in domestic production or in importation. 44/

Our consideration of these factors indicates that "appropriate circumstances" do not exist for excluding KMM from the industry. While the data pertinent to this issue 45/ are largely confidential and are not discussed here, we note that exclusion of KMM would result in a domestic industry comprised only of a single producer, Polaris. Further, KMM's financial condition does not indicate that it is being shielded from the effects of LTFV imports. Thus, the Commission's concern that producers deriving benefits from their relation to the allegedly dumped imports not be included in the industry does not affect the definition of the industry in this case.

43/ Polytetrafluoroethylene Resin, USITC Pub. 2043 at 9; see also, Empire Plow, 675 F.Supp. at 1353-54.

44/ Rock Salt, USITC Pub. 1798 at 12.

45/ See, e.g., Report at A-18, Table 4; A-31; A-32--A-33.

Material retardation

The petition alleged that the establishment of the domestic industry, which was argued to consist only of Polaris, was being materially retarded by reason of the allegedly LTFV imports. While the domestic industry has been producing ATVs for some time, material retardation may be considered by the Commission even where an industry has already begun production in certain circumstances. 46/ However, in this case we have defined the industry to include both KMM and Polaris, not Polaris alone. The industry thus began producing ATVs in 1980, the date KMM started production of ATVs, and over the period of our investigation the domestic industry achieved a significant and increasing share of the U.S. market. 47/ Accordingly, for the purpose of this preliminary investigation, we find that the industry is established, and therefore will consider only whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of the imports under investigation. 48/

46/ See Certain Dried Salted Codfish from Canada, Inv. No. 731-TA-199 (Final), USITC Pub. 1711 at 4-5 (July 1985) (where operations have not "stabilized"), aff'd, BMT Commodity Corp. v. United States, 11 CIT ___, 667 F.Supp. 880 (1987).

47/ Report at A-45.

48/ See Copier Toner, USITC Pub. 1960 at 10, n. 26 (material retardation and material injury or threat of material injury are mutually exclusive standards).

Condition of the domestic industry [49/]

The indicia of the industry's condition are generally positive, although recent declines in profitability together with decreased capacity utilization levels and stagnant shipment levels offer some evidence of deterioration of the condition of the industry. As noted above, we have issued this affirmative determination because the record does not disclose "clear and convincing" evidence of no material injury.

Apparent U.S. consumption of ATVs declined steadily from 1985 to 1987. [50/] This decline in consumption has been attributed variously to public concerns over the safety of ATVs, the possible maturation of the ATV market, and the closing of lands to ATV riders because of environmental concerns as well as the increasing costs of liability insurance for private landowners who allow riding of ATVs on their property. [51/] Despite the decline in consumption of ATVs, the market share of the domestic industry generally increased during the period of investigation. [52/] Capacity also increased. [53/]

49/ In determining the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, employment, and profitability. 19 U.S.C. § 1677(7)(C)(iii).

50/ Tr. at 71, 98; Report at A-10, Table 1.

51/ See, e.g., Report at A-13.

52/ Id. at A-17, Table 4; A-45, Table 23.

53/ Id. at A-17.

Capacity utilization declined from 1985 through 1987. The decline in capacity utilization, however, was due to an increase in reported capacity. 54/ The value of domestic shipments of ATVs increased from 1985 through 1987. 55/

Employment data for the period of investigation were also generally positive, with numbers of workers, hours worked, and total wages and total compensation paid all increasing. 56/

Financial data on the industry's ATV operations indicate that a decline in profitability occurred at least during the latter portion of 1987. During the period the industry experienced operating losses and negative operating margins. 57/ 58/ Further, the ratio of cost of goods sold to net sales rose during that period, suggesting that prices were being suppressed relative to costs. 59/ On this basis, we preliminarily determine that there is a

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54/ We intend to explore further the allocation of capacity by Polaris between its snowmobile and ATV operations in any final investigation.

55/ Id. at A-19, Table 5.

56/ Report at A-19, Table 5; A-24, Table 10.

57/ Report at A-30, Table 13; A-33, Table 15. In any final investigation we intend to seek further information as to the reasons for these operating losses. We intend to further scrutinize KMM's financial data, to ensure that its sales of ATVs to its sister corporation, KMC, do not distort its financial data.

58/ Commissioner Cass also considered the return on investment ratios for Polaris, which peaked in fiscal year 1987. See Report at A-29. No such data were available for KMM.

59/ Id.

reasonable indication that the industry is materially injured. [60/]

Reasonable indication of material injury by reason of LTFV imports [61/] [62/]

In making preliminary determinations in antidumping investigations, the Commission must ascertain whether there is a reasonable indication of material injury "by reason of" the imports under investigation. [63/] Although we may consider information indicating that such injury is caused by factors other than LTFV imports, we must not weigh causes. [64/] 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 products, and (3) the impact of imports of such merchandise on domestic producers of like products. [65/] While the Commission is to weigh the

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60/ Commissioner Cass does not believe that a conclusion respecting material injury is useful when separated from consideration of the causal link between the state of the industry and the imports subject to investigation. See his Additional Views.

61/ Although we have not reached the question of threat of material injury in this preliminary determination, in any final investigation we intend to explore the degree to which foreign capacity can be shifted from production of other articles to ATVs.

62/ Chairman Liebeler and Vice Chairman Brunsdale do not join the rest of this opinion. See their Additional Views.

63/ 19 U.S.C. § 1673d(b).

64/ See S. Rep. No. 249, 96th Cong., 1st Sess. 57-58, 74-75 (1979); H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

65/ 19 U.S.C. § 1677(7)(B).

evidence obtained in a preliminary investigation, we will reach a negative determination only when the record as a whole contains clear and convincing evidence of no material injury, or threat thereof, by reason of the imports under investigation and "no likelihood exists that contrary evidence will arise in a final investigation." 66/

The record in this preliminary determination discloses that the domestic industry's market share has risen, the imports under investigation have declined absolutely and relative to domestic consumption both in volume and value, and prices for both the domestic and imported product have generally increased despite sharply declining demand for ATVs. We nevertheless find that continued domination of the market by the imports from Japan, along with some evidence of underselling and price suppression by those imports, 67/ support a finding of a reasonable indication of material injury by reason of the imports in this case. In any final investigation, we intend to scrutinize closely whether there is a sufficient causal link between the imports and any material injury suffered by the industry, or whether the decline in demand for ATVs due to public concerns over safety or other reasons caused such material injury.

Total imports of allegedly LTFV ATVs declined steadily from 625,525 units in 1985 to 288,748 units in 1987, a drop of 53.8 percent. 68/ The value of

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66/ See American Lamb, supra, 785 F.2d at 1001.

67/ Commissioner Cass finds that the pricing data gathered in this investigation does not present any probative evidence of underselling. He does, however, find arguable support for the existence of price suppression. See his Additional Views.

68/ Report at A-43.

shipments of imports also declined, but at a lower rate, by 15.9 percent from 1985 to 1987. 69/ While the market share of the subject imports declined throughout the period of investigation, and that of the domestic industry increased, the market share for the allegedly LTFV imports remained at a very high level. 70/

Because different models of ATVs are not fungible commodities it is difficult to make price comparisons between models. Price trends for both domestic and imported ATVs were generally up during a time of declining demand, 71/ a fact that does not generally support a finding of a causal link between the allegedly LTFV imports and any material injury to the domestic industry. However, while prices have increased, the financial data for the industry suggest they have not risen sufficiently to offset increased costs for at least the latter portion of 1987, suggesting that price suppression may be occurring. 72/ We intend to further consider this question in any final investigation. 73/ 74/

69/ Report at A-43.

70/ Report at A-45.

71/ Report at A-50-51.

72/ Report at A-30, Table 13; A-33, Table 15.

73/ Commissioner Cass notes that high dumping margins have been alleged by the petition and estimated by the Commerce Department for at least some of the imports under investigation. He believes that this provides further evidence of a reasonable indication of material injury by reason of dumped imports in this case.

74/ Commissioner Eckes notes that petitioner has conceded that it felt no significant adverse effects prior to sometime in the spring of 1987. See Petitioner's Postconference Brief at 18; Tr. at 11, 51, 60.

Price comparisons between domestic and imported ATV models indicate at least some evidence of underselling. 75/ We note, however, that such comparisons may be misleading due to differences between models and because adjustments to prices for rebates and allowances were not model-specific. 76/ However, the dominant share of the market which the imported ATVs under investigation enjoy may magnify the effects of any price undercutting. This question will be examined further in any final investigation.

Finally, there is limited evidence that dealers have stopped selling Polaris ATVs because of the lower price of the Japanese ATVs. 77/ However, other considerations were also cited as reasons for dropping Polaris or declining to become Polaris dealers. We intend to examine closely in any final investigation whether Polaris' efforts to establish dealerships have been hindered by LTFV imports or by other factors.

Accordingly, we find a reasonable indication of material injury by reason of the allegedly LTFV imports from Japan.

75/ Report at A-52-A-57.

76/ We were not able to obtain discounting information on a quarterly basis in this investigation. We intend to request such information in any final investigation to facilitate more accurate comparisons of prices on a quarterly basis.

77/ Report at A-58-62.

ADDITIONAL VIEWS OF CHAIRMAN SUSAN LIEBELER
AND VICE CHAIRMAN ANNE E. BRUNSDALE

Certain All-Terrain Vehicles from Japan
Inv. No. 731-TA-388 (Preliminary)

March 25, 1988

We fully agree with our colleagues that the standards for continuing this case to a final investigation have been satisfied. Nonetheless, we are confident that the Commission would not have voted in the affirmative were it not for the very low standard of proof required at the preliminary stage of a Title VII investigation. In voting in favor of this determination, we are mindful that the Courts have viewed as permissible within the statutory framework the Commission's longstanding practice of continuing an investigation unless (1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury and (2) no likelihood exists that contrary evidence will arise in a final investigation (American Lamb Co. v. United States).1/ While our call is a very close one in this case, the facts developed thus far are not so clear and convincing that we can conclude that the continuation of this investigation would serve no legitimate purpose.

We have joined in much of the Commission opinion. We offer these additional views merely to flag certain issues for

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1/ 785 F.2d 994 (Fed. Cir. 1986). However, the Courts have never held that another standard is not permissible within the statutory framework.

consideration by the parties and to explain our approach to causation in this matter.

Like Product

We join in the Commission's analysis of "like product" and the Commission's conclusion that for purposes of this preliminary investigation there is one like product, consisting of all ATVs (all-terrain vehicles). While we are comfortable with this conclusion at this stage of this investigation, we do not believe that the facts pertaining to the final definition of the like product have yet been fully explored.

Just as it did in this case, the Commission typically considers five factors in deciding what domestically produced products are "like" the imports under investigation. These factors, as generally stated, are: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common equipment, manufacturing facilities, and production employees, and (5) customer perceptions.2/ As we explained in our additional views in Certain Copier Toner from Japan:3/

> These factors address product substitutability from the standpoint of both the consumers and the producers of the products in question. From the standpoint of consumers, two products are "like" each other if they are close substitutes and if consumers can select from among them as close alternatives. From the standpoint

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2/ See Certain Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Inv. Nos. 731-TA-351 and 353 (Final), USITC Pub. 2014 (Sept. 1987).
3/ Inv. No. 731-TA-373 (Preliminary), USITC Pub. 1960 (March 1987), Views of Chairman Susan Liebeler and Vice Chairman Anne E. Brunsdale, at 25.

> of producers, two products are "like" each other if producers can easily switch from one to the other, e.g., without a substantial new investment or other material change in their production operations. Thus the Commission has often focused on whether the products in question are made by the same employees using the same equipment in the same facilities. [Citations omitted.]

One way to measure the degree of substitutability between products from the consumers' perspective is with data on the "elasticity of substitution" between the imports under investigation and potential "like" domestic products. The degree of substitutability between the imported product and various potential "like" domestic products is directly reflected in the elasticity of substitution between them. The term refers to the relationship between the prices and amounts consumed of the imported and domestic products.4/ When we ask "How interchangeable are the imported product and a possible like domestic product?", it is akin to asking "How high is the elasticity of substitution?"5/ If products are highly

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4/ To be precise, it is the negative of the percentage change in the relative quantities of the two products divided by the percentage change in their relative prices (other things remaining the same).

5/ The market relationship between two products is also frequently measured through the "cross-elasticity of demand." However, the cross-elasticity of demand, which is defined as the percentage change in quantity demanded of one product divided by the percentage change in the price of the other product (other things remaining the same), is less useful than the elasticity of substitution in resolving like-product questions. This is because the magnitude of the cross-elasticity, e.g., between quantity demanded of a domestic product and the price of an imported product, is directly related to the market share of the imported product. Thus even though the two products may be close substitutes (high elasticity of substitution) the cross-elasticity

(continued...)

interchangeable, and are perceived by customers to have the same characteristics and uses, they will have a high elasticity of demand.

One way to measure the degree of substitutability between products from the domestic producers' perspective is with data on the "cross-elasticity of supply" between various products they produce. The degree of substitutability between various products from the producers' perspective is directly reflected in the cross-elasticity of supply between them. The term refers to the relationship between the price of one product and the producers' willingness to supply another product.6/ When we ask "How interchangeable are two products from the standpoint of domestic producers?", it is akin to asking "How high is the cross-elasticity of supply?" If two products are made with the same process, with the same equipment and employees, in the same facilities, they will usually have a high cross-elasticity of supply.

As the Commission confronts the like-product question in the course of the final investigation in this case, it might be useful if we had before us data (in numerical estimates or ranges) on the elasticity of substitution between the imports under investigation

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5/(...continued)
can be small when the market penetration of imports is small. See G. Stigler, Theory of Price, 1966, 3rd. ed., p. 31 and P. R. G. Layard and A. A. Walters, Microeconomic Theory, 1978, pp. 142 and 269.

6/ To be precise, it is the percentage change in the quantity supplied of one product, divided by the percentage change in the price of the other product (other things remaining the same).

and any potential "like" domestic products. It might also be useful if we had data (in numerical estimates or ranges) on the cross-elasticity of supply between various domestic products that might be included in the like-product definition. As we noted above, evidence on the degree of substitutability between products from the perspective of both consumers and producers is central to the like-product determination. This evidence is usually offered in a narrative, unquantified form. Data regarding relevant elasticities have at least two potential advantages over other evidence that might be offered on the like-product issue.

First, elasticity of substitution and cross-elasticity of supply are much more precise concepts than any of the five factors traditionally explored narratively when the Commission defines the like product in an investigation. An elasticity estimate computed for two products literally reflects the actual or potential degree of substitutability between them. The higher the elasticity, the more responsive one product is to the other. We can thus compare elasticities from investigation to investigation, using them to evaluate the relative importance of the products under consideration. This use of elasticities is like asking in our cases, "On a scale of one to one hundred (or compared to some other known products), how interchangeable (or how similar in characteristics and uses) are various products?"

Second, by actually stating the relationship between products in terms of 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 the like-product definition in each case. In each investigation the parties and the Commission are called upon to evaluate the degree to which products are substitutable from the standpoint of the five traditional factors discussed above. If we use numerical elasticities or ranges of elasticities in our analysis, we thereby make explicit to the readers of our opinions our view of the actual degree of substitutability between the products we accept or reject as being "like" the imports under investigation.

While we do not propose to displace the kind of evidence now considered in the like-product inquiry, the additional use of elasticity evidence would provide greater predictability and transparency to Commission decisions. Perhaps through the use of these data we can address the seeming ad hoc nature of the Commission's like product determinations. In short, through the use of elasticity evidence we might be able to do something about the problem faced by one experienced commentator as he reviewed, in apparent bewilderment, a string of Commission like-product decisions:

> A galvanized carbon steel sheet is not "like" an ungalvanized carbon steel sheet, but a galvanized carbon steel wire nail is "like" an ungalvanized carbon steel wire nail.
>
> Carbon steel wire rope and stainless steel wire rope are like products, as are galvanized and ungalvanized wire rope, but a porcelain-coated carbon steel cooking pan is not "like" a stainless steel cooking pan -- yet all stainless steel pans are "like products", even though they may be combined with other metals such as copper or aluminum. Carbon steel wire rod and stainless steel wire rod, however, apparently are not "like products."

> Pipe that is welded is not "like" pipe that is seamless, unless the pipe is used for the oil industry.
> * * * 7/ [Citations omitted.]

As we said at the outset of these views, we are content for purposes of this preliminary determination to define the like product as all ATVs. We hope, however, that in the final investigation the parties will address (by offering evidence regarding elasticities or otherwise) whether the like-product definition should not be broadened. There is at least some evidence suggesting that the like product should also include motorcycles (particularly with reference to "sport ATVs") and garden tractors (particularly with reference to "utility ATVs"), because of their interchangeability and similar characteristics and uses from the perspective of consumers.8/ It might also be appropriate to include other vehicles (such as snowmobiles) in light of the common production processes, equipment, employees, and facilities used to produce them.9/

Finally, the Respondents' arguments regarding ATVs that might be excluded from this investigation would be greatly bolstered with persuasive evidence on relevant elasticities of substitution. Respondents have argued as a matter of like-product definition that imports of three-wheel ATVs, mini- and small-displacement

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7/ N.D. Palmeter, Injury Determinations in Antidumping and Countervailing Duty Cases--A Commentary on US Practice, 21 Journal of World Trade Law 123, 131 (1987).
8/ See Report at A-2-3.
9/ See Report at A-4. We do not suggest, however, that high substitutability from the perspective of producers alone is sufficient to define a proper like product in this case.

ATVs, and certain Honda and Yamaha ATV models should be excluded from any Commission determination because the domestic industry does not produce "like" models. The simple answer to Respondents' argument is provided in the Commission opinion, which in essence dismisses the argument as a matter of law. That does not mean, however, that Respondents would be precluded from proving in the final investigation that certain imports should be excluded because they are so different from domestic ATVs that their pricing cannot materially injure the domestic industry. Such an argument is supported in law by Commission precedent.10/ The argument would be greatly assisted on the facts if Respondents could show that there was very low elasticity of substitution between the imports in question and domestic ATVs.

The Domestic Industry

We also join in the Commission's analysis and conclusion that the domestic industry includes both Polaris, the Petitioner, and Kawasaki Motors Manufacturing Corp. (KMM). Nevertheless, while it is not yet ripe for determination, inclusion of KMM poses a possible issue that should be flagged for the parties. Since there are only two firms in the domestic industry as now defined and since each accounts for a significant share of domestic

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10/ See, e.g., Color Television Receivers from the Republic of Korea and Taiwan, Inv. No. 731-TA-134 and 135 (Final), USITC Pub. 1514 (April 1984) at 17; and Certain Brass Sheet and Strip from Japan and the Netherlands, Inv. No. 731-TA-379 and 380 (Preliminary), USITC Pub. 2011 (Sept. 1987) at 10, n. 27.

production, an important standing issue could arise if one or the other did not support the petition in the final investigation.

Several times in recent years the Commission has confronted the issue of whether the Commission has the authority, under Sections 702 and 732 of the Tariff Act of 1930,11/ to dismiss a petition or terminate an investigation on the grounds that the Petitioner lacks standing. While the Commission is apparently divided on this issue, we are of the view that the Commission does indeed have the authority to dismiss or otherwise terminate an investigation where the facts show that the domestic industry does not sufficiently support the petition.12/

Wholly apart from the issue of standing to maintain a petition under Sections 702 and 732, the Commission may conclude under Sections 705(b) and 735(b)13/ that relief is not appropriate where the petition lacks sufficient industry support.

11/ 19 U.S.C. Sections 1671 and 1673.
12/ Compare: Operators for Jalousie and Awning Windows from El Salvador, Inv. Nos. 701-TA-272(Final) and 731-TA-319 (Final), USITC Pub 1934 (Jan. 1987), at 7, n. 18; Frozen Concentrated Orange Juice from Brazil, Inv. No 731-TA-366 (Final), USITC Pub 1970, at 51, n. 12; Certain Copier Toner from Japan, Inv. No. 731-TA-373 (Preliminary), USITC Pub. 1960, at 32, n. 20. [Chairman Liebeler and Vice Chairman Brunsdale expressing the view that the Commission had authority to dismiss or otherwise terminate for lack of standing.];

With: Erasable Programmable Read Only Memories from Japan, Inv. No. 731-TA-288 (Preliminary) USITC Pub. 1778 (Nov. 1985) at 13, n. 33; Certain Table Wine from the Federal Republic of Germany, France and Italy, Inv. 731-TA-283-285 (Preliminary) and Inv. 701-TA-259-260 (Preliminary) USITC Pub. 17718 (Oct. 1985) at 4,n.5. [Chairwoman Stern and Commissioners Eckes, Lodwick and Rohr expressing the view that the Commission had no authority to dismiss or terminate an investigation for lack of standing.]
13/ 19 U.S.C. Sections 1671d. and 1673d.

There seems to be little dispute about our ability to do so either as a matter of statutory intent or because lack of industry support is persuasive evidence of the lack of a causal connection between unfair imports and material injury to the domestic industry.

In our view, it is important, as this investigation continues, that neither of the domestic ATV producers attempt to stand strictly on the sidelines. This is not to suggest that KMM has thus far taken any position for, against, or neutral in this investigation -- a fact that is thus far confidential. Rather, it is to suggest that in many cases major industry participants take no position either for or against the petition, leaving to the Commission the task of deciding, without any guidance, how those participants should be counted in assessing the degree of industry support. At the final stage of this investigation, it will be incumbent on each company, as one of only two members of the domestic ATV industry and accounting for a significant percentage of total domestic production, to either support or oppose the petition. We feel it useful to announce to the parties now that if any domestic producer is not on record supporting the petition at the conclusion of our investigation, then these Commissioners will deem that company to be opposed. We will, of course, consider the consequences of that determination not only when we consider the question of causation of material injury but also when we address anew in the final investigation whether any party

should be excluded from the domestic industry under the "related parties" provision.

Material Injury by Reason of LTFV Imports: The Parable of the Elephant and the Mouse

We agree with our colleagues that there is a reasonable indication of material injury by reason of dumped ATV imports from Japan. But we reach this conclusion through a somewhat different analysis from theirs.

The Staff Report contains graphic evidence of a steady and dramatic decline in total domestic demand for ATVs over the period of the investigation.14/ Demand apparently declined because of a number of different factors, including (1) safety concerns fueled by a Consumer Product Safety Commission investigation and lawsuit,15/ (2) recent television exposés concerning ATV safety,16/ and (3) the closing of lands to ATV riders.17/ In the parlance of economic analysis, it appears that the ATV demand curve shifted downward: that is, consumers became inclined to purchase fewer ATVs at the various prices they saw in the marketplace. The decline in total domestic demand placed downward pressure on both the price of ATVs and the quantity purchased by consumers.

At the same time, it appears that total supply of ATVs also decreased. While supply of domestically produced ATVs rose

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14/ Report at A-10, Table 1.
15/ Report at A-13-14.
16/ Report at A-14.
17/ Report at A-13.

somewhat as domestic producers added some capacity,18/ supply of ATV imports from Japan fell dramatically.19/ On balance the net decline in total ATV supply was substantial. In the parlance of economics, the total ATV supply curve shifted backward as ATV producers became inclined to supply fewer ATVs at the various prices available in the marketplace. The decline in total ATV supply placed downward pressure on the total volume of ATVs sold by domestic and Japanese producers, but tended to place upward pressure on the prices at which they were sold.

In short, during the period of investigation, the overall conditions of demand and supply in the domestic ATV marketplace were characterized by downward pressure on total ATV units sold and conflicting pressure on ATV prices. It is against this backdrop that we must assess the possible impact of any price advantage that might have been held by Japanese ATV imports as a result of dumping. Although we may consider information indicating that any harm suffered by the domestic industry was caused by factors other than dumped imports, we may not weigh causes.20/ Within the context of factors affecting supply and demand generally, our analysis essentially must isolate and gauge the magnitude of the adverse effects, if any, caused by allegedly dumped imports alone.

18/ Report at A-18.
19/ Report at A-42. Total imports of ATVs from Japan declined steadily from 625,525 units in 1985 to 288,748 units in 1987, a drop of 53.8 percent. (Report at A-42.) The value of shipments of those units declined by 15.9 percent during that same period. (Report at A-43.)
20/ See 1979 Senate Report, at 57-58, 75.

A key factor in the analysis of causation in this case is the very large market share held by Japanese ATV imports. While the number and value of dumped imports declined throughout the period of investigation,21/ the market share of Japanese imports remained high.22/ Although the market share held by domestic producers increased, it remained very small compared to ATV imports from Japan. Given the large market share held by imports from Japan, the impact in the market of even a small price advantage held by Japanese firms as a result of dumping could be significant for domestic producers.23/ In short, we are faced with a situation analogous to that of a large elephant in a small and decreasing pond of water. If the elephant moves even a little, a small creature barely holding its head above water may be drowned in the resulting wave. What is only a ripple to an elephant can be a tidal wave to a mouse. Given the present state of the record,24/ we cannot conclude that the evidence is clear and convincing that

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21/ Report at A-43.
22/ The actual numbers are confidential. See Report at A-45.
23/ The extent of the impact of such a price advantage will depend to a great extent on the degree of substitutability between dumped imports and domestic ATVs. The higher the degree of substitutability, the greater the likelihood that a given decline in the price of imports will translate into lost sales of domestic ATVs. This issue is not yet fully developed in the record and should receive considerable attention from the parties in the final investigation.
24/ We are confronted here not only with a large import market share, but also with evidence that the dumping margins at issue may be relatively high, ranging as high as roughly 37 percent. (Report at A-7.) In the absence of strong evidence showing that the margin was not passed through to affect ATV prices in the US market, we assume at the preliminary phase of this investigation that the dumping margin translated into a price advantage that imports otherwise would not have had.

material injury has not been caused by the imports under investigation.

In reaching this decision, we have carefully considered the evidence reported in the "Prices" section of the Staff Report.25/ That evidence, consistent with the evidence discussed above regarding the conditions of demand and supply in the domestic ATV marketplace, shows that prices for many models of both domestic and imported ATVs have trended upward despite the fact that total unit sales have declined.26/ Like many reports before this one, the "Prices" section also contains tables of reported domestic and imported product prices and computed margins of "underselling" -- which are simply the percentage difference between the individual sales prices of the domestic and imported products being compared.27/ The comparative pricing evidence is not very helpful in this case, because it is not clear that the price comparisons sufficiently adjust for either the differences in the ATV models being compared or the differences in the adjustments that must be made to accurately account for rebates and allowances. We also note that the price comparisons show many instances when, on the basis of reported nominal prices, imported ATVs "oversold" the "comparable" domestic ATV model.

25/ Report at A-46-57.
26/ Report at A-52.
27/ Report at A-52-57.

ADDITIONAL VIEWS OF COMMISSIONER RONALD A. CASS

Certain All-Terrain Vehicles from Japan
Investigation No. 731-TA-388 (Preliminary)

I concur with the Commission's determination that there is a reasonable indication that the domestic industry producing the subject product is suffering material injury by reason of LTFV imports from Japan. I join the Commission's opinion insofar as it concludes that there is a reasonable indication that returns to the domestic industry may have declined materially relative to what they would have been absent the LTFV sales subject to investigation.

I believe, however, that the issues of injury and causation should be addressed together. Such a unitary approach is more faithful to the provisions of Title VII of the Tariff Act of 1930 than is separate consideration of these issues.1/ A unitary approach would not ask whether the domestic industry is performing well in comparison to other

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1/ Unlike the statutory language under section 201, the provisions of Title VII dealing with LTFV sales do not separately describe elements relevant to the determination of injury and elements relevant to the causation determination. Compare 19 U.S.C. § 2251(b)(2)(A) & (C) with 19 U.S.C. § 1677(7).

industries or in comparison to other time periods. Instead, it would compare the domestic industry's actual performance with what the domestic industry's performance would have been in the absence of unfairly traded imports during the period of investigation.

This approach minimizes the risk that, contrary to the intent evident in Title VII, a negative injury finding would be predicated on evidence that an industry was improving relative to some earlier period or is "healthy" (by whatever measure) compared to other domestic industries, or that an affirmative finding would be predicated solely on evidence that the industry's fortunes were in decline. The bifurcated approach to Title VII cases increases the first risk in particular, a risk with which Congress has been concerned. Thus, for example, a Senate Report considering changes in our international obligations that might conflict with United States antidumping law explicitly states that: "An industry which is prospering can be injured by dumped imports just as surely as one which is foundering although the same degree of dumping would have relatively different impacts depending upon the economic health of the industry."2/ Subsequently, in revising and reenacting the antidumping law under the Trade

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2/ S. Rep. No. 1385, 90th Cong., 2d Sess. pt. 2, at 11 (1968), reprinted in 1968 U.S. Code Cong. & Admin. News 4548-49.

Agreements Act of 1979,3/ the Senate reaffirmed its commitment to this approach.4/ The Court of International Trade recently has criticized the Commission for departing from this understanding:

> [T]he ITC should not be engaged in a determination of whether an industry is "healthy." A "healthy" industry can be experiencing injury from importations and an "unhealthy" industry can be unaffected by importations. The purpose of the ITC's investigation is to determine whether imports are a cause of of any effect on an industry which would amount to "material injury."5/

Under the approach suggested by Title VII, neither the improving financial health of the domestic industry over the bulk of the period nor the recent decline in some indicators of the domestic industry's financial health is conclusive in this investigation. Indeed, far from being dispositive, I believe that this evidence is relevant to our disposition of this investigation only to the extent the condition of the industry can be related to the effects of the subject imports. Because I cannot join the statement regarding material injury appended to the Commission's exploration of the condition of the domestic industry, I offer these additional views on the decision in this matter.

3/ Pub. L. No. 96-39, Title I, § 101, 93 Stat. 176.

4/ S. Rep. No. 249, 96th Cong., 1st Sess. 87 (1979).

5/ Republic Steel Corp. v. United States, 590 F. Supp. 1273, 1276 (CIT 1984), aff'd sub nom. Armco v. United States, 760 F. 2d 249 (Fed. Cir. 1985).

Statutory Framework

The starting point for our decision must be the statutory framework spelled out in Title VII. The statute directs the Commission to consider sixteen enumerated factors in determining whether a domestic industry is materially injured by reason of imports at less than fair value (LTFV).6/ These same factors also must guide our decision at the preliminary stage of investigations under Title VII, albeit under a less exacting evidentiary standard. These factors are noted in the opinion of the Commission, but the role played by each of them in our decision may not be entirely clear.

The factors identified by the statute as relevant to our decision can be sorted into three categories that together allow assessment of injury to the domestic industry by reason of LTFV imports. Two of the statutorily listed factors -- domestic employment and wages -- focus on injury to employees in the domestic industry. Five of the statutorily-listed factors -- such as the impact of LTFV imports on profits, return on investment, cash flow, ability to raise capital, and [level of] investment -- focus instead on injury to those who

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6/ 19 U.S.C. § 1677(7)(C)(ii)-(iii).

have invested capital in domestic firms comprising this industry. These first two categories define the ultimate effects on the domestic industry.

The remaining nine factors listed in Title VII -- the volume of imports, domestic output, sales, market share, inventories, capacity utilization, productivity, and the effect of LTFV imports on prices of the like product (including the extent to which LTFV imports undercut, depress or suppress domestic prices for the like product) -- focus on information that is not directly indicative of adverse effects but is important to inferring the extent of adverse effects from LTFV imports. The statute, thus, directs the Commission to assess the effect of LTFV imports at reducing actual and potential returns to employees and investors in the domestic industry producing the like product and suggests various factual inquiries that should facilitate that assessment.

Organization of these factors into a coherent analysis of the causal connection between LTFV imports and injury to the domestic industry (comprehending returns to both employees and investors) is left to the Commission. While a single analytic structure may not be appropriate to all cases, in general the factors given by the statute and the order in which they are

listed in the statute7/ suggest a three-part inquiry into the causation of material injury.8/ First, the Commission must examine the market for the subject imports. Second, the Commission must evaluate the manner in which the change in the market for these imports (from what would obtain in the absence of unfairly traded imports) affects domestic prices and domestic production of the like product. Third, the Commission must explore the manner in which the changes in the

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7/ Title VII first describes the determination that the Department of Commerce must make regarding the existence of the unfair trade practice. Then Title VII describes the considerations that should guide the Commission's determination respecting the existence of material injury from unfairly traded imports, directing the Commission to "consider, among other factors --

(i) the volume of imports of the merchandise which is the subject of the investigation,

(ii) the effect of imports of that merchandise on prices in the United States for like products, and

(iii) the impact of imports of such merchandise on domestic producers of like products." 19 U.S.C. § 1677(B).

8/ The aggregation of the sixteen statutory factors into three types of inquiry does not suggest that only three of the factors have real importance. The three inquiries that I believe are directed by the statute comprehend all of the statutory factors. Aggregation is suggested here not to emphasize the importance of some factors and de-emphasize others, but instead as a means of organizing the factors to facilitate analysis. The importance of particular factors necessarily varies on a case-by-case basis and no one factor is necessarily determinative. S. Rep. No. 249, 96th Cong., 1st Sess. 88 (1979). At the same time, it must be confessed that the Commission has not always been able within the statutory time limits on its investigations to gather information on all of the statutorily listed factors. Thus, for example, the Commission's reports rarely contain significant information on investment in the domestic industry, return on investment, or ability to raise capital.

market for the like product affect employment and investment in the domestic industry.9/

LTFV Imports

The first inquiry, focusing on the imports subject to investigation, incorporates the statutory injunction for the Commission to examine the volume of subject imports.10/ The inquiry necessarily seeks to identify the impact of LTFV imports on the prices as well as the volumes of subject imports. In addition to factors to which the statute specifically directs the Commission's attention, the inquiry also comprehends some information that is not developed or assessed directly by the Commission. The existence and magnitude of the unfair trade practice are matters that, while relevant to the Commission's inquiry,11/ lie within the

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9/ 19 U.S.C. § 1677(B)(i)-(iii). Whether the injury to the domestic industry caused by the LTFV imports rises to the level of materiality requisite under Title VII can be addressed as a fourth question. Insofar as that is done, however, the fourth inquiry becomes a process of applying the statutory test for materiality to the information developed in the prior three inquiries; that is, this last inquiry would reach a legal conclusion but would not extend the factual analysis of the other inquiries.

10/ 19 U.S.C. § 1677(B)(i).

11/ See Copperweld Corp. v. United States, _CIT_, Slip Op. 88-23 at 16 (Feb. 24, 1988). See also Hyundai Pipe Co. v. United States International Trade Commission, _CIT_, Slip Op. 87-18 at 7 (Feb. 23, 1987).

jurisdiction of the Department of Commerce. Commerce will ascertain the existence of sales at less than fair value and will assess the magnitude of the difference between the foreign market price and the U.S. price (the margin of dumping). The Commission does not revisit these calculations but accepts them for purposes of its investigation.

At this stage of an investigation, Commerce has not reached any conclusions on dumping margins for the subject imports, but the petition contains allegations respecting the existence and margin of dumping and Commerce has estimated preliminary dumping margins. In this investigation, the estimated margins range from 2.5% to 37.1%, figures that are roughly coincident with the allegations in the petition.12/ At least at the upper end of this range, this margin of dumping certainly is well beyond de minimis.

The record also reveals a high volume of the subject imports (relative to the domestic production of like products and also relative to domestic consumption of products that appear from the information in the record to have a significant degree of commercial interchangeability with the

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12/ 53 Fed. Reg. 7222 (March 7, 1988).

domestic goods and the subject imports).13/ Together, this volume of imports and the existence of significant alleged (and estimated) dumping margins provide some basis for an inference that the asserted unfair trade practice has resulted in a significant increase in the volume of imports sold in the U.S. market at a price lower than would otherwise obtain for those goods.

Inferences from the record in this investigation must be drawn with care, however, because the record is based on information the precise basis for which is at times unclear and because, at this preliminary stage, much information that might prove useful has not yet been collected. Among other things, as more information is obtained in the next phase of our investigation, the Commission may adopt a definition of the like product produced by the domestic industry that differs from the definition we adopt today; this could alter the magnitude of the subject imports relative to the domestic industry and also relative to the total U.S. market. Further, the existence of relatively small markets for all-terrain vehicles outside the United States might caution against the inference of a significant effect of LTFV imports on the

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13/ Report of the Commission (Report) at A-43, Table 21; A-45, Table 23.

volumes and prices of the subject imports.14/ This matter need not be pursued at the preliminary investigation in light of the lower evidentiary standard applied to the finding of material injury by reason of imports.15/

Domestic Prices and Production

The second inquiry builds on the first. It asks, in light of the changes in the market for the imported products consequent to the LTFV imports, what changes have occurred (or will occur) in prices and production of the like product?16/

14/ The degree to which the sale of a product at different prices in the U.S. and a foreign market promotes sales of more of the imported product in the U.S. or sale in the U.S. at a lower price (plainly, related phenomena) depends on factors such as the relative sizes of the two markets and the relative sensitivity of consumers in the two markets to changes in the price of the imported product. Because the statute directs the Commission to assess the effect of LTFV imports on the domestic industry, we must begin with some understanding of what volumes and prices would have been in the absence of LTFV imports. Of course, this can never be known with certainty. Moreover, the Commission has never understood its mandate to encompass a detailed investigation of conditions in the non-U.S. market similar to the investigation of relevant markets in the United States. Some information respecting differences in the two markets, however, would facilitate analysis of the effect of LTFV imports on the domestic industry producing the like product in the U.S. At this time, we have very little information that helps us make the necessary judgments on this point.

15/ See American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986).

16/ 19 U.S.C. § 1677(B)(ii).

The information gathered by the Commission and the parties on trends in prices and production of the like product plainly are useful to this inquiry, but they cannot, of themselves, answer the question respecting the effect of LTFV imports. So, in the instant investigation, the facts that prices and production for the like product generally rose through nearly the entire period of investigation17/ do not necessarily demonstrate that LTFV imports had no effect on the market for the domestic product.

Recognizing that the linkage between LTFV imports and the domestic market for like products often will be difficult to establish directly, Title VII directs our attention to a series of factors that might provide additional bases for inferences regarding this linkage. To that end, the Commission is told, for instance, to look at evidence that the LTFV imports competed in the domestic market at a lower price than the like products (price undercutting) or that competition from the LTFV imports drove down prices for the like products (price depression).18/

17/ Report at A-49-A-52.

18/ 19 U.S.C. 1677(7)(C)(ii). The references to price undercutting and price depression may connote different market situations, referring (respectively) to cases of relatively slight and relatively great interchangeability of the import and domestic products.

Unfortunately the pricing data obtained in this preliminary investigation are inconclusive on this point. The pricing information fails to account for differences between the domestic and imported models.19/ Further, the adjustments to the prices for rebates and allowances were not specified to particular ATV models nor were they based on data covering the same reporting periods.20/ These data should be more fully developed and refined in a final investigation.

The statute also commands attention to several other factors that might support or contradict an inference regarding the effects of LTFV imports on domestic price and production. Information on inventories, capacity utilization, and productivity can be relevant to this inquiry, as they can suggest reasons the subject imports would have more or less effect than might at first appear.21/ For example, if capacity utilization in the domestic industry is low, that might suggest significant ability to increase production if the absence of LTFV imports increased demand for the domestic

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19/ Report at A-50, Table 24, n.1.

20/ The rebate information was provided on an annual basis, while the price data to which it was applied were provided on a quarterly basis. Id. at A-49, n.2; A-50, Table 24, n.3.

21/ 19 U.S.C. § 1677(C)(iii).

like product. Concomitantly, if domestic capacity were (virtually) fully utilized, the LTFV imports would not exert significant influence over domestic production, although the imports still might significantly affect price.

In this investigation, the relationship between the subject imports and the domestic industry's production and prices is anything but clear. Capacity utilization declined during the period of investigation, but domestic production and market share increased for nearly the whole period investigated.22/ The decrease in capacity utilization apparently was a result of substantial additions to capacity that outstripped increases in production.23/ The information on capacity, however, has not been independently determined by the Commission and is not based on a uniform definition of capacity or on a consistent method of calculation. It is, in short, not information that we confidently can rely on.

Another unresolved issue is the extent to which the domestic and imported goods involved in this investigation are interchangeable. The degree of interchangeability in part mediates the effect on the domestic industry of any given

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22/ Report at A-18, Table 4; A-45, Table 23.

23/ Id. at A-18, Table 4.

volume and price of LTFV imports.24/ As with other issues noted here, I would consider these questions in more detail were this a final investigation, and I would expect the parties to address them more fully. Nonetheless, at this stage I believe the record is adequate for the judgment to be made under the standard governing preliminary investigations:25/ there is no "clear and convincing" evidence of the absence of a significant price effect on the domestic product attributable to LTFV sales.

Employment and Investment Effects

This final inquiry is predicated on inferences drawn in the two prior inquiries and, hence, is subject to even greater uncertainty. The questions relevant to this inquiry are, given the conclusions reached respecting the nature of the market for the subject imports and the effect of the LTFV

24/ The degree of interchangeability is a critical factor in the Commission's definition of the like product produced by the domestic industry. See, e.g., Certain Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Inv. Nos. 731-TA-351, 353 (Final) USITC POub. 2014 (Sept. 1987); Certain Copier Toner from Japan, Inv. No. 731-TA-373 (Preliminary) USITC Pub. 1960 (March 1987). This factor also has independent significance for evaluation of the effect of LTFV imports once the domestic industry to be examined has been defined.

25/ See American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986).

imports on prices and production in the domestic industry, to what extent has employment in the domestic industry declined or become less remunerative as a result of the LTFV imports, and to what extent have returns on investment in the domestic industry declined as a result of the LTFV imports?26/ Because the domestic industry subject to examination often is not coincident with firms' actual operations -- generally, our investigation considers only a part of each company's operations -- direct measurement of actual financial returns (and, to a lesser degree, employment) is difficult. Connection of estimates respecting the returns to capital and labor in the domestic industry is even more difficult. Title VII specifies a number of factors that can assist the Commission in these inquiries -- actual and potential negative effects on employment and wages, and actual and potential negative effects on profits, return on investment, cash flow, ability to raise capital, and [level of] investment -- but the Commission usually must infer effects from very imperfect data.

In the instant case, while domestic company operations are more congruent with the scope of our investigation than often is the case, we do not have hard information on

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26/ 19 U.S.C. § 1677(B)(iii).

employment and investment effects. The record does, however, contain evidence indicating that returns to the domestic industry have declined recently27/ and that, although employment has not declined, capacity exists to accommodate increased employment if domestic demand justified additional production.28/ To the extent that demand for the domestic product would have increased, relative to its actual level, in the absence of LTFV sales, domestic production and prices may have increased as well. Had this occurred, employment in the domestic industry and returns to capital invested in this industry could have been materially increased, thus indicating material injury to the domestic industry producing the like product. The very ambiguity of the record on these points supports continued investigation under the applicable standard for determination of preliminary investigations. For these reasons, I concur in the decision of the Commission.

27/ Report at A-24-A-33.
28/ Id. at A-24, Table 10; A-18, Table 4.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On February 9, 1988, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of Polaris Industries L.P. (Polaris), Minneapolis, MN. The petition alleges that an industry in the United States is materially injured and threatened with material injury and the establishment of an industry in the United States is materially retarded by reason of imports from Japan of all-terrain vehicles (ATVs), 1/ provided for in item 692.10 of the Tariff Schedules of the United States (TSUS), that are allegedly being sold in the United States at less than fair value (LTFV). Accordingly, effective February 9, 1988, the Commission instituted investigation No. 731-TA-388 (Preliminary), under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of such imports.

Notice of the institution of this investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of February 18, 1988 (53 F.R. 4904). 2/ The conference was held in Washington, DC, on March 1, 1988. 3/

Effective February 29, 1988, the U.S. Department of Commerce initiated an antidumping investigation to determine whether the subject merchandise is being, or is likely to be, sold in the United States at LTFV.

The Commission's briefing and vote in this investigation was held on March 21, 1988. The statute directs the Commission to make its determinations within 45 days after receipt of a petition, or in this case by March 25, 1988.

1/ For purposes of this investigation, ATVs are defined as motor vehicles principally designed for the transport of persons, and containing spark-ignition internal combustion reciprocating piston engines of a cylinder capacity not exceeding 1,000 cubic centimeters (cc) displacement. They are designed to carry one operator and no passengers, have three or four wheels, weigh less than 600 pounds, and are non-amphibious. ATVs have a seat designed to be straddled by the operator, and handlebars for steering control. They are designed for off-pavement operation and are, if imported, reported under item 692.1090 of the Tariff Schedules of the United States Annotated (TSUSA). (The articles covered by this investigation are also provided for in subheading 8703.21.00 of the proposed Harmonized Tariff Schedule of the United States (USITC Pub. 2030).) In a submission dated Feb. 22, 1988, petitioners modified the product description contained in the petition to eliminate height and width restrictions due to a concern about potential circumvention of an order. However, testimony at the public conference revealed that there are no known ATVs over 63 inches in height or 50 inches in width (transcript of the conference, pp. 37 and 116).

2/ Copies of cited Federal Register notices are presented in app. A.

3/ A list of the witnesses who appeared at the conference is presented in app. B.

The Product

Description and uses

ATVs are three- and four-wheeled motorized vehicles powered by gasoline internal combustion engines having piston displacements that range from 70cc to 500cc. 1/ However, the majority of the ATVs produced in the United States and the imported models have engine sizes ranging from approximately 250cc to 350cc. The engines have either one or two cylinders with two or four stroke cycles, and can be either air or water cooled. Most ATVs are equipped with 5- or 6-speed transmissions and all are less than 63 inches in height, 50 inches in width, and 600 pounds in weight. All ATVs have a seat designed to be straddled by the operator and handlebars for steering control. Tires used on ATVs are wide and lightweight, and have a recommended air pressure of only 2 to 6 pounds per square inch. Most ATVs have both front and rear brakes, and are equipped with either electric, kick, or pull starters. Both the imported and the domestic ATVs are constructed basically in the same manner, but each has slightly different features.

Imported ATVs and those produced by Kawasaki Motors Manufacturing Corp. in the United States are available in a wide variety of models and engine sizes. They generally have five- or six-speed transmissions, footpegs for footrests, and a dual braking system. In comparison, the Polaris ATVs are available in only two or three models, in only one engine size (250cc), with variable transmissions (automatic i.e., requiring no shifting), footboards instead of footrests, and a single brake lever which slows the front and rear wheels at the same time.

Three-wheelers versus four-wheelers.--Three-wheelers and four-wheelers can be used for basically the same purposes, including sport/recreational uses and nonrecreational uses such as hauling, lawn mowing, and so forth. However, the three-wheeler may be somewhat more appealing to a recreational driver or racer. The three-wheelers are smaller, lighter, and have a smaller turning radius, which requires greater operator participation when turning. For these reasons, they are easier to maneuver than four-wheelers, but also are perceived to be less stable.

The four-wheelers, on the other hand, have more features that are useful for utility applications. For example, the four-wheeler has a greater carrying capacity than the three-wheeler. In addition, the four-wheeler leaves only two tracks while the three-wheeler leaves three, which makes the four-wheeler better suited for agricultural uses.

Uses.--ATVs are designed solely for off-road use. They have a variety of uses including recreational riding, transporting materials, gardening and farming, herding cattle, snowblowing, and racing. For marketing purposes the industry is divided into three basic classes: sport, sport/utility, and

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1/ Three-wheeled ATVs are no longer produced in the United States.

utility. 1/ However, these classes tend to overlap. Most ATVs could be used for recreational riding as well as for some utility purposes.

The sport ATVs are normally used for racing and recreational riding. These models usually have kick starters, higher performance engines, use a superior suspension system, and do not come with a rack or trailer hitch.

The sport/utility models are generally used for both recreational riding and for light utility applications such as carrying hunting and fishing equipment and for light grounds and farm maintenance. These ATVs normally have lower performance engines than sport models, may come with one or two racks for cargo, and have electric starters.

The utility vehicles are often used for more heavy-duty work-related endeavors. These ATVs may be used when tilling soil, spraying crops, plowing snow, and transporting fairly heavy equipment. These models usually have an electric starter, a trailer hitch, and/or racks for cargo. They may also have four-wheel drive and power take-off.

Substitute products.--There are no perfect substitutes for ATVs. No other types of vehicles are currently available that weigh less than 600 pounds and can be used for both recreational and utility purposes.

Off-highway motorcycles are the closest substitutes available for sport or recreational purposes. These motorcycles can also be ridden in various types of terrain such as through the woods, on sand, and over hills. However, these vehicles are not designed to pull equipment or carry cargo.

Off-highway motorcycles have some of the same physical characteristics as ATVs. The engine sizes of off-highway motorcycles range from approximately 50cc to 600cc, close to the size range for ATVs. In addition, these vehicles have four-stroke cycle single-cylinder engines, five-or six-speed transmissions, seating for one person, and handlebar steering.

Garden tractors may be used in many of the same applications as utility ATVs. Both vehicles can be used for lawn mowing, snowblowing, transporting materials, and for agricultural purposes, such as tilling soil and spraying crops. However, there are three major differences between a garden tractor and a utility ATV. First, a garden tractor's towing capability is normally greater. Secondly, garden tractors travel at significantly lower speeds than ATVs. The top speed of a garden tractor is usually between 8 and 10 miles per hour; in comparison, utility ATVs can travel up to, and sometimes over, 30 miles per hour. Lastly, garden tractors are designed to be ridden in primarily flat, agricultural areas, whereas ATVs may be ridden on almost any terrain.

Garden tractors also have many of the same features as utility ATVs. Both may have 5-speed transmissions, similar size engines, power take-offs, and trailer hitches.

1/ These marketing categories are based on information supplied by the petitioner. Respondents have suggested additional classes including racing and recreation as well as subdivisions, such as light utility versus heavy utility.

Manufacturing process

There are currently two U.S. manufacturers of ATVs--Polaris, located in Roseau, MN, and Kawasaki Motors Manufacturing Corp., U.S.A. (KMM), 1/ located in Lincoln, NE. Polaris primarily manufactures snowmobiles and ATVs. KMM primarily manufactures motorcycles, jet skis, and ATVs.

At present, Polaris manufactures * * *. In contrast, KMM produces * * *. In addition, Polaris manufactures * * *, whereas KMM * * *.

The first stage of the manufacturing process typically involves stamping, cutting, and bending steel sheets, coils, and tubing into different shapes and sizes. These parts are machined and placed in welding jigs where they are welded together either manually or by robots. Each part is sent down the conveyor line for additional welding until the entire frame has been welded. The frame is then dipped in water to ensure that it has been properly welded and does not leak and is then placed on a conveyor belt and brought into a large vat where it is washed, dried, and painted. Polaris * * *, whereas KMM * * *.

The frame is then brought to the assembly line. Production operations can generally be divided into three separate processes: pre-assembly, sub-assembly, and final assembly. During pre-assembly, the drive system (the transmission, sprocket, and rear assembly) is assembled onto the frame. During sub-assembly, the components that are built onto the engine (e.g., the clutch, manifold, carburetor, throttle cable, and so forth) are assembled. During final assembly, the body, engine, gas tank, tires, and all other components are installed. The ATV is then inspected, boxed, and prepared for shipping.

1/ Polaris has alleged that it is the only U.S. manufacturer of ATVs in the United States, and that KMM is an assembler. At the conference, counsel for respondents stated that they did not have enough knowledge of the nature of KMM's U.S. operation to determine if it should be considered a domestic producer. For purposes of expediency, KMM will be referred to as a producer throughout this report, with the understanding that this is an issue to be considered by the Commission. For further information on the nature of the two firms' manufacturing operations, see the section of this report entitled "The U.S. industry."

U.S. tariff treatment

Imports of ATVs are classified in item 692.10 of the TSUS. 1/ The current column 1 rate of duty 2/ of 2.5 percent ad valorem is the final staged duty reduction negotiated in the Tokyo Round of the Multilateral Trade Negotiations (MTN). 3/ The column 2 rate of duty 4/ is 10 percent ad valorem. 5/ Under the Harmonized Tariff Schedule, ATVs would be classified in subheading 8703.21.00.

Most imported ATV parts (except engines and engine parts) are classified in TSUS items 692.32 and 692.33. The current column 1 rate of duty for item 692.32 is 3.1 percent ad valorem and the column 2 rate of duty is 25 percent ad valorem. All products classified in TSUS item 692.33 enter free of duty under the provisions of the Automotive Products Trade Act of 1965 (APTA). Engine and engine parts imported for ATVs are classified in TSUS items 660.56 and 660.57. The column 1 rate for item 660.56 is free, and the column 2 rate is 35 percent ad valorem. All engines and parts classified in TSUS item 660.57 enter free of duty due to the provisions of APTA.

One U.S. producer, KMM (Lincoln, NE), currently produces ATVs in areas designated as foreign-trade zones or subzones (FTZs). 6/ Since FTZs are

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1/ If an ATV were imported from Canada, it would enter duty-free under TSUS item 692.11. However, no ATVs are currently produced in Canada.
2/ The rates of duty in column 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUSA. However, the MFN rates do not apply if preferential tariff treatment is sought and granted to products of developing countries under the Generalized System of Preferences (GSP) or the Caribbean Basin Economic Recovery Act (CBERA), or to products of Israel or of least developed developing countries (LDDC'S), as provided under the Special rates of duty column.
3/ Rate effective Jan. 1, 1987.
4/ The rates of duty in column 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(d) of the TSUS.
5/ In addition, pursuant to the Omnibus Budget Reconciliation Act of 1986, a user fee of 0.22 percent ad valorem on most U.S. imports took effect on Dec. 1, 1986.
6/ An FTZ or subzone is a site within the United States where foreign and domestic merchandise are considered by the U.S. Government as being outside U.S. customs territory for customs purposes. Foreign or domestic merchandise may be brought into these enclaves without a formal customs entry or the payment of customs duties or Government excise taxes, and without a thorough examination. Merchandise brought into a zone or subzone may be stored, tested, relabeled or repackaged, displayed, manipulated in some manner, mixed with domestic and/or foreign materials, and used in an assembly or manufacturing process. If the final product is exported from the zone or subzone, no U.S. customs duty or excise tax is levied. If the final product is imported into the United States customs territory, U.S. customs duties and excise taxes are due only at the time of its physical removal from the zone or subzone and formal entry into the United States customs territory. At the importers' option, the product may be classified either based upon its form as entered into the zone, or upon its form as imported from the zone into U.S. customs territory.

outside of the U.S. customs territory, foreign parts entering an FTZ to be used in the assembly of a completed product (such as ATVs) need not be assessed U.S. duties until the final product is imported into the U.S. customs territory. An FTZ user can elect to pay duties based on the rate applicable either to the parts (by declaring the merchandise to be "privileged" prior to manufacture) or to the completed product when it is imported from the FTZ. 1/ When the duty applicable to the completed product is lower than the duty applicable to the parts, an FTZ user may realize certain savings by electing not to declare its foreign parts as "privileged;" with the declaration of "privileged" status, the FTZ user would instead pay the higher rate applicable to the parts. However, the zone user may let the parts remain "nonprivileged," use them in the manufacture of a completed product, and then "import" the completed product and pay the lower duty rate applicable to the dutiable value of that product.

Nature and Extent of Alleged Sales at LTFV

The petitioner alleges that there are insufficient sales of the subject ATVs in the home market Japan. Therefore, to estimate dumping margins, the petitioner compared the price of the subject products in the United States with the price at which they are being sold in a third country market, namely Canada. Petitioner compared prices on different models of ATVs in Canada and the United States and came up with ranges of margins. For those models in the sport/utility category, the alleged dumping margins in the 1987 model year ranged from 8.57 percent to 33.34 percent, and for the utility model the alleged margins ranged from 22.03 percent to 30.33 percent. For the 1988 model year, the alleged margins for ATVs in the sport category ranged from 20.64 percent to 41.86 percent; in the utility category, from 17.43 percent to 33.05 percent and in the sport/utility category the alleged margins ranged from 16.83 percent to 28.81 percent.

1/ Foreign merchandise (goods of foreign origin that have not been released from Customs custody within the customs territory) in an FTZ may have either "privileged" or "nonprivileged" status. If such articles have not been manipulated or manufactured so as to effect a change in tariff classification (19 CFR 146.21), an application may be made to the district director of Customs to treat the goods as privileged. If the application is accepted, the goods are classified and appraised according to their condition and quantity on the date of filing, though the duties need not be paid until entry into the customs territory. Other foreign merchandise is afforded nonprivileged status, and duties are payable at entry into the customs territory in the condition and quantity imported. The choice of declaring privilege can result in a significant difference in applicable customs duties, particularly if duty rates are about to change or if duty rates for parts are significantly different from those on finished articles. Bookkeeping and other administrative costs would be included in the analysis of whether or not to make such a declaration. None of these concerns would be relevant to parts or articles intended to be exported outside the FTZ and not entered into the customs territory.

The Department of Commerce, in its notice of institution, used the retail price lists provided by the petitioner and other publicly available information to calculate estimated prices, f.o.b. Japan, to both the U.S. and Canadian markets. Comparisons of these estimates revealed alleged dumping margins of 2.5 to 37.1 percent.

The U.S. Industry

There are currently two firms that produce or assemble ATVs in the United States: Polaris Industries L.P., Minneapolis, MN, and Kawasaki Motors Manufacturing Corp., U.S.A., Lincoln, NE.

Polaris Industries L.P.

Polaris has been a producer of snowmobiles since 1953 when it built its first one in Roseau, MN. In the winter of 1954-55 four snowmobiles were built, and in the winter of 1967-68 Polaris built 55,000 units. In 1968 Polaris, which had been an independent company operated principally by its founders, was sold to Textron. In 1981, several managers bought the company from Textron in a leveraged buyout for approximately $8 million. In September 1987 Polaris sold its assets to a limited partnership for $110 million. Polaris has its production facility in Roseau, MN, and is headquartered in Minneapolis, MN. Polaris began producing ATVs at its Roseau facility in March 1985, reportedly in part to allow it to use its snowmobile production facilities year round and to offer year round employment to its workers.

* * * * * * *

Polaris provided the following information on the major components of one of its models, the Polaris 4x4, broken out among those from other U.S. companies, those from foreign sources, and those manufactured in-house. This model reportedly * * *.

Source of component	Percent of total cost of components
Major components:	
Other U.S. company	***
Foreign	***
Manufactured in-house	***
Other components (majority U.S. sourced)	***

Polaris began its production of ATVs in 1985 with one assembly line for both ATVs and snowmobiles. In August 1986, as part of an expansion program, it began construction of a second production line intended to allow for year round production of ATVs, as well as a new cleaning and painting facility. This new equipment began operating in November 1987.

Kawasaki Motors Manufacturing Corp., U.S.A.

Kawasaki Motor Corp. (KMC) established a plant in Lincoln, NE, in 1974, to assemble motorcycles. At that time KMC was the sales, marketing, and distribution company for Kawasaki Heavy Industries, Ltd., (KHI) of Japan. On January 1, 1982, KMC sold its interest in the Lincoln facility to KHI, the parent company in Japan, and KMM was established as a separate entity.

KMM, which at the time was a division of KMC, began production of three-wheel ATVs in May 1980, and began production of four-wheel ATVs in March 1985. In addition to ATVs and motorcycles, KMM manufactures Jet Ski watercraft and, as of November 1987, a mule utility vehicle (which is a cross between a mini pickup truck and an ATV).

* * * * * * *

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KMM gave the following information on the major components of its ATVs, broken out among those from other U.S. companies, those from foreign sources, and those manufactured in-house.

Source of major component	Percent of total cost of components
Other U.S. company.....	***
Foreign.....	***
Manufactured in-house.....	***

KMM also reported that its estimate of the total value (average selling price) of its U.S. produced ATVs, accounted for by its U.S operations is approximately *** percent. KMM indicated in its questionnaire response that it * * *.

U.S. Importers

Four U.S. importers accounted for all known ATVs imported into the United States from Japan during the period covered by this investigation. America Honda Motor Co., Inc. (Honda), Gardena, CA, is a * * *-owned subsidiary of Honda Motor Co., Ltd., of Tokyo, Japan. In 1987, it accounted for *** percent of imports of ATVs from Japan. Kawasaki Motor Corp., U.S.A. (KMC), headquartered in Irvine, CA, is a * * *-owned subsidiary of Kawasaki Heavy Industries, Ltd. (KHI), of Kobe, Japan. KMC is the sales and marketing company for KMM. In 1987 it accounted for *** percent of imports of ATVs from Japan. * * *.

U.S. Suzuki Motor Corp. (Suzuki) of Brea, CA, is * * *-owned by American Suzuki Motor Corp. of Brea, CA, which is * * *-owned by Suzuki Motor Co., Ltd., of Hamamatsu, Japan. Suzuki accounted for *** percent of imports of ATVs from Japan in 1987. Yamaha Motor Corp., USA (Yamaha), Cypress, CA, is a * * *-owned subsidiary of Yamaha Motor Co., Ltd., of Shizuoka-ken, Japan. In 1987 Yamaha accounted for *** percent of imports of ATVs from Japan.

The Domestic Market

Apparent U.S. consumption

Data on apparent consumption of ATVs were compiled from information submitted in response to questionnaires of the U.S. International Trade Commission. The consumption data are composed of reported shipments of U.S. produced/assembled ATVs and reported shipments of ATVs from Japan by each of the known importers. In addition, * * *. It is believed that the information on consumption accounts for virtually all shipments of the subject product in the United States.

Apparent U.S. consumption of ATVs, by quantity, declined steadily from *** units in 1985 to *** units in 1987, a drop of *** percent (table 1). On a value basis, U.S. consumption fell from $*** in 1985 to $*** in 1987, a decline of *** percent. Quarterly consumption, in terms of units shipped, is shown in figure 1.

Channels of distribution

U.S. producers of ATVs and importers of the Japanese ATVs sell directly to independent dealers and distributors in the U.S. market; the latter in turn also sell to dealers. Polaris relies heavily on its established snowmobile distribution system for marketing ATVs in the snowbelt, and has established new dealers and distributors for its ATVs in other areas of the U.S. market. Importers use their established nationwide motorcycle distribution system to sell their ATVs throughout the United States. Table 2 shows for each U.S. producer and importer the proportion of their domestic and imported ATVs shipped directly to U.S. dealers and distributors annually during 1985-87. Polaris sold *** percent of its domestically produced ATVs to distributors in 1985. In 1986 Polaris * * *; 1/ in 1987 it sold *** percent of its U.S. produced ATVs to approximately *** dealers and the remaining *** percent to *** distributors. Kawasaki sold * * *.

Polaris and its distributors sell the domestic ATVs to independent snowmobile dealers, lawn and garden retailers, boat and marine dealers, and farm implement dealers. The dealers selling the Polaris ATVs are generally located in suburban and rural areas. Although Polaris uses its distribution system for snowmobiles to market ATVs in the snowbelt, it has had to attract new dealers and distributors to market its ATVs in the South, Southwest, and West. As noted later in the "Transportation factors" section, * * *.

1/ Polaris * * *.

Table 1
ATVs: Apparent U.S. consumption, by sources, 1985-87

Source	1985	1986	1987
	Quantity (units)		
U.S. produced:			
Polaris	***	***	***
KMM	***	***	***
Subtotal	***	***	***
Imported from Japan:			
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Subtotal	546,663	411,528	329,631
Imported from other countries (* * *) 1/	***	***	***
Total apparent consumption	***	***	***
	Value (1,000 dollars)		
U.S. produced:			
Polaris	***	***	***
KMM	***	***	***
Subtotal	***	***	***
Imported from Japan:			
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Subtotal	774,927	703,567	651,967
Imported from other countries (* * *)	***	***	***
Total apparent consumption	***	***	***

1/ * * * reported imports of the subject product from * * * and * * *.

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

Figure 1.--ATVs: U.S. consumption, by sources and by quarters, 1985-87

* * * * * * *

Table 2
Shares of domestically produced and imported ATVs sold directly to U.S. dealers and distributors, by producer or importer, 1985-87

(In percent)

Type of firm	1985		1986		1987	
	Dealer	Distributor	Dealer	Distributor	Dealer	Distributor
U.S. producers:						
Polaris	***	***	***	***	***	***
KMM	***	***	***	***	***	***
Weighted average	***	***	***	***	***	***
U.S. importers:						
Honda	***	***	***	***	***	***
KMC	***	***	***	***	***	***
Suzuki	***	***	***	***	***	***
Yamaha	***	***	***	***	***	***
Weighted average	***	***	***	***	***	***

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

The importers rely heavily on their motorcycle distribution system to market their ATVs. These motorcycle dealers are located in both urban and suburban/rural areas. Kawasaki sells * * *; the other major importers of Japanese ATVs also * * *.

Polaris sells * * * of its ATVs to dealers and distributors in the U.S. market directly from its Minnesota plant and the remainder, * * * percent annually, from U.S. warehouses. 1/ Kawasaki sells its domestically produced ATVs, as well as its imported Japanese ATVs, from regional warehouses in the United States. Honda, Suzuki, and Yamaha also sell their imported Japanese ATVs from regional warehouses located throughout the United States. The U.S. producers and importers of the subject ATVs do not own the storage facilities, but lease space in public warehouses. Locations of these U.S. warehouses are shown in table 3. As shown in this table, Honda sells from *** warehouse locations, Kawasaki from ***, Suzuki from ***, Yamaha from ***, and Polaris from ***. An extensive warehouse system reduces the freight logistics for dealers, who are typically small firms that prefer to buy locally.

Both the imported Japanese ATVs and those produced in the United States by Kawasaki are readily available from warehouse facilities in the California market, which is the top consuming state for ATVs in the U.S. market and accounted for 11 percent of ATV purchases in the United States in 1986. The imported ATVs and those produced in the United States by Kawasaki are widely available in many other areas of the United States where significant numbers of ATVs are also sold. In the Southwest the major importers of the Japanese

1/ * * *.

Table 3
U.S. warehouse selling locations from which U.S. and imported Japanese ATVs are sold

State locations of U.S. warehouses	Importing firms				U.S. producers	
	Honda	Kawasaki	Suzuki	Yamaha	Polaris	Kawasaki 1/
Alaska	***	***	***	***	***	***
California	***	***	***	***	***	***
Florida	***	***	***	***	***	***
Georgia	***	***	***	***	***	***
Illinois	***	***	***	***	***	***
Louisiana	***	***	***	***	***	***
Michigan	***	***	***	***	***	***
Minnesota	***	***	***	***	***	***
Nebraska	***	***	***	***	***	***
New Jersey	***	***	***	***	***	***
New York	***	***	***	***	***	***
Ohio	***	***	***	***	***	***
Texas	***	***	***	***	***	***
Virginia	***	***	***	***	***	***
Washington	***	***	***	***	***	***

1/ Kawasaki sells its U.S. produced and imported Japanese ATVs from the same warehouse locations.

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

ATVs sell from warehouses in Texas; in the South they sell from locations in Florida, Georgia, and Louisiana; in the Midwest they sell from warehouses in Illinois, Michigan, Minnesota, Nebraska, and Ohio; and in the Northeast they sell from warehouses in New Jersey and New York.

Market factors

According to a market sketch on ATVs prepared by the Directorate for Economic Analysis, Division of Program Analysis of the Consumer Product Safety Commission (CPSC), ATVs were first marketed in the United States in 1970, and initially appealed to a small segment of off-road recreational motorcycle riders. The popularity of ATVs grew during the mid to late 1970s and by 1984 sales to retailers had peaked at *** units. This information is shown in the following tabulation (in units):

Year 1/	Total	ATV shipments by types: Three-wheel	Four-wheel
1972	***	***	
1973	***	***	
1974	***	***	
1975	***	***	
1976	***	***	
1977	***	***	
1978	***	***	
1979	***	***	
1980	***	***	
1981	***	***	
1982	***	***	***
1983	***	***	***
1984	***	***	***
1985	***	***	***
1986	***	***	***
1987	***	***	***

1/ Data for the period 1972-84 are from Motorcycle Industry Council (MIC), 1985; data for the period 1985-87 are from U.S. International Trade Commission questionnaires. Questionnaire data were used for the period 1985-87 because Motorcycle Industry Council data do not include sales by Polaris; the two sets of data are very closely comparable except for the inclusion of Polaris' sales in the Commission's questionnaire data.

Until 1982, shipments of ATVs were all of three-wheelers; however, by 1985, *** percent of shipments were of four-wheel ATVs. According to the market sketch on ATVs done by the CPSC, "The reasons for the growing popularity of the four-wheeled ATVs are not yet entirely understood. However, several industry sources have said that the four-wheeled ATVs have extended both the 'utility' and recreational market for ATVs. One industry source indicated that the four-wheeled ATVs are generally sturdier than their three-wheeled counterparts, and that they are increasingly being used on farms as an inexpensive substitute for small tractors in light work applications or as on-farm transportation vehicles. Other sources said that four-wheeled ATVs are still primarily recreational vehicles. One source said that while three-wheeled ATVs tend to appeal to traditional motorcycle riders, four-wheeled ATVs tend to expand the appeal of ATVs to the non-motorcycle riding public."

Information gathered by the Commission supports the recent trend shown in the MIC data which indicate that, along with the shift from three-wheel to four-wheel ATVs, apparent U.S. consumption of ATVs declined after 1984. There are several factors cited as contributing to the decline in consumption. One factor is that the market for ATVs has matured, particularly in the sports and competition segments of the market. Another factor is land closure due to ecological considerations, and to the increasing cost of liability insurance for private landowners who allow riding of ATVs or competitive events on their property. 1/

1/ Transcript of the conference, pp. 98-99.

Perhaps the most important factor, however, is the adverse publicity surrounding ATVs and the CPSC investigations concerning this product. There have been several news and consumer programs such as ABC's 20/20 (April 1985) and CBS's 60 Minutes, that reported on the potential safety problems involving ATVs. 1/

The CPSC began looking into the safety concerns associated with ATVs in late 1984, and on April 3, 1985, the CPSC voted to establish a staff task force "to carry out a number of activities that were crucial in obtaining an understanding of hazards associated with ATVs and developing recommendations to address them." In the course of this investigation the CPSC held six public hearings throughout the United States between May 1985 and March 1986. In February 1987 the CPSC formally requested that the United States Department of Justice initiate an action against the ATV industry, seeking a recall of three-wheel ATVs and four-wheel ATVs intended for use by children under age 16, and requiring that ATV purchasers receive hands-on training. In addition, in May 1987 the CPSC issued a safety alert advising of the potential risks associated with three- and four-wheel ATVs.

In December 1987 the Department of Justice filed a civil action against the producers and importers of ATVs under section 12 of the Consumer Product Safety Act, 15 U.S.C. § 2061, as amended, 1981. Simultaneously, the Government and the defendants filed preliminary consent decrees outlining a settlement of the lawsuit and calling for the filing of final consent decrees 45 days later. The major points in the preliminary consent decree include halting the sales of three-wheel ATVs, requiring that producers/importers offer to repurchase any three-wheelers that their dealers may have in inventory, and a variety of notification, labeling, and safety regulations governing four-wheel ATVs.

The proposed final decree was signed and sent to the court by the parties on March 14, 1988. A hearing on whether the court should approve the proposed decrees is scheduled to be held on April 18, 1988. The court's decision will be announced at some point after that date.

Consideration of Prevention of Establishment of an Industry in the United States

Polaris has alleged that as the domestic industry, it is being materially retarded from becoming established. The information presented in the section of this report entitled "Financial experience of Polaris Industries," concerning Polaris' income-and-loss experience and its total company financial position, may be useful in assessing this allegation. The petitioner's confidential Exhibits A1 to A4, attached to the petition, may also be helpful in assessing this issue. The sections below present Polaris' projections and actual results with respect to ATV sales and profits for fiscal years 1985-87 and the company's breakeven point for its 1988 models of ATVs.

1/ Petitioners disagree and feel that the market decline is due to a "saturated" market. (Postconference brief of petitioners, p. 22.) It is their view "that the ATV industry is a viable industry and the decline arising because of safety and perhaps environmental concerns will eventually be resolved." (Transcript of the conference, p. 26.)

Sales and profit projections

In a May 8, 1984, internal document attached to the petition as Confidential Exhibit A2, Polaris made a number of projections concerning anticipated ATV sales and profitability for fiscal years ending March 31, 1985, 1986, and 1987. These projections are shown in the following tabulation, along with actual figures from Polaris' questionnaire response:

	Fiscal year 1985		Fiscal year 1986		Fiscal year 1987	
	Projected	Actual	Projected	Actual	Projected	Actual
	Quantity (units)					
Sales:						
Three-wheel.....	***	***	***	***	***	***
Four-wheel.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
	Value (1,000 dollars)					
Sales.....	***	***	***	***	***	***
Gross profit.....	***	***	***	***	***	***
Operating income..	***	***	***	***	***	***
	Share of net sales (percent)					
Gross profit.....	***	***	***	***	***	***
Operating income..	***	***	***	***	***	***

Polaris had planned to begin selling ATVs in January-March 1985 (the end of fiscal year 1985) but was unable to meet this target. In fiscal 1986, sales of three-wheel ATVs fell short of expectations but sales of four-wheelers more than compensated for the shortfall. Total sales exceeded projections for that period, and profits approximated anticipated levels. In fiscal 1987, Polaris concentrated solely on four-wheel models, and total ATV sales and profits both significantly exceeded projections.

Breakeven analysis

The breakeven point of a firm is that level of sales at which total revenues and total expenses are equal. This point is important, as profits result when sales exceed this level and losses occur when this point is not achieved. The breakeven point is calculated by dividing total fixed costs and expenses by the unit contribution margin. The unit contribution margin is equal to the unit sales price minus the unit variable costs.

A breakeven analysis must be interpreted in light of the limitations imposed by its underlying assumptions. The following assumptions were made in the analysis presented in this section: (1) selling prices and sales mix are to remain constant; (2) prices of raw materials and other cost factors are to be unchanged; (3) productivity and efficiency are to remain constant; (4) variable costs change in proportion to changes in volume based on an

assumption of linearity; (5) fixed costs remain constant over the relevant volume range; (6) all costs may be divided into fixed and variable elements (there are some costs which may be semi-variable in nature); and (7) the behavior of costs and revenues has been reliably determined and is linear over the relevant range.

It is important to note that the accuracy of any breakeven analysis is affected by the raw data upon which it is based. The data used for the breakeven study discussed hereafter were supplied by Polaris Industries in response to the Commission's questionnaire. Polaris was profitable on its ATV operations in its fiscal years ending March 31 of 1986 and 1987 and, thus, exceeded its breakeven point. The selling price and costs and expenses for each of the 1988 models are projected by Polaris for a 12-month period from October 1987 to September 1988. These data, which do not include any of the incremental expenses relating to the new limited partnership ownership, are summarized in the breakeven analysis shown in the following tabulation:

	Four-wheel ATVs		
Item	Trail Boss 250 R/ES	Trail Boss 2x4	Trail Boss 4x4
Average selling price per unit	$***	$***	$***
Variable costs per unit:			
Engine	***	***	***
Chassis	***	***	***
All other materials	***	***	***
Labor	***	***	***
Energy	***	***	***
Freight	***	***	***
Variable overhead	***	***	***
Variable selling and other operating expenses	***	***	***
Total variable costs	***	***	***
Contribution margin	***	***	***
Product distribution (percent)	***	***	***
Weighted-average contribution margin per unit	$***	$***	$***

The breakeven total sales volume of ATVs, on the basis of the data presented in the above tabulation, is *** units, as shown below:

$$\frac{\text{Total fixed costs}}{\text{Total weighted-average contribution margin per unit}} = \$*** = *** \text{ units}$$

The number of units of each of the 1988 models that Polaris needs to sell to break even based on the estimated product distribution share projected in the study, are shown in the following tabulation:

	Four-wheel ATVs			
Item	Trail Boss 250 R/ES	Trail Boss 2x4	Trail Boss 4x4	Total
Number of units to be sold.....	***	***	***	***

Polaris was unable to provide a breakout of the number of units shipped in the first 5 months of model year 1988 by model; however, they did provide information on the total number of units shipped for the first 5 months of model year 1988 as well as orders placed (to date) to be shipped in the remainder of model year 1988. Polaris shipped *** units between October 1, 1987, and February 19, 1988, and has orders to ship *** units through the end of September 1988, for a total of *** units. Polaris also reported that *** units shipped in the last quarter of 1987 were of the 1987 models.

Consideration of Material Injury to an Industry in the United States

In order to evaluate the condition of the U.S. industry producing ATVs, the Commission sent questionnaires to the only known manufacturers of the product in the United States. These firms and their respective roles in the U.S. market are discussed in the U.S. industry section of this report. Information on these firms is presented separately throughout the material injury section of this report.

U.S. production, capacity, and capacity utilization

Production of ATVs * * * throughout the period from *** units in 1985 to *** units in 1987, * * * of *** percent (table 4). This * * * was accounted for by * * *. KMM's production * * * throughout the period from *** units in 1985 to *** units in 1987, * * * of *** percent.

Average-of-period capacity increased throughout the period from *** units in 1985 to *** units in 1987, an increase of *** percent. The increase in 1986 was due to a ***-percent increase in * * *. The increase in 1987 was attributable to an increase in capacity by * * *. Polaris' end-of-period capacity allocated to ATVs was *** units in 1985 and 1986 and *** units in 1987. * * *.

Capacity utilization * * * steadily throughout the period from *** percent in 1985 to *** percent in 1987. This * * * was due to * * *.

Table 4
ATVs: U.S. production, capacity, and capacity utilization, by firms, 1985-87

Item and firm	1985	1986	1987
	Quantity (units)		
Production:			
Polaris	***	***	***
KMM	***	***	***
Total	***	***	***
Capacity:			
Polaris 1/	***	***	***
KMM 2/	***	***	***
Total	***	***	***
	Percent		
Capacity utilization:			
Polaris	***	***	***
KMM	***	***	***
Average	***	***	***

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

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

Average capacity at Polaris' and KMM's establishments to produce all products during 1985-87 is shown in the following tabulation (in units):

Firm	1985	1986	1987
Polaris	***	***	***
KMM	***	***	***
Total	***	***	***

U.S. producers' domestic shipments

Domestic shipments 1/ of ATVs * * * by *** percent, from *** units in 1985 to *** units in 1986, then * * * by *** percent in 1987 to *** units (table 5 and figure 2). Shipments by Polaris * * * by *** percent from *** units in 1985, * * *, to *** units in 1987. Shipments by KMM * * * by *** percent during the same period.

1/ * * *.

Table 5
ATVs: U.S. produced domestic shipments, by firms and by quarters, 1985-87

Firm and quarter	1985	1986	1987
	Quantity (units)		
Polaris--			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***
Subtotal	***	***	***
KMM--			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***
Subtotal	***	***	***
Total	***	***	***
	Value (1,000 dollars)		
Polaris--			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***
Subtotal	***	***	***
KMM--			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***
Subtotal	***	***	***
Total	***	***	***

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

Figure 2.--Shipments of U.S. produced ATVs, by firms and by quarters, 1985-87

* * * * * * *

The value of domestic shipments * * * steadily from $*** in 1985 to $*** in 1987, * * * of *** percent. The value of Polaris' shipments * * * by *** percent throughout the period, while the value of KMM's shipments * * * by *** percent in 1986, then * * * by *** percent in 1987.

Information on domestic shipments by type is presented in table 6. Polaris had some shipments of three-wheel ATVs in 1985, but discontinued their

Table 6
ATVs: U.S. produced domestic shipments, by firms and by types, 1985-87

Firm and type	1985	1986	1987
		Quantity (units)	
Polaris:			
Three-wheel	***	***	***
Four-wheel:			
Sport	***	***	***
Utility	***	***	***
Sport/utility	***	***	***
Total four-wheel	***	***	***
Total	***	***	***
KMM:			
Three-wheel	***	***	***
Four-wheel:			
Sport	***	***	***
Utility	***	***	***
Sport/utility	***	***	***
Total four-wheel	***	***	***
Total	***	***	***
		Value (1,000 dollars)	
Polaris:			
Three-wheel	***	***	***
Four-wheel:			
Sport	***	***	***
Utility	***	***	***
Sport/utility	***	***	***
Total four-wheel	***	***	***
Total	***	***	***
KMM:			
Three-wheel	***	***	***
Four-wheel:			
Sport	***	***	***
Utility	***	***	***
Sport/utility	***	***	***
Total four-wheel	***	***	***
Total	***	***	***
		Unit value	
Polaris:			
Three-wheel	$***	$***	$***
Four-wheel:			
Sport	***	***	***
Utility	***	***	***
Sport/utility	***	***	***
Average four-wheel	***	***	***
Overall average	***	***	***
KMM:			
Three-wheel	***	***	***
Four-wheel:			
Sport	***	***	***
Utility	***	***	***
Sport/utility	***	***	***
Average four-wheel	***	***	***
Overall average	***	***	***

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

production later that year, and * * *. KMM reported that *** percent of its shipments in 1985 were of three-wheel ATVs, but this share * * * to *** percent in 1986, * * *.

In the four-wheel category, Polaris started its production with a sport/utility model in 1985, but introduced a sport model and a utility model in 1986. Figures for 1987 indicate the utility model and the sport/utility model accounted for *** percent of shipments, and the sport model accounted for *** percent. The sport model was discontinued in 1987 and is not one of the 1988 models offered by Polaris.

KMM reported that it offered sport/utility models for sale in 1985 and expanded its line to include sport models in 1986. The sport models accounted for *** percent of its shipments of four-wheel ATVs in 1986 and *** percent in 1987. * * *.

The utility models generally have a higher average unit value than the sport/utility models or the sport models. * * *.

Information on shipments of ATVs by engine size is presented in table 7. Polaris shipped only 250cc ATVs throughout the period. KMM's shipments were concentrated in the * * * range throughout the period, but the firm also reported shipments in the * * *.

Table 7
ATVs: U.S. produced domestic shipments, by firms and by engine sizes, 1985-87

(In units)

Firm and engine size	1985	1986	1987
Polaris--			
50-90cc	***	***	***
91-159cc	***	***	***
160-225cc	***	***	***
Above 225cc	***	***	***
Total	***	***	***
KMM-- 1/			
50-90cc	***	***	***
91-159cc	***	***	***
160-225cc	***	***	***
Above 225cc	***	***	***
Total	***	***	***
Total--			
50-90cc	***	***	***
91-159cc	***	***	***
160-225cc	***	***	***
Above 225cc	***	***	***
Total	***	***	***

1/ * * *.

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

U.S. producers' export shipments

Exports by Polaris and KMM * * * throughout the period from *** units in 1985 to *** units in 1987 (table 8). Polaris accounted for * * * export shipments reported in 1985, *** percent in 1986, and *** percent in 1987. The value of exports * * * at an even faster rate, * * * from 1985 to 1987. The primary export market * * *.

Table 8
ATVs: U.S. producers' export shipments, by firms and by types, 1985-87

(In units)

Firm and type	1985	1986	1987
Polaris:			
Three-wheel	***	***	***
Four-wheel	***	***	***
Subtotal	***	***	***
KMM:			
Three-wheel	***	***	***
Four-wheel	***	***	***
Subtotal	***	***	***
Total	***	***	***

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

U.S. producers' end-of-period inventories

Polaris reported * * *. * * *. * * * end-of-period inventories are shown in table 9. KMM reported * * *.

Table 9
ATVs: U.S. producers' inventories, by types, 1985-87

(In units)

Type	1985	1986	1987
Three-wheel	***	***	***
Four-wheel	***	***	***
Total	***	***	***

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

Employment and productivity

The number of workers employed in the production of ATVs * * * throughout the period from *** workers in 1985 to *** workers in 1987, * * * of *** percent (table 10). Hours worked by these workers * * * as well, by *** percent from 1985 to 1987. Wages paid and total compensation * * * steadily throughout the period. Average wages per hour * * * slightly from $*** per hour in 1985 to $*** per hour in 1987. Average productivity * * * steadily throughout the period. Polaris' productivity was * * *. KMM's productivity * * *.

Average unit labor costs * * * steadily from $*** in 1985 to $*** in 1987, * * * of *** percent. Polaris' unit labor costs * * * from 1985 to 1986 by *** percent, then * * * by *** percent in 1987. KMM's unit labor costs * * * by *** percent from $*** per unit in 1985 to $*** per unit in 1987.

Polaris reported that its workers are not represented by a union; * * *. KMM reported that its employees are not represented by a union; * * *.

Financial experience of Polaris Industries

Polaris Industries, which accounted for *** percent of U.S. production of ATVs in 1987, provided the Commission with financial information. These data are presented in this section.

Overall operations.--The management personnel of the Polaris E-Z-Go Division of Textron, Inc., purchased that division from Textron for $7,969,000 in a leveraged buyout by paying cash of $300,000 in June 1981. The fair market value of acquired net current assets -- principally receivables and inventories -- exceeded the purchase price by $6,764,000. Hence, no values were assigned to the property and equipment of the manufacturing facility in Roseau, MN. The excess amount of $6.8 million was amortized into income over a 3-year period by the company.

Polaris Industries Partners Limited Partnership (L.P.) was formed on April 7, 1987, and raised $110 million by an initial public offering of 5.5 million units of beneficial assignment certificates (BACs) of Class A Limited Partnership interests at a price of $20 per unit on September 9, 1987. Included in the $110 million was $8.8 million in selling commissions.

On September 9, 1987, the partnership acquired an 80-percent undivided interest in certain assets and liabilities of Polaris Industries, Inc., for about $84.5 million plus substantially all of the undistributed retained earnings ($15.7 million) plus acquisition costs of about $650,000, resulting in a total purchase price of approximately $100.8 million. The remaining 20 percent of Polaris' assets and liabilities was acquired by exchanging them for 125,000 units of Class A BACs and 1,250,000 units of Class B BACs.

One of the primary objectives of the partnership is to provide BAC holders a cash distribution of not less than 12 percent cumulative, noncompounded annual return on their adjusted contributions. The partnership declared a total distribution of $4.3 million during the period of September 9 to December 31, 1987.

Table 10
ATVs: Employment of production and related workers and their hours worked, wages paid, total compensation, productivity, and unit labor costs, by firms, 1985-87

Item and firm	1985	1986	1987
Total employees:			
Polaris	***	***	***
KMM	***	***	***
Total	***	***	***
Production and related workers:			
Polaris	***	***	***
KMM	***	***	***
Total	***	***	***
Hours worked:			
Polaris (thousands)	***	***	***
KMM (thousands)	***	***	***
Total (thousands)	***	***	***
Wages paid:			
Polaris (thousands of dollars)	***	***	***
KMM (thousands of dollars)	***	***	***
Total (thousands of dollars)	***	***	***
Total compensation:			
Polaris (thousands of dollars)	***	***	***
KMM (thousands of dollars)	***	***	***
Total (thousands of dollars)	***	***	***
Wages per hour:			
Polaris	$***	$***	$***
KMM	***	***	***
Average	***	***	***
Productivity:			
Polaris (units per hour)	***	***	***
KMM (units per hour)	***	***	***
Average (units per hour)	***	***	***
Unit labor costs:			
Polaris	$***	$***	$***
KMM	***	***	***
Average	***	***	***

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

Income-and-loss data of Polaris Industries on its total company operations are presented in table 11. The company has a selling division in Canada. The total company data include the operations of the Canadian division. Sales of Polaris more than doubled from $53.7 million in the fiscal year ended March 31, 1985, to $121.3 million in the fiscal year ended March 31, 1987. The company attributes this increase primarily to (1) the introduction of ATVs in fiscal 1986; (2) a rise in unit sales of snowmobiles (19 percent from 1986 to 1987) and ATVs (21 percent from 1986 to 1987); (3) an increase in the average unit selling price for both snowmobiles and ATVs; and (4) selling more units directly to dealers at a higher selling price by eliminating the middleman, i.e., distributor.

Gross profit margins declined from 27.8 percent of sales in fiscal 1985 to 25.2 percent of sales in fiscal 1986, mainly because of start-up costs of ATV production. Such margins increased to 30.8 percent in fiscal 1987 as a result of increased dealer direct sales and a rise in selling prices.

Operating expenses increased in absolute dollars by $6.6 million, or 85 percent, during fiscal 1985-87 due to the start-up marketing, advertising, and sales promotion expenses relating to the new ATV product line and incremental expenses incurred for the dealer direct sales effort. Such expenses were lower as a share of sales in fiscal 1986 and 1987 compared with fiscal 1985 because sales increased at a much faster rate than operating expenses. Hence, operating income margins increased from 13.4 percent of sales in fiscal 1985 to 18.9 percent of sales in fiscal 1987.

The net income of Polaris Industries followed a trend similar to that of operating income, increasing from 9.2 percent of sales in fiscal 1985 to 16.4 percent of sales in fiscal 1987.

The company earned an operating * * * of $***, or *** percent of sales, and net * * * of $***, equivalent to *** percent of sales, during the period from April 1 to September 8, 1987.

Under the limited partnership form of organization, Polaris reported an operating * * * of $***, or *** percent of sales, and net * * * of $***, or *** percent of sales during September 9 to December 31, 1987. This initial period covering about the last 4 months of 1987 includes * * *. During the same period, if these additional expenses were excluded from the data, operating * * * would have been $***, or *** percent of sales, and net * * * would have been $***, or *** percent of sales.

The balance sheets of Polaris Industries as of the end of its last three complete fiscal years (ending March 31 of 1985-87), as of September 8, 1987, the day before the ownership changed from a corporation to a limited partnership, and as of December 31, 1987, are presented in table 12.

Total assets of Polaris Industries increased from $16.9 million as of March 31, 1985, to $41.4 million as of September 8, 1987, and then * * * to $*** as of December 31, 1987. * * *. The organizational structure of the limited partnership is presented in appendix C. Goodwill arises from acquisition of a business for a sum greater than the physical asset value, usually because the business has superior or above-average earning power. It

Table 11
Income-and-loss data of Polaris Industries on its total company operations, accounting years 1985, 1986, 1987, April 1, to September 8, 1987, and September 9, to December 31, 1987

Item	Audited			Unaudited	
	Year ended March 31--			April 1 to Sept. 8, 1987	Sept. 9 to Dec. 31, 1987
	1985	1986	1987		
	Value (1,000 dollars)				
Sales	53,744	90,190	121,305	***	***
Cost of goods sold	38,807	67,464	83,983	***	***
Gross profit	14,937	22,726	37,322	***	***
Operating expenses	7,762	9,590	14,360	***	***
Operating income	7,175	13,136	22,962	***	***
Interest expense	2,209	2,546	2,808	***	***
Write-down of investment	532	340	200	***	***
Amortization of excess of acquired assets over cost	751	-	-	***	***
Other (income) or expense	(95)	(467)	(747)	***	***
Income before foreign income taxes	5,280	10,717	20,701	***	***
Provision for foreign income taxes	347	353	780	***	***
Net income	4,933	10,364	19,921	***	***
	Share of sales (percent)				
Gross profit	27.8	25.2	30.8	***	***
Operating income	13.4	14.6	18.9	***	***
Income before foreign income taxes	9.8	11.9	17.1	***	***
Net income	9.2	11.5	16.4	***	***
Cost of goods sold	72.2	74.8	69.2	***	***
Operating expenses	14.4	10.6	11.8	***	***

Source: Compiled from the financial statements submitted by Polaris Industries L.P.

may result from a favorable reputation with customers, management's skill or know-how, etc. The purchase price of Polaris Industries was determined by negotiations between the prior owners and management of the company, and E.F. Hutton & Co., Inc.

Table 12
Balance sheet of Polaris Industries as of March 31, 1985, 1986, 1987, as of September 8, 1987, and as of December 31, 1987

(In thousands of dollars)

Item	Audited March 31-- 1985	1986	1987	Unaudited Sept. 8, 1987	Dec. 31, 1987
Assets					
Current assets:					
Cash and short-term investment	695	3,194	14,554	***	***
Trade receivables	3,279	2,862	6,141	***	***
Less allowances for bad debts	(637)	(692)	(670)	***	***
Receivables from related companies	-	1,520	1,503	***	
Inventories	9,543	10,844	12,869	***	***
Prepaid expenses and other	1,085	1,069	1,063	***	***
Total current assets	13,965	18,797	35,460	***	***
Investment in oil partnership	926	524	317	***	***
Property and equipment, at cost:					
Building and improvement	347	347	1,893	***	***
Equipment and tooling	1,893	3,086	6,077	***	***
	2,240	3,433	7,970	***	***
Less accumulated depreciation	199	1,044	2,380	***	***
Total property and equipment, net	2,041	2,389	5,590	***	***
Goodwill	-	-	-	***	***
Total assets	16,931	21,710	41,367	***	***
Liabilities and capital					
Current liabilities:					
Accounts payable	3,414	4,839	9,228	***	***
Dividend payable	1,280	-	21,810	***	***
Accrued expenses	924	1,758	3,270	***	***
Warranty reserve	248	255	552	***	***
Short-term debt	5,480	-	-	***	***
Income taxes payable	346	71	464	***	***
Total current liabilities	11,692	6,923	35,324	***	***
Capital:					
Common stock, stated value $5 per share; authorized 2,500 shares, issued and outstanding 280, 280, 275, and 275, respectively	1	1	1	***	***
Paid-in capital in excess of stated value	279	279	274	***	***
Partners' capital	-	-	-	***	***
Retained earnings	4,959	14,507	5,768	***	***
Total capital	5,239	14,787	6,043	***	***
Total liabilities and capital	16,931	21,710	41,367	***	***

Source: Compiled from the financial statements submitted by Polaris Industries L.P.

Selected key financial ratios of Polaris are presented in the following tabulation:

Item	March 31-- 1985	1986	1987	Sept 8, 1987	Dec 31, 1987
Current ratio	1.19	2.72	1.00	***	***
Quick ratio	0.38	1.15	0.64	***	***
Working capital (1,000 dollars)	2,273	11,874	136	***	***
Total debt to equity	2.23	0.47	5.85	***	***
Return on investment ratios:					
Net income to--					
Total capital (percent)	94.2	70.1	329.7	***	***
Total assets (percent)	29.1	47.7	48.2	***	***
Invested capital 1/ (percent)	114.3	72.7	347.9	***	***

1/ Invested capital is defined as working capital plus net property and equipment.

Current ratio, quick ratio, and working capital represent short-term debt paying abilities of the company. Polaris' current ratio (current assets to current liabilities) was 1.19 as of March 31, 1985, peaked at 2.72 as of March 31, 1986, and then * * * to *** as of December 31, 1987. A current ratio of more than 2.0 is normally considered to be strong. The quick ratio (current assets less inventories to current liabilities) was * * * in each reported period except 1986. A ratio of 1.0 is generally considered adequate for this indicator. * * *. Working capital, which is the difference between the current assets and current liabilities, was at a very low level as of March 31, 1987. The major reason for this low level of working capital was the dividend of $21.8 million payable to the shareholders as reflected in total current liabilities.

As the debt-to-equity ratio shows, liabilities exceeded equity as of March 31, 1985, and 1987, * * *. As of March 31, 1986, equity was more than double liabilities because only $*** was paid as dividends to shareholders and most of the income was retained in the company. As of December 31, 1987, liabilities were very small relative to total capital, but most of the capital was invested in the intangible asset "goodwill."

Polaris has no long-term debts. The company borrowed funds on a short-term basis during certain seasonal months. Short-term debt was over $*** in the months of May, July, September, and October of 1987. * * *. The company has an arrangement with Borg Warner Acceptance Corp. to provide floor-plan financing for its distributors and dealers. Because of this arrangement, the company does not have to borrow or use its working capital for floor-plan financing. However, the company shares in these finance costs up to certain limits and repurchases products repossessed by the finance company on certain terms.

In June 1985, Polaris became self-insured and elected to bear the risk for product liability losses. As per the audited financial statement, the company auditor stated in the notes to the financial statement that "Management is not aware of any claims existing at March 31, 1987, which are expected to have a material effect on the company's financial statements."

The return on investment ratios measure the effectiveness of management in employing the resources available to it. The return is measured by taking net income earned by the company before distribution to its shareholders, relative to various types of investment. The return on total capital and invested capital showed similar trends, falling in fiscal 1986, peaking in fiscal 1987, and then * * *. The return on total assets increased from fiscal 1985 to fiscal 1987 and then * * *. The return measured by all different investment bases is very healthy up to * * *. The same return measurement on the investment made by the new owners under the limited partnership * * *.

In summary, Polaris' financial picture has improved significantly in terms of increased earnings and total assets, with no long-term debts and no major short-term outside liabilities until September 8, 1987. However, the company's financial condition * * *.

ATV operations.--Income-and-loss data on Polaris' U.S. ATV operations are presented in table 13. Polaris' Canadian division operations are not included in these data. Further, incremental expenses relating to revaluation of assets and other expenses under the limited partnership organization are also not included in these data to facilitate comparisons.

Polaris started production of ATVs in April 1985. It sold $*** of ATV products in the fiscal year ended March 31, 1986. Net sales of ATVs increased by *** percent to $*** in fiscal 1987. The increase in sales is attributed to the * * *. Such sales * * * by *** percent from $*** in the 9-month period from April 1 to December 31, 1986, to $*** during the corresponding period of 1987. During the same period, unit sales * * * by *** percent * * *.

From fiscal 1986 to fiscal 1987, gross profit, operating income, and net income before income taxes increased * * *. The company incurred start-up engineering costs of $***, manufacturing consultant costs of $***, and manufacturing productivity (learning curve) costs of $*** during the initial period of production in fiscal 1985 and 1986. * * *. Hence, the gross profit margin increased from *** percent to *** percent during the same period.

From April 1-December 31, 1986, to the corresponding period in 1987, gross profit * * * from *** percent of net sales to *** percent of net sales. The company attributes this * * * to the * * *. The company amortizes the tooling expenses over a * * *.

From fiscal 1986 to fiscal 1987, general, selling, and administrative (GS&A) expenses * * * by *** percent, * * *, from *** percent of net sales to *** percent of net sales because of * * *. The company reported that it identifies these expenses separately for ATV products. Operating income increased from *** percent of net sales to *** percent of net sales because the * * *.

Table 13
Income-and-loss data of Polaris Industries on its U.S. ATV operations, accounting years 1986, 1987, and April 1, to December 31, 1986, and 1987

Item	Year ended March 31-- 1986	1987	April 1 to Dec. 31-- 1986	1987
	Value (1,000 dollars)			
Net sales	***	***	***	***
Cost of goods sold	***	***	***	***
Gross profit	***	***	***	***
General, selling, and administrative expenses	***	***	***	***
Operating income or (loss)	***	***	***	***
Interest expense	***	***	***	***
Other income, net	***	***	***	***
Net income or (loss) before income taxes	***	***	***	***
Depreciation and amortization expense included above	***	***	***	***
Cash flow	***	***	***	***
	Share of net sales (percent)			
Gross profit	***	***	***	***
Operating income or (loss)	***	***	***	***
Net income or (loss) before income taxes	***	***	***	***
Cost of goods sold	***	***	***	***
General, selling, and administrative expenses	***	***	***	***

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

During April 1 to December 31, 1987, Polaris reported an operating * * * of $***, equivalent to *** percent of net sales, compared with an operating * * * of $***, or *** percent of net sales, in the corresponding period of 1986. The company attributes these * * *. These expenses are presented in the following tabulation (in thousands of dollars):

Item	April 1 to Dec. 31-- 1986	1987	Increase from 1986 to 1987
Advertising expense...	***	***	***
Promotion expense.....	***	***	***

Polaris also incurred additional expenses relating to * * *.

Cash flow * * * from $*** in fiscal 1986 to $*** in fiscal 1987. Such cash flow turned * * * to $*** in April 1, to December 31, 1987, compared with a * * * $*** during the corresponding period of 1986.

Polaris supplied information on its Canadian selling division with respect to ATV sales and profits for fiscal years 1986-87 and April 1 to December 31, 1986-87. These data are presented in the following tabulation:

Item	Year ended March 31-- 1986	1987	April 1 to Dec. 31-- 1986	1987
	Value (1,000 dollars)			
Sales of ATVs.....	***	***	***	***
Operating income or (loss).....	***	***	***	***
Pretax net income or (loss).....	***	***	***	***
	Share of net sales (percent)			
Operating income or (loss).....	***	***	***	***
Pretax net income or (loss).....	***	***	***	***

Selected key financial data on Polaris' U.S. operations relating to snowmobile and other products besides ATVs are presented in table 14. The data show that Polaris earned steadily * * * operating * * * and net * * * before income taxes on its snowmobile and other products operations. After * * * during fiscal years 1985-87, the operating income margin on such operations * * * and the pre-tax net * * * margin * * * slightly during April 1-December 31, 1987, compared with those in the corresponding period in 1986.

Financial experience of Kawasaki Motors Manufacturing Corp.

KMM, which accounted for *** percent of U.S. production of ATVs in 1987, provided financial data on its ATV and establishment operations. The company's accounting year ends on December 31. KMM * * *.

ATV operations.--Net sales of ATVs * * * by *** percent from $*** in 1984 to $*** in 1985, then * * * by *** percent to $*** in 1986, and then * * * in 1987 (table 15).

Table 14
Selected financial data of Polaris Industries on its U.S. ATV, other products, and total company operations, accounting years 1985-87 and April 1, to December 31, 1986-87

Item	Year ended March 31--			April 1 to Dec 31--	
	1985	1986	1987	1986	1987
	Value (1,000 dollars)				
Net sales:					
Snowmobiles	***	***	***	***	***
Other products 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
ATVs	***	***	***	***	***
Total	***	***	***	***	***
Operating income:					
From snowmobiles and other products 1/	***	***	***	***	***
From ATVs	***	***	***	***	***
Total	***	***	***	***	***
Net income before income taxes:					
From snowmobiles and other products 1/	***	***	***	***	***
From ATVs	***	***	***	***	***
Total	***	***	***	***	***
	Share of respective net sales (percent)				
Operating income:					
From snowmobiles and other products 1/	***	***	***	***	***
From ATVs	***	***	***	***	***
From total U.S. operations	***	***	***	***	***
Net income before income taxes:					
From snowmobiles and other products 1/	***	***	***	***	***
From ATVs	***	***	***	***	***
From total U.S. operations	***	***	***	***	***

1/ * * *.

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

Table 15
Income-and-loss data of KMM on its U.S. ATV operations, accounting years 1984-87

Item	1984	1985	1986	1987
	Value (1,000 dollars)			
Net sales	***	***	***	***
Cost of goods sold	***	***	***	***
Gross profit or (loss)	***	***	***	***
General, selling, and administrative expenses	***	***	***	***
Operating income or (loss)	***	***	***	***
Interest expense	***	***	***	***
Other (income) or expense, net	***	***	***	***
Net income or (loss) before income taxes	***	***	***	***
Depreciation and amortization expense included above	***	***	***	***
Cash flow	***	***	***	***
	Share of net sales (percent)			
Gross profit	***	***	***	***
Operating income or (loss)	***	***	***	***
Net income or (loss) before income taxes	***	***	***	***
Cost of goods sold	***	***	***	***
General, selling, and administrative expenses	***	***	***	***

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

Gross profit, operating income, and pre-tax net income * * * in each period during 1985-87. In 1986, KMM * * * an operating * * * of $***, or *** percent of net sales, and in 1987, the company * * * a gross * * * of $***, or *** percent of net sales. The company attributes the * * * in profits and the * * * to the * * *. KMM amortizes its tooling costs over a period of *** years * * *.

General, selling, and administrative expenses * * * from *** percent of sales in 1984 to *** percent of sales during 1985-87. Cash flow * * * in each year from a * * * $*** in 1984 to a * * * $*** in 1987.

Overall operations.--KMM's data on its operations of the establishment within which ATVs are produced are shown in table 16. Net sales * * * from 1984 to 1985, * * * in 1986, and then * * * in 1987. The trends for overall establishment gross profit, operating income, pre-tax net income, and the respective margins are * * *. During 1986-87, * * *.

Table 16
Income-and-loss data of KMM on the overall operations of its U.S. establishment within which ATVs are produced, accounting years 1984-87

Item	1984	1985	1986	1987
	Value (1,000 dollars)			
Net sales	***	***	***	***
Cost of goods sold	***	***	***	***
Gross profit	***	***	***	***
General, selling, and administrative expenses	***	***	***	***
Operating income or	***	***	***	***
Interest expense	***	***	***	***
Other (income) or expense, net	***	***	***	***
Net income before income taxes	***	***	***	***
Depreciation and amortization expense included above	***	***	***	***
Cash flow	***	***	***	***
	Share of net sales (percent)			
Gross profit	***	***	***	***
Operating income	***	***	***	***
Net income or (loss) before income taxes	***	***	***	***
Cost of goods sold	***	***	***	***
General, selling, and administrative expenses	***	***	***	***

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

Additional financial data

Investment in production facilities.--Polaris and KMM provided data concerning their investment in facilities employed in the production of ATVs. These data, by firm, are presented in the following tabulation:

Item	As of March 31-- 1985	1986	1987	As of Dec. 31-- 1986	1987
Polaris:					
For ATVs:					
Original cost (1,000 dollars)..	***	***	***	***	1/ ***
Book value (1,000 dollars).....	***	***	***	***	1/ ***
Ratio of operating income or (loss) to--					
Net sales (percent).....	2/	***	***	***	***
Original cost (percent).....	2/	***	***	***	***
Book value (percent).....	2/	***	***	***	***

	As of December 31-- 1984	1985	1986	1987
KMM:				
For ATVs:				
Original cost (1,000 dollars)..	***	***	***	***
Book value (1,000 dollars).....	***	***	***	***
Ratio of operating income or (loss) to--				
Net sales (percent).....	***	***	***	***
Original cost (percent).....	***	***	***	***
Book value (percent).....	***	***	***	***

1/ These asset valuations do not include the incremental value associated with the revaluation of these assets under the new limited partnership ownership.
2/ No sales or production in this period.

To provide an additional measure of profitability, the ratios of operating income or loss to the original cost and book value of property, plant, and equipment employed in ATV operations are shown in the above tabulation. These ratios for each firm followed the same trend as did the ratios of operating income or loss to net sales.

Capital expenditures.--Both firms, Polaris and KMM, furnished data relative to their capital expenditures for land and land improvements, building or leasehold improvements, and machinery and equipment used in the manufacture of all products of the reporting establishments as well as used in the production of ATVs. These data, by firm, are presented in the following tabulation (in thousand of dollars):

Capital expenditures	Fiscal year ended March 31-- 1985	1986	1987	April 1 to Dec. 31-- 1986	1987
Polaris:					
All products of establishment...	***	***	***	***	***
ATVs	***	***	***	***	***

	Fiscal year ended December 31-- 1984	1985	1986	1987
KMM:				
All products of establishment...	***	***	***	***
ATVs	***	***	***	***

Polaris incurred capital expenditures of $*** in fiscal 1985 and again in fiscal 1986 for the * * *. In July 1986, the company started plant expansion and related improvements that were completed in November 1987. Polaris incurred $*** for a second production line during April 1-December 31, 1987 and $*** in fiscal year 1987 and $*** in April 1-December 31, 1987 for a new paint system. Polaris expended $*** for enclosing the area between two buildings during fiscal 1987 and April-December 1987. The company allocated * * *. The company incurred expenses of $*** in fiscal 1987 and again during the last 9 months of 1987 for the * * *.

KMM's capital expenditures relating to ATV operations * * * from $*** in 1984 to $*** in 1987. Most of these expenditures were for machinery and equipment.

Research and development expenditures.--U.S. producers' research and development expenses in connection with all establishment products as well as for ATV operations, by firm, are shown in the following tabulation (in thousands of dollars):

Item	Fiscal year ended March 31-- 1985	1986	1987	April 1 to Dec. 31-- 1986	1987
Polaris:					
All products of establishment...	***	***	***	***	***
ATVs	***	***	***	***	***

	Fiscal year ended December 31-- 1984	1985	1986	1987
KMM:				
All products of establishment...	***	***	***	***
ATVs	***	***	***	***

Polaris incurred about $*** to $*** of research and development expenses related to ATV operations in each of the reporting periods. KMM reported * * * of research and development expenses in its U.S. manufacturing plant.

The Question of Threat of Material Injury to an Industry in the United States

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,
>
> (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.

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."

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 imports of the subject merchandise and the alleged injury." The potential for "product-shifting" (item VIII) is not an issue in this investigation since there are no known products subject to investigation or to final orders that are produced in facilities that can be used to make ATVs. Item I is also not an issue as this is an antidumping investigation. The available information on foreign producers' operations (items (II) and (VI) above) and on U.S. inventories of the subject product (item (V)) follow.

The ATV industry in Japan and its ability to generate exports

There are four known producers of ATVs in Japan: Honda Motor Co., Ltd.; Kawasaki Heavy Industries, Ltd. (KHI); Suzuki Motor Co., Ltd.; and Yamaha Motor Co., Ltd. Data on these four producers' capacity and production are presented in table 17.

The capacity of Japanese producers to produce ATVs decreased significantly from 1985 to 1987, declining by 60.3 percent from over 1 million units in 1985 to 399,717 units in 1987. Production declined as well, dropping by 57.8 percent from 721,791 units in 1985 to 304,821 units in 1987.

* * * * * * *

* * * * * * *

Shipments in Japan by the four producers accounted for *** percent of total shipments by these firms from 1985 to 1987 (table 18). Shipments to the United States, which accounted for between *** and *** percent of exports of ATVs, declined steadily, by 57.9 percent from 1985 to 1987. Shipments to Canada accounted for between 7 and 14 percent of exports from Japan from 1985 to 1987. These shipments declined by 67.5 percent during the period. End-of-period inventories in Japan declined by 72.4 percent from 1985 to 1987.

Table 17
ATVs: Production, capacity, and capacity utilization in Japan, by firms, 1985-87, and projected for 1988

Item and firm	1985	1986	1987	Projected 1988
	Quantity (units)			
Production:				
Honda 1/	***	***	***	***
KHI	***	***	***	***
Suzuki	***	***	***	***
Yamaha	***	***	***	***
Total	721,791	433,021	304,821	***
Capacity:				
Honda 1/ 2/	***	***	***	***
KHI 3/	***	***	***	***
Suzuki 4/	***	***	***	***
Yamaha 5/	***	***	***	***
Total	1,008,000	514,250	399,717	***
	Percent			
Capacity utilization:				
Honda	***	***	***	***
KHI	***	***	***	***
Suzuki	***	***	***	***
Yamaha	***	***	***	***
Average	71.6	84.2	76.3	***

1/ Honda reported on a fiscal year which runs * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *.

Source: Compiled from data submitted by counsel for the Japanese producers.

Table 18
ATVs: Shipments and inventories of Japanese producers, by firms, 1985-87, and projected for 1988

(In units)

Item and firm	1985	1986	1987	Projected 1988
Shipments in Japan by--				
Honda	***	***	***	***
KHI	***	***	***	***
Suzuki	***	***	***	***
Yamaha	***	***	***	***
Total	***	***	***	***
Shipments to the United States by--				
Honda	***	***	***	***
KHI	***	***	***	***
Suzuki	***	***	***	***
Yamaha	***	***	***	***
Total	640,121	393,240	268,214	***
Shipments to Canada by--				
Honda	***	***	***	***
KHI	***	***	***	***
Suzuki	***	***	***	***
Yamaha	***	***	***	***
Total	66,574	62,628	21,633	***
Shipments to all other countries by--				
Honda	***	***	***	***
KHI	***	***	***	***
Suzuki	***	***	***	***
Yamaha	***	***	***	***
Total	30,788	17,496	18,515	***
Yearend inventories in Japan:				
Honda	***	***	***	***
KHI	***	***	***	***
Suzuki	***	***	***	***
Yamaha	***	***	***	***
Total	33,200	20,979	9,168	***

Source: Compiled from data submitted by counsel for the Japanese producers.

U.S. inventories of ATVs from Japan

U.S importers' inventories of ATVs from Japan declined by *** percent from 1985 to 1986, then declined by *** percent in 1987 (table 19). Inventories of three-wheel ATVs declined by *** percent from 1985 to 1987. Inventories of four-wheel ATVs increased by *** percent from 1985 to 1986, then dropped by *** percent in 1987. As a share of U.S. importers' shipments, inventories of ATVs increased from *** percent in 1985 to *** percent in 1986, then dropped to *** percent in 1987. Inventories of three-wheel ATVs dropped

Table 19
ATVs: U.S. inventories of imports from Japan, by types and by importers, 1985-87

(In units)

Type and firm	1985	1986	1987
Three-wheel:			
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Total	***	***	***
Four-wheel:			
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Total	***	***	***
Total:			
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Total	***	***	***

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

from *** percent of importers' shipments in 1985 to *** percent of shipments in 1987. As a share of importers' shipments of four-wheel ATVs, inventories increased from *** percent in 1985 to *** percent in 1986, then dropped to *** percent in 1987.

Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Injury

U.S. imports

U.S. imports of ATVs covered by this investigation are provided for in TSUSA item 692.1090. This tariff classification is a basket category that applies to "motor vehicles (except motorcycles) for the transport of persons or articles," which are not specifically provided for elsewhere, including items other than ATVs. For purposes of this report, data on U.S. imports and U.S. shipments of imports were compiled from responses to the Commission questionnaire. The four responding importers are believed to account for virtually all imports of the subject product.

Total imports of ATVs from Japan declined steadily from 625,525 units in 1985 to 288,748 units in 1987, a drop of 53.8 percent (table 20). Imports of three-wheel ATVs dropped from *** units in 1985 to *** units in 1986, with *** imports of three-wheel ATVs in 1987. Imports of four-wheel ATVs declined steadily throughout the period as well. Imports of the four-wheel ATVs dropped by *** percent from *** units in 1985 to *** units in 1987.

Table 20
ATVs: U.S. imports from Japan, by types and by importers, 1985-87

(In units)

Type and importer	1985	1986	1987
Three wheel:			
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Total	***	***	***
Four wheel:			
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Total	***	***	***
Total:			
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Total	625,525	424,332	288,748

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

U.S. shipments of imports from Japan

Shipments of imports from Japan declined at a somewhat slower rate than imports, dropping from 546,663 units in 1985 to 329,631 units in 1987, a decline of 39.7 percent (table 21). Importers' shipments of three-wheel ATVs declined from *** units in 1985 to *** units in 1987. Importers' shipments of four-wheel ATVs declined at a much slower rate, decreasing from *** units in 1985 to *** units in 1987, a drop of *** percent.

The value of importers' shipments of all ATVs declined by 15.9 percent from 1985 to 1987. * * *. The increase in average unit value was due to an increase in unit value of each of the four-wheel product categories, as well as to a shift in volume to the generally higher valued utility models.

Table 21
ATVs: U.S. shipments of imports from Japan, by types, 1985-87

Type	1985	1986	1987
	Quantity (units)		
Three-wheel	***	***	***
Four-wheel:			
Sport	***	***	***
Utility	***	***	***
Sport/utility	***	***	***
Total four wheel	***	***	***
Total ATVs	546,663	411,528	329,631
	Value (1,000 dollars) 1/		
Three-wheel	***	***	***
Four-wheel:			
Sport	***	***	***
Utility	***	***	***
Sport/utility	***	***	***
Total four wheel	***	***	***
Total ATVs	774,927	703,567	651,967
	Unit value		
Three-wheel	$***	$***	$***
Four-wheel:			
Sport	***	***	***
Utility	***	***	***
Sport/utility	***	***	***
Average four-wheel	***	***	***
Average ATVs	1,418	1,710	1,978

1/ F.o.b., U.S. point-of-shipment.

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

Information on shipments of imports of ATVs from Japan by engine size is shown in table 22. Shipments of the importers, like those of the U.S. producers, were concentrated in the above 225cc range. ATVs with engine sizes of above 225cc accounted for *** percent of shipments in 1985, *** percent in 1986, and *** percent in 1987. ATVs with engine sizes in the 160-225cc range was the next largest group, accounting for *** percent of shipments in 1985, *** percent in 1986, and *** percent in 1987.

Table 22
ATVs: U.S. shipments of imports, by firms and by engine sizes, 1985-87

(In units)

Firm and engine size	1985	1986	1987
Honda:			
50-90cc	***	***	***
91-159cc	***	***	***
160-225cc	***	***	***
above 225cc	***	***	***
Total	***	***	***
KMC:			
50-90cc	***	***	***
91-159cc	***	***	***
160-225cc	***	***	***
above 225cc	***	***	***
Total	***	***	***
Suzuki:			
50-90cc	***	***	***
91-159cc	***	***	***
160-225cc	***	***	***
above 225cc	***	***	***
Total	***	***	***
Yamaha:			
50-90cc	***	***	***
91-159cc	***	***	***
160-225cc	***	***	***
above 225cc	***	***	***
Total	***	***	***
Total:			
50-90cc	***	***	***
91-159cc	***	***	***
160-225cc	***	***	***
above 225cc	***	***	***
Total	546,663	411,528	329,631

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

Market shares

In terms of quantity, U.S. shipments of U.S. produced ATVs increased from *** percent of the market in 1985 to *** percent in 1987 (table 23); quarterly shares, by sources, are shown in figure 3. Shipments of imports from Japan by the four importers declined throughout the period from *** percent of apparent consumption in 1985 to *** percent in 1987. Imports from other countries increased their share from *** percent in 1985 to *** percent in 1987.

Table 23
ATVs: Shares of apparent U.S. consumption, by sources, 1985-87

Source	1985	1986	1987
	Percent of quantity		
Polaris	***	***	***
KMM	***	***	***
Subtotal, U.S.	***	***	***
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Subtotal, Japan	***	***	***
Suzuki, from other countries	***	***	***
Total	100.0	100.0	100.0
	Percent of value 1/		
Polaris	***	***	***
KMM	***	***	***
Subtotal, U.S.	***	***	***
Honda	***	***	***
KMC	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Subtotal, Japan	***	***	***
Suzuki, from other countries	***	***	***
Total	100.0	100.0	100.0

1/ Value data are f.o.b., U.S. point-of-shipment.

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

Figure 3.--ATVs: U.S. market shares, by sources and by quarters, 1985-87

* * * * * * *

In terms of value, U.S. shipments of U.S. produced ATVs increased from *** percent of the market in 1985 to *** percent of the market in 1987. Shipments of imports from Japan by the four importers declined from *** percent of apparent consumption in 1985 to *** percent in 1987. Shipments of imports from other countries increased from *** percent of consumption by value in 1985 to *** percent in 1987.

Prices

Market characteristics.--The prices of different ATV models vary according to differences in product specifications, including engine displacement, three versus four wheels, and the quality of the suspension system. Higher prices may also be obtained for recognized brand names where quality and after-sales service are well known. Brand-name recognition is established by 1) extensive advertising, 2) developing a wide-spread dealer network that can service ATVs at locations convenient to consumers, and 3) offering a range of high quality ATVs for different uses and age groups. Large suppliers of ATVs to the U.S. market, like Honda and Suzuki, sell a wide range of ATVs to appeal to various market segments including light and heavy utility use, racing, general recreation for adults and for children, and sportsman uses such as hunting, fishing, and camping.

The U.S. producers and importers of the subject ATVs sell in the U.S. market from price lists, quoting prices f.o.b. their U.S. plants and/or warehouses. But to compete in a differentiated product market, these firms offer a variety of sales rebates, promotions, and incentives to their dealers and distributors that may substantially reduce dealer and distributor purchase prices and/or selling costs. As a result, competition for dealers and distributors is reflected not only in the f.o.b. selling prices, but also in the rebates and other incentives offered. The major types of sales programs are described in the following list:

Extended floorplanning.--U.S. producers and importers of the subject ATVs pay part or all of the interest on inventory loans to their dealer or distributor customers for a certain period (usually 30 to 90 days) after which the purchasers pay the full interest charge. The domestic producers and importers of ATVs generally arrange their customers' inventory financing.

Direct rebates to dealers based on retail sales.--These rebates are generally paid by the U.S. producers and importers to help move inventories at the dealer level. Rebate amounts differ by ATV and are offered only on specified models sold during stipulated time periods.

Dealer holdback.--At the time the dealer purchases its ATVs, some importers arrange to remit to their dealers a percentage (averages about 3 percent) of the dealers' list f.o.b. invoice price when the ATV is sold to a consumer (sometimes the dealer holdback percentage is based on the suggested retail selling price). Such remittances either increase the dealers' profit margins if he sells at the suggested retail price, or allow him to achieve a given margin while selling below the suggested retail price.

Cooperative advertising.--Both the U.S. producers and importers of the subject ATVs reimburse their dealers and distributors for part of the latters' advertising costs, generally up to 50 percent of some advertising dollar limit. The supplier usually specifies the types of advertising that are acceptable and the models that are affected, and requires proof of the advertising expenditures.

Accessory giveaways.--The U.S. producers and importers will discount various ATV-related products to dealers, if the latter sell a certain volume of specified ATV models. Related products could be wearing apparel for ATV riders or accessory equipment for ATVs.

Discounts for ordering 100 percent of allocation.--If a dealer orders 100 percent of what it sold in the previous period, some importers discount the price of the newly ordered ATVs.

As sales of ATVs fell during 1985-87, the total amount spent on the above programs by U.S. producers and importers of the subject ATVs increased significantly. Based on questionnaire responses, the following tabulation shows, by reporting firm, the average total expenditure per vehicle for each of the years 1985-87.

Firms	1985	1986	1987
U.S. producers:			
Polaris	$***	$***	$***
Kawasaki	***	***	***
Weighted-average	***	***	***
U.S. importers:			
Honda	***	***	***
Kawasaki	***	***	***
Suzuki	***	***	***
Yamaha	***	***	***
Weighted-average	***	***	***

Polaris increased expenditures on its sales programs for ATVs from an average of $*** per vehicle in 1985 to $*** per vehicle in 1987, for an increase of about *** percent. 1/ On its U.S. produced ATVs, Kawasaki's average per-vehicle expenditures on sales programs * * * but increased by *** percent during 1985-87. The importers also increased their sales-program expenditures on the imported Japanese ATVs; for all four firms combined the weighted-average per-vehicle cost rose from $*** in 1985 to $*** in 1987, or an increase of about *** percent.

In 1985 and 1987, Polaris' average sales-program costs per ATV were * * *. But in 1986, Polaris had sales-program costs averaging $*** per ATV compared to $*** per vehicle for the imported Japanese ATVs, or about ***. Kawasaki's per-vehicle expenditure on sales programs for its U.S. produced

1/ Respondents have asserted that Polaris was forced to offer substantial dealer incentives in 1987 to sell the remaining stock of its Cyclone model. Mr. Robert Nygaard of Polaris indicated to Commission staff that his firm's dealer-incentive expenditures on the Cyclone were about the same as for its other ATV models (telephone conversation of Mar. 2, 1988).

ATVs were generally * * *, particularly in 1987 when its reported expenditure of $*** per vehicle was about *** percent less than on the imported ATVs.

Questionnaire price data.--The Commission requested net U.S. f.o.b. and delivered selling price data (adjusted for discounts, allowances, etc.) for ATV models most similar to the Polaris Trailboss 250 2x4 from U.S. producers and importers of the subject ATVs. This four-wheeled domestic ATV model was chosen as it accounted for a significant share of Polaris' ATV sales and was produced by Polaris throughout most of the investigation period. The U.S. producers and importers were requested to report f.o.b. price data separately for sales to dealers and to distributors. The price data were requested for total sales of the models reported, by quarters, during January 1985-December 1987.

The two U.S. producers of ATVs and the four U.S. importers of the Japanese ATVs generally reported their f.o.b. list prices net only of assembly/preparation allowances. 1/ Kawasaki reported f.o.b. prices net of some estimated sales-incentive payments that are based on retail sales and, therefore, did not include payments made on all its 1987 ATV sales to dealers. No other U.S. producer or importer reported its f.o.b. prices net of any sales incentive allowances.

In addition to its f.o.b. list prices, Polaris reported delivered prices of the Trailboss 250 2x4. The importers and Kawasaki's U.S.-producing firm generally were not able to report delivered prices. 2/ All the responding U.S. producers and importers reported sales to dealers, but only Polaris reported significant sales to distributors. As indicated earlier in this report, Polaris sells the majority of its ATVs to distributors, whereas most of the imported ATVs and those produced in the United States by Kawasaki are sold directly to dealers.

The responding importers reported prices of various Japanese four-wheeled ATVs as being most similar, but not necessarily directly competitive, with the Polaris Trailboss 250 2x4. 3/ Polaris designed and markets the Trailboss 250 2x4 for a combination of utility and sportsman use, equipping it with front and rear racks, a hitch, headlight, and tool kit. The various domestic and imported Japanese ATV models for which the price data were reported are shown in the following tabulation by intended use and reporting firm. The tabulation also shows the percentage of each firm's total U.S. sales of ATVs during 1985-87 that were accounted for by each reported model. Product descriptions of the domestic and imported ATV models are shown in appendix D.

1/ The assembly/preparation allowances ranged from $*** to $*** per vehicle and were generally deducted from the dealers' list price on the invoice. * * *.

2/ * * *.

3/ Although importers did not report prices of any Japanese three-wheeled ATVs, Commission staff conversations with industry spokesmen suggest that, during 1985-87, the three- and four-wheeled ATVs competed with each other for the same uses and the same types of customers. Since 1985 the absolute number and relative share of four-wheeled ATVs in the U.S. market has risen dramatically. Several factors may have accounted for this shift in demand, including a maturing product market for the three-wheeled ATVs, and concern about the safety of three- versus four-wheeled ATVs.

Firms	Models 1/	% of sales	Intended uses 2/
U.S. producers:			
Polaris.....	Trailboss 250 2x4	***	Utility/sportsman
Kawasaki.....	KLF 300A/B (Bayou 300)	***	Utility
U.S. importers:			
Honda.....	TRX 250	***	Utility/sportsman
	TRX 300J 3/	***	Utility/sportsman
Kawasaki.....	KLF 185-A series (Bayou 185)	***	Light utility
Suzuki.....	LT 250E	***	Utility/sportsman
	LT 300E	***	Utility/sportsman
Yamaha.....	YFM 225	***	Utility/recreation
	YFM 350X (Warrior)	***	Sport(racing)

1/ The 3-digit number following the letter prefix in the model name refers to the nominal engine displacement, measured in cubic centimeters (cc). For instance, the Trailboss 250 2x4 has a 250cc engine.
2/ Based on descriptions in sales brochures and Commission staff conversations with representatives of the individual firms.
3/ Successor to the TRX 250 beginning in the third quarter of 1987.

Kawasaki and Suzuki stated in their questionnaire responses that the imported Japanese models for which they reported prices were not close substitutes for the Polaris model, but of the ATVs they imported from Japan the reported models were the most similar to the domestic model.

Price trends.--Price trends for the domestic and imported Japanese ATVs are based on indexes of the reported quarterly weighted-average f.o.b. selling prices to dealers during January 1985-December 1987. 1/ These prices are the f.o.b. invoice prices, which are f.o.b. list prices reported net of any dealer assembly/preparation allowances. Price trends are also discussed based on quarterly indexes of discount-adjusted f.o.b. invoice prices to dealers (net f.o.b. prices). The reported f.o.b. invoice prices were adjusted by Commission staff based on U.S. producers and importers' reported annual payments to their customers for sales incentive programs on all affected ATVs. The total annual amount reported for each firm was divided by the reporting firm's total annual U.S. shipments of ATVs to obtain a per-vehicle estimate for each year during 1985-87, which was shown in a previous tabulation. These estimates do not necessarily reflect quarter-to-quarter changes in these costs or differences between models. Indexes of the unadjusted and adjusted price series are shown in table 24 for the U.S. produced ATVs and table 25 for the imported ATVs. 2/

1/ Selling prices to distributors were not shown because only Polaris reported significant sales to this type of customer. Trends in these prices, however, will be discussed in footnotes to the report.
2/ To be consistent, the adjusted price data calculated by Commission staff were shown for all the reporting U.S. producers and importers. Net f.o.b prices reported by Kawasaki, which were based on retail sales, are not shown, but any differences with the net f.o.b. prices calculated by the Commission staff are noted.

Table 24
ATVs: Indexes of reported f.o.b. invoice prices and (discount-adjusted, based on estimated annual average discounts per vehicle) net f.o.b. prices of U.S. produced ATVs sold to dealers, by selected models 1/ and by quarters, April 1985-December 1987

Period	F.o.b. invoice prices 2/		Net f.o.b. prices 3/	
	Polaris Trailboss 250 2x4	Kawasaki KLF 300 A/B 4/	Polaris Trailboss 250 2x4	Kawasaki KLF 300 A/B 4/
1985:				
Apr.-June	5/	***	5/	***
July-Sept	5/	***	5/	***
Oct.-Dec	***	***	***	***
1986:				
Jan.-Mar	***	***	***	***
Apr.-June	***	***	***	***
July-Sept	***	***	***	***
Oct.-Dec	***	***	***	***
1987:				
Jan.-Mar	***	***	***	***
Apr.-June	***	***	***	***
July-Sept	***	***	***	***
Oct.-Dec	***	***	***	***

1/ Domestic ATV producers were requested to supply selling price data for their largest selling model(s) that was (were) most similar in product specifications to the Polaris Trailboss 250 2x4.
2/ Dealer list prices less any assembly/preparation allowances.
3/ The net f.o.b. prices were calculated by Commission staff by adjusting the reported f.o.b. invoice prices. The latter prices were reduced by an estimated per-vehicle payment to dealers for sales incentive programs.
4/ The net f.o.b. prices estimated by Kawasaki are not shown here, * * *.
5/ No sales to dealers of this specific model were reported during this period.

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

Note: April-June 1985=100, unless otherwise specified.

Based on the reported f.o.b. invoice prices of U.S. producers and importers, quarterly selling prices of the domestic and imported ATVs to dealers increased during the periods reported. 1/ Prices of Polaris'

1/ Importers suggested at the conference that ATVs have become increasingly sophisticated and, therefore, more expensive in recent periods (transcript of the conference, p. 95). However, the responding firms indicated that any specification changes in the reported models were slight over the periods reported and not considered a significant factor in price changes.

Table 25
ATVs: Indexes of reported f.o.b. invoice prices and (discount-adjusted, based on estimated annual average discounts per vehicle) net f.o.b. prices of imported Japanese ATVs sold to dealers, by selected models 1/ and by quarters, January 1985-December 1987

Period	Honda TRX 250	Honda TRX 300J	Kawasaki 2/ KLF 185-A series (Bayou 185)	Suzuki LT 250E	Suzuki LT 300E	Yamaha YFM 225	Yamaha YFM 350X (Warrior)
	F.o.b. invoice price basis 3/						
1985:							
Jan.-Mar.	***	4/	***	***	4/	***	3/
Apr.-June	***	4/	***	***	4/	***	3/
July-Sept	***	4/	***	***	4/	***	3/
Oct.-Dec	***	4/	***	***	4/	***	3/
1986:							
Jan.-Mar	***	4/	***	***	4/	***	3/
Apr.-June	***	4/	***	***	4/	***	***
July-Sept	***	4/	***	***	4/	***	***
Oct.-Dec	***	4/	***	***	***	***	***
1987:							
Jan.-Mar	***	4/	***	***	***	***	***
Apr.-June	***	4/	***	***	***	***	***
July-Sept	4/	5/ ***	***	***	***	***	***
Oct.-Dec	4/	5/ ***	***	***	***	***	***
	Net f.o.b. price basis 6/						
1985:							
Jan.-Mar	***	4/	***	***	4/	***	3/
Apr.-June	***	4/	***	***	4/	***	3/
July-Sept	***	4/	***	***	4/	***	3/
Oct.-Dec	***	4/	***	***	4/	***	3/
1986:							
Jan.-Mar	***	4/	***	***	4/	***	3/
Apr.-June	***	4/	***	***	4/	***	***
July-Sept	***	4/	***	***	4/	***	***
Oct.-Dec	***	4/	***	***	***	***	***
1987:							
Jan.-Mar	***	4/	***	***	***	***	***
Apr.-June	***	4/	***	***	***	***	***
July-Sept	4/	5/ ***	***	***	***	***	***
Oct.-Dec	4/	5/ ***	***	***	***	***	***

1/ U.S. importers of the Japanese ATVs were requested to supply selling price data for their largest selling model(s) that was (were) most similar in product specifications to the Polaris Trailboss 250 2x4.
2/ * * *.
3/ Dealer list prices less any assembly/preparation allowances.
4/ No sales to dealers of this specific model were reported during this period.
5/ Honda reported that the TRX 300J is its successor to the TRX 250.
6/ The net f.o.b. prices were calculated by Commission staff by adjusting the reported f.o.b. invoice prices. The latter prices were reduced by an estimated per-vehicle payment to dealers for sales incentive programs.

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

Note: January-March 1985=100, unless otherwise specified.

Trailboss 250 2x4 to dealers increased by *** percent during the period reported--October 1985-December 1987. 1/ Prices of the U.S. produced Kawasaki KLF 300A/B sold to dealers rose by about *** percent during this 2-1/2 year period. Prices also increased for the three imported models where price trends could be calculated during this period. During October 1985-December 1987, prices rose by *** percent for the imported Kawasaki Bayou 185, by *** percent for the imported Suzuki LT 250E, and by *** percent for the imported Yamaha YFM 225. During the full periods reported, prices of the domestic Kawasaki Bayou 300 rose by *** percent (April 1985-December 1987), and prices of the imported models rose from *** to *** percent, depending on the specific model. For Honda, * * *, f.o.b. invoice prices of its TRX 250 rose by *** percent during the periods reported, January 1985-June 1987.

Quarterly indexes of the discount-adjusted net f.o.b. prices also show generally rising selling prices for both the domestic and imported Japanese ATVs sold to dealers, although the increases are typically less than those of the unadjusted prices. Prices of Polaris' Trailboss 250 2x4 increased by *** percent during October 1985-December 1987. 2/ During this period, prices of the U.S. produced Kawasaki KLF 300A/B increased by about *** percent and prices of the imported Yamaha YFM 225 rose by about *** percent. However, prices of the imported Kawasaki Bayou 185 fell by *** percent during this period and prices of the imported Suzuki LT 250E fell by about *** percent. 3/ During the full periods reported, prices of the domestic Kawasaki KLF 300A/B rose by *** percent (April 1985-December 1987), and prices of the various imported models generally rose, by *** to *** percent. Estimated net f.o.b. invoice prices of Honda's TRX 250 rose by *** percent during the periods reported, January 1985-June 1987.

Price comparisons.--Price comparisons between the U.S. produced Polaris Trailboss 250 2x4 and the imported ATVs are based on the quarterly net f.o.b. price data for sales to dealers. 4/ These net prices were calculated by Commission staff based on estimated annual expenditures per vehicle. As a result, quarter-to-quarter changes in discounting are not reflected in the

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1/ Polaris' selling prices of the Trailboss 250 2x4 model sold to distributors fluctuated but rose by approximately *** percent during April 1985-March 1987, the period these sales were reported. Polaris' sales of this model to distributors accounted for about *** percent of its total ATV sales during January 1985-December 1987, while sales of this model to dealers accounted for *** percent of its total ATV sales.

2/ Polaris' adjusted selling prices of the Trailboss 250 2x4 sold to distributors * * * by approximately *** percent during April 1985-March 1987, the period such sales were reported.

3/ Net f.o.b. prices of the imported Kawasaki Bayou 185, reported by Kawasaki, * * * by about *** percent during this period.

4/ Prices of the U.S. produced Kawasaki KLF 300-A/B (Bayou 300) were consistently * * * than prices of the Polaris Trailboss 250 2x4. Although not shown, price comparisons between the domestic Kawasaki model and the imported Japanese ATVs showed * * * of underselling by the foreign models than with comparisons involving the Polaris model. Kawasaki markets its domestic ATV for utility use.

prices shown. Comparisons of f.o.b. prices may be appropriate in this investigation, as freight costs of both the domestic and imported ATVs were reported to be less than 5 percent of the f.o.b. prices. But comparisons of prices of the individual models should be made with caution because significant product differences exist for some of the models reported (appendix D). Because the adjustments for rebates and allowances are not specific to the model is a further reason for caution when comparing prices. Appendix tables E-1, E-2, and F-1 through F-4 show the discount-adjusted net f.o.b. selling prices and the quantities of the domestic and imported ATVs reported sold, by quarters, during January 1985-December 1987.

Of nine quarterly price comparisons between the Polaris Trailboss 250 2x4 and the two imported Honda models, the TRX 250 and the TRX 300J, one showed that the imported product was priced less than the domestic product (table 26). During * * *, the Honda TRX 250 was priced $*** per vehicle (***) less than the Polaris ATV. The other eight price comparisons showed the imported models to be priced higher than the Polaris ATV, by *** to *** percent, during January 1986-December 1987. Based on their respective sales brochures for these models, both the domestic and imported ATVs are sold for utility and sportsman uses.

All nine quarterly price comparisons between the Polaris ATV and the imported Kawasaki Bayou 185 showed the imported product to be priced less than the domestic product during October 1985-December 1987, by margins ranging from *** to *** percent (table 27). Kawasaki markets the Bayou 185 for light utility use.

All nine quarterly price comparisons between the Polaris Trailboss 250 2x4 and the imported Suzuki LT 250E showed lower prices of the imported ATV compared with the domestic model during * * * (table 28). During this period, the imported ATV was priced from *** to *** percent less than the domestic model. The imported Suzuki LT 250E is marketed for utility and sportsman uses. Two of the five price comparisons between the Polaris Trailboss and the imported Suzuki LT 300E showed the imported ATV to be priced *** percent below the domestic model, during * * * (table 28). Three of the five latter comparisons, however, showed the imported ATV to be higher priced. The Suzuki LT 300E is also marketed for utility and sportsman uses.

Two of the nine quarterly price comparisons between the Polaris ATV and the imported Yamaha YFM 225 model showed the imported product to be priced less than the domestic product (table 29). During * * *, the imported YFM 225 was priced *** percent less than the Trailboss 250 2x4, and during * * * it was priced *** percent under the domestic model. In the other seven quarters in which price comparisons were possible the imported YFM 225 was priced higher than the Polaris model by *** to *** percent. The YFM 225 is marketed for utility and recreation uses. Additionally, all seven price comparisons between the Polaris ATV and the imported Yamaha YFM 350X showed the imported ATV to be priced higher than the domestic model (table 29). Yamaha markets its YFM 350X for sport racing.

Table 26
ATVs: Net f.o.b. selling prices (discount-adjusted, based on estimated annual average discounts per vehicle) of the U.S. produced Polaris Trailboss 250 2x4 and Honda ATVs imported from Japan that were sold to dealers, and margins of under/(over) selling, by quarters, October 1985-December 1987

Period	Polaris Trailboss 250 (2x4)	Honda TRX 250	Average margins of under/(over) selling 1/		Honda TRX 300J	Average margins of under/(over) selling 1/	
	Per vehicle			Percent	Per vehicle		Percent
1985:							
Oct.-Dec.....	$***	$***	$***	***	2/	-	-
1986:							
Jan.-Mar.....	***	***	***	***	2/	-	-
Apr.-June.....	***	***	***	***	2/	-	-
July-Sept.....	***	***	***	***	2/	-	-
Oct.-Dec.....	***	***	***	***	2/	-	-
1987:							
Jan.-Mar.....	***	***	***	***	2/	-	-
Apr.-June.....	***	***	***	***	2/	-	-
July-Sept.....	***	2/	-	-	$***	$***	***
Oct.-Dec.....	***	2/	-	-	***	***	***

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported Japanese ATV.
2/ No units of the specific model were reported sold to dealers during this period.

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

Note: Honda reported that it has replaced the TRX 250 model with the TRX 300J model.

Table 27
ATVs: Net f.o.b. selling prices (discount-adjusted, based on estimated annual average discounts per vehicle) of the U.S. produced Polaris Trailboss 250 2x4 and Kawasaki ATVs imported from Japan that were sold to dealers, and margins of under/(over) selling, by quarters, October 1985-December 1987

Period	Polaris Trailboss 250 (2x4)	Kawasaki KLF 185-A series (Bayou 185)	Average margins of under/(over) selling 1/	
	Per vehicle			Percent
1985:				
Oct.-Dec.....	$***	$***	$***	***
1986:				
Jan.-Mar.....	***	***	***	***
Apr.-June.....	***	***	***	***
July-Sept.....	***	***	***	***
Oct.-Dec.....	***	***	***	***
1987:				
Jan.-Mar.....	***	***	***	***
Apr.-June.....	***	***	***	***
July-Sept.....	***	***	***	***
Oct.-Dec.....	***	***	***	***

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported Japanese ATV.

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

Table 28
ATVs: Net f.o.b. selling prices (discount-adjusted, based on estimated annual average discounts per vehicle) of the U.S. produced Polaris Trailboss 250 2x4 and Suzuki ATVs imported from Japan that were sold to dealers, and margins of under/(over) selling, by quarters, October 1985-December 1987

Period	Polaris Trailboss 250 (2x4)	Suzuki LT 250E	Average margins of under/(over) selling 2/		Suzuki LT 300E	Average margins of under/(over) selling 2/	
	Per vehicle			Percent	Per vehicle		Percent
1985:							
Oct.-Dec.	$***	$***	$***	***	2/	-	-
1986:							
Jan.-Mar.	***	***	***	***	2/	-	-
Apr.-June	***	***	***	***	2/	-	-
July-Sept.	***	***	***	***	2/	-	-
Oct.-Dec.	***	***	***	***	$***	$***	***
1987:							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported Japanese ATV.
2/ No units of the specific model were reported sold to dealers during this period.

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

Table 29
ATVs: Net f.o.b. selling prices (discount-adjusted, based on estimated annual average discounts per vehicle) of the U.S. produced Polaris Trailboss 250 2x4 and Yamaha ATVs imported from Japan that were sold to dealers, and margins of under/(over) selling, by quarters, October 1985-December 1987

Period	Polaris Trailboss 250 2x4	Yamaha YFM 225	Average margins of under/(over) selling 1/		Yamaha YFM 350X	Average margins of under/(over) selling 1/	
	Per vehicle			Percent	Per vehicle		Percent
1985:							
Oct.-Dec.	$***	$***	$***	***	2/	-	-
1986:							
Jan.-Mar.	***	***	***	***	2/	-	-
Apr.-June	***	***	***	***	$***	$***	***
July-Sept	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
1987:							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported Japanese ATV.
2/ No units of the specific model were reported sold to dealers during this period.

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

Transportation factors

U.S. producers and importers reported in their questionnaire responses that the domestic and imported ATVs are generally shipped by truck to their U.S. customers, and freight costs average less than 5 percent of the f.o.b. selling prices. Kawasaki characterized such costs as insignificant. All four major importers reported * * *. Polaris reported * * *.

Kawasaki and Suzuki reported * * *, Honda and Yamaha reported * * *. Polaris also reported * * *.

Polaris * * *. The importers * * *.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Japanese yen appreciated relative to the U.S. dollar by approximately 90 percent during January 1985-December 1987 (table 30). An approximately 14-percent deflation rate in Japan compared with about 1 percent inflation in the United States during this period, however, resulted in less appreciation of the Japanese yen in real terms compared with nominal terms. In real terms, the Japanese yen appreciated against the U.S. dollar during January 1985-December 1987 by approximately 62 percent, or 28 percentage points less than the appreciation in nominal terms.

Lost sales

U.S. producers of ATVs did not report any specific lost sales allegations regarding imports of the Japanese ATVs. Polaris did provide, however, the names of 16 dealers who either stopped selling the Polaris ATVs, or as potential new dealers declined to carry the Polaris ATVs. The Commission staff contacted 14 of these dealers.

* * * stopped selling the Polaris ATVs in * * *, citing a sharp rise in its liability insurance premiums for ATVs as the principal reason for dropping the Polaris units. * * * has sold no other ATVs. * * *. * * * stated that low prices in the ATV market and the uncertainty due to pending Department of Justice/Consumer Product Safety Commission action concerning safety issues have in general discouraged dealers from handling ATVs. 1/ He also felt that the combination of low retail prices and low Polaris-dealer profit margins made it difficult for dealers to carry the Polaris ATVs. * * * complained that Polaris has always offered its dealers lower profit margins on its products, * * *. He claimed that Polaris offers a 19-percent margin on dealer-direct ATV sales, but, according to * * *, dealers selling the Japanese

1/ * * * indicated that the sharp fall in demand for ATVs during the last couple of years, which he felt was closely related to concerns about the inherent safety of the product, was a major reason for low prices in the market.

Table 30
U.S.-Japanese exchange rates: 1/ Indexes of the nominal and real exchange rates between the U.S. dollar and the Japanese yen, and indexes of producer prices in the United States and Japan, 2/ by quarters, January 1985-December 1987

Period	Nominal exchange-rate index	Real exchange-rate index 3/	U.S. Producer Price Index	Japanese Producer Price Index
1985:				
January-March.....	100.0	100.0	100.0	100.0
April-June.....	102.8	102.0	100.1	99.3
July-September.....	108.0	106.7	99.4	98.2
October-December....	124.4	119.4	100.0	95.9
1986:				
January-March.....	137.2	130.4	98.5	93.7
April-June.....	151.5	140.7	96.6	89.7
July-September.....	165.4	150.1	96.2	87.3
October-December....	160.8	143.0	96.5	85.9
1987:				
January-March.....	168.2	147.3	97.7	85.5
April-June.....	180.6	154.9	99.2	85.1
July-September.....	175.4	150.6	100.3	86.2
October-December....	189.7	4/ 161.7	100.8	4/ 85.9

1/ Based on exchange rates expressed in U.S. dollars per Japanese yen.
2/ The producer price indexes are aggregate measures of inflation at the wholesale level in the United States and Japan. Quarterly producer prices in the United States fluctuated but rose slightly, by 0.8 percent, during January 1985-December 1987. In contrast, producer prices in Japan fell by 14.1 percent during this period.
3/ The real value of the yen is the nominal value adjusted for the difference between inflation rates, as measured by producer price indexes, in the United States and Japan.
4/ Data are derived from Japanese producer price indices reported for October only.

Source: International Monetary Fund, International Financial Statistics, February 1988.

Note: January-March 1985=100.

ATVs can obtain 25-28 percent profit margins. 1/ * * * further asserted that the lower margins on the Polaris ATVs prevailed despite an historically higher suggested retail price for the Polaris ATVs compared with the imported Japanese products.

* * *, but since * * * has ordered fewer units than previously. * * * has not sold the imported ATVs. * * * of the firm cited the following three factors that account for his declining purchases of Polaris ATVs: low prices of the Japanese ATVs, a generally declining market due to safety concerns, and retailer and consumer uncertainty related to the pending Justice Department action.

* * * sold only Polaris ATVs until * * *, when * * * notified the domestic producer that it would not be ordering any more units after * * *. * * *, purchaser of ATVs for the firm, stated that his firm would not be selling any more ATVs because of concern about safety issues and, therefore, potential liability problems. * * * indicated that his customers purchased the Polaris ATVs mostly for recreation and reported that they handled better than Japanese ATVs.

* * * stopped selling the Polaris ATVs in * * * because it did not have sufficient customer interest in this product. * * *, purchaser of the product for * * *, stated that his firm sold only *** ATVs in 1987. * * * does not sell Japanese ATVs, but in * * * began selling a * * * designed for all-terrain use. * * * stated that he has sold two of these latter vehicles so far this year and his customers appear more interested in this machine than the Polaris ATV.

* * * sold the Polaris ATVs until * * * when it stopped carrying ATVs. According to * * *, purchaser of ATVs for * * *, his firm sold only the Polaris ATVs, but has stopped selling any of these vehicles because of slow market demand. If his firm ever sells ATVs again, * * * indicated he would purchase the Honda or Suzuki ATVs, because he rates these as better quality and more durable than the Polaris models. * * * complained that the Polaris ATV was of poorer quality than the Japanese ATVs, yet generally carried a higher retail price than the Japanese products.

* * * stopped selling the Polaris ATVs in * * * because of a slow market. * * *. * * *, purchaser for * * *, estimated that his firm sold about *** Polaris ATVs in 1987. * * * complained that in addition to a general decline in the market for ATVs, the Japanese models were typically priced lower than the Polaris model. He cited in particular the Honda FourTrax, which he stated was consistently priced about $400 less than the Polaris 250 (4x4) in his market area during 1987. * * * viewed these two models as directly competitive with each other, but indicated that his customers preferred the Polaris ATV because they felt it handled better and was more comfortable to ride than the Japanese model. * * * indicated that motorcycle dealers who carried the Polaris ATVs and were located within 50 miles of his establishment were selling more domestic ATVs than he could. * * *.

1/ * * * also felt that Polaris antagonized many of its midwestern dealers in 1986 when it switched from selling through distributors to selling dealer direct, but did not increase dealer margins.

* * * approached Polaris in * * * about selling the domestic ATV in their store. But after checking with three Polaris ATV dealers; * * * decided not to buy the Polaris ATV. * * *, purchaser for the firm, stated that the three dealers told him they had trouble getting parts from Polaris to service its ATVs. * * * said that he is now considering the Honda ATVs. Currently * * * is not selling any imported ATVs, but sells * * *. * * *. * * * felt this competed with the Polaris and Japanese 4x4 utility ATVs. In his inquiries to Polaris and Honda, however, * * * stated that he is looking for a recreation/ sport ATV.

* * * sold about *** Polaris ATVs in 1986, but dropped the domestic model at the end of 1986. * * * has sold Honda ATVs for about *** years and * * * also began carrying the Yamaha ATVs. * * *, purchaser of ATVs for * * *, stated that he replaced the Polaris ATVs with the Yamaha models because of Yamaha's wider range of products and better construction. * * *. He does not carry the Polaris snowmobile. * * * also indicated that his customers prefer what they feel is the stronger construction of the Honda and Yamaha ATVs compared with the Polaris ATVs.

* * * sold about *** Polaris ATVs in 1987. Although it has carried the Polaris ATVs since * * *, * * * stopped selling them in * * *. * * * has not sold any other ATVs, but * * *. * * *, purchaser of ATVs for * * *, stated that the major reason he dropped the Polaris ATV line was his concern that a customer might file a liability claim against his firm. * * * also complained that he thought the Japanese were selling at lower retail prices than Polaris, but he could not immediately cite specific competing domestic and imported models or recall approximate price differences. * * * acknowledged, however, that most purchasers would probably still buy the Japanese ATVs even if they and the Polaris ATVs were priced the same. * * * felt that ATV customers generally perceive the Hondas to be better in quality than the Polaris models, largely because the Japanese ATVs are advertised much more heavily than Polaris ATVs.

* * * sells both the Polaris ATVs and snowmobiles. * * * indicated that he sold about *** Polaris ATVs in * * *, * * *. * * * indicated that the Polaris ATV has better safety and handling features than the Japanese models. He cited the Polaris foot board and the automatic transmission compared with the Japanese models that have foot pegs and manual transmissions. * * * stated that prices of the domestic and imported ATVs were about the same in his market area. He also indicated that the safety issues surrounding ATVs have not concerned him; his ATV customers are generally 30-55 years old and are familiar with such machines as many also ride snowmobiles without major problems.

* * * sold about *** Polaris ATVs in 1987, but dropped the line in * * *. * * *, purchaser for * * *, indicated that his firm carried * * *, but dropped them because of too few sales and the uncertainty about the future of ATVs. * * * stated that in his market area the Polaris ATVs retailed for $50-100 (3-5 percent) more than the Yamaha YFM 225 or the Yamaha Big Bear sold for during 1987, but the Polaris models were generally priced less than comparable Honda models. He indicated that his information was based on conversations with * * * who sells the Honda ATVs and * * * who sells the Yamaha ATVs. As a rider of both the Polaris and Yamaha ATVs, * * * preferred the domestic model over the imported one. He cited the suspension, tight

turning radius, automatic transmission, and foot boards of the Polaris model as more desirable features.

Despite repeated phone calls, the Commission staff was unable to contact two firms cited by Polaris--* * * and * * *. In addition, representatives from two other firms cited, * * * and * * *, were not available. A fifth firm cited, * * *, indicated that it has never considered selling ATVs.

Price suppression/depression

U.S. producers did not provide any specific allegations of price suppression or depression resulting from competition with imports of the Japanese ATVs. Polaris reported, however, that it has reduced prices and offered its dealers advertising rebates to meet allegedly similar practices of its competitors.

APPENDIX A

FEDERAL REGISTER NOTICES OF THE COMMISSION AND COMMERCE

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-388 (Preliminary)]

Certain All Terrain Vehicles From Japan

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-388 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Japan of all terrain vehicles (ATVs), assembled or unassembled, provided for in item 692.10 of the Tariff Schedules of the United States,[1] that are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by March 25, 1988.

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

EFFECTIVE DATE: February 9, 1988.

SUPPLEMENTARY INFORMATION: Judith C. Zeck (202-252-1199), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on February 9, 1988, by Polaris Industries L.P., Minneapolis, Minnesota.

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

Service list.—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on March 1, 1988, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Judith Zeck (202-252-1199) not later than February 26, 1988, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written submissions.—Any person may submit to the Commission on or before March 3, 1988, a written statement of information pertinent to the subject of the investigation as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

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

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

By order of the Commission.

Kenneth R. Mason,

Secretary.

Issued: February 12, 1988.

[FR Doc. 88-3483 Filed 2-17-88; 8:45 am]

BILLING CODE 7020-02-M

[1] For purposes of this investigation, ATVs are defined as motor vehicles principally designed for the transport of persons, and containing spark-ignition internal combustion reciprocating piston engines of a cylinder capacity not exceeding 1,000 cubic centimeters displacement. They are designed to carry one operator and no passengers, have three or four wheels, weigh less than 600 pounds, and are non-amphibious. ATVs are less than 63 inches in height and less than 50 inches in overall width (exclusive of accessories and optional equipment). They have a seat designed to be straddled by the operator, and handlebars for steering control. ATVs are designed for off-pavement operation and are, if imported, reported under item 692.1090 of the Tariff Schedules of the United States Annotated. (The articles covered by this investigation are also provided for in subheading 8703.00 of the proposed Harmonized Tariff Schedule of the United States (USITC Pub. 2030).)

International Trade Administration

[A-588-801]

Initiation of Antidumping Duty Investigation; Certain All-Terrain Vehicles From Japan

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

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of certain all-terrain vehicles (ATVs) from Japan are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of this product materially injure, or threaten material injury to, a U.S. industry, or that the establishment of a U.S. industry is materially retarded. If this investigation proceeds normally, the ITC will make its preliminary determination on or before March 25, 1988. If that determination is affirmative, we will make a preliminary determination on or before July 18, 1988.

EFFECTIVE DATE: March 7, 1988.

FOR FURTHER INFORMATION CONTACT: Gregory G. Borden or Michael Ready, Office of Investigations, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-3003 or 377-2613.

SUPPLEMENTARY INFORMATION:

The Petition

On February 9, 1988, we received a petition in proper form filed by Polaris Industries L.P. on behalf of the U.S. industry producng all-terrain vehicles. In compliance with the filing requirements of 19 CFR 353.36, petitioner alleges that imports of certain ATVs from Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act) and that these imports materially injure or threaten material injury to, a U.S. industry, or that the establishment of ar industry in the U.S. is materially retarded.

United States Price an Foreign Market Value

Petitioner based United States price on retail list prices of Japanese ATVs.

Petitioner based foreign market valu on retail list prices of Japanese ATVs i a third country market, Canada, as petitioner believes that sales in the home market would not form an adeua basis for determining foreign market value.

Based on a comparison of United States price and foreign market value, petitioner alleges dumping margins of between 8.6 and 41.9 percent.

By using the retail list prices provid by the petitioner and other publicly available information, we calculated estimated f.o.b. Japan prices for Japanese ATVs in both the U.S. and Canadian markets. Comparisons of these estimated f.o.b. prices reveal dumping margins of 2.5 to 37.1 percen

Initiation of Investigation

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

We examined the petition on ATV from Japan and found that it meets t requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiat an antidumping duty investigation t determine whether imports of certai all-terrain vehicles from Japan are b or are likely to be, sold in the Unite States at less than fair value. If our investigation proceeds normally, we make our preliminary determinatior July 18, 1988.

Scope of Investigation

The United States has developed system of tariff classification basec

the international harmonized system of Customs nomenclature. Congress is considering legislation to convert the United States to this Harmonized System (HS). In view of this proposal, we will be providing both the appropriate *Tariff Schedules of the United States Annotated* (TSUSA) item numbers and the appropriate HS item numbers with our product descriptions on a test basis, pending Congressional approval. As with the TSUSA, the HS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

We are requesting petitioners to include the appropriate HS item numbers(s) as well as the TSUSA item number(s) in all new petitions filed with the Department. A reference copy of the proposed HS schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Additionally, all Customs officers have reference copies and petitioners may contact the Import Specialist at their local Customs office to consult the schedule.

The products covered by this investigation are certain all-terrain vehicles, assembled or unassembled, currently provided for under TSUSA item number 692.1090 and currently classifiable under HS item number 8703.21.0000.

Certain all-terrain vehicles (ATVs) are motor vehicles designed for off-pavement use by one operator and no pasengers and contain internal combustion engines of less than 1000cc. cylinder capacity. The ATVs under investigation are non-amphibious, have three or four wheels and weigh less than 600 pounds. They have a seat designed to be straddled by the operator and handlebars for steering control.

Notification of ITC

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

Preliminary Determination by ITC

The ITC will determine by March 25, 1988 whether there is a reasonable indication that imports of certain ATVs from Japan materially injure, or threaten material injury to, a U.S. industry, or that the establishment of a U.S. industry is materially retarded. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 732(c)(2) of the Act.

February 29, 1988.

Gilbert B. Kaplan,

Acting Assistant Secretary for Import Administration.

[FR Doc. 88-4902 Filed 3-4-88; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

CALENDAR OF THE PUBLIC CONFERENCE

CALENDAR OF THE PUBLIC CONFERENCE

Investigation No. 731-TA-388 (Preliminary)

ALL-TERRAIN VEHICLES FROM JAPAN

Those persons listed below appeared at the United States International Trade Commission's conference which was held in connection with the subject investigation on March 1, 1988, in the Hearing Room of the U.S. International Trade Commission, 500 E St., SW, Washington, DC.

In support of the imposition of antidumping duties

Robins, Zelle, Larson & Kaplan--Counsel
Washington, DC
on behalf of--

Polaris Industries L.P.

W. Hall Wendel, Jr.
President, Polaris Industries L.P.
Robert R. Nygaard,
Manager, Marketing/Sales Administration

Charles R. Johnston, Jr.)--OF COUNSEL
Charles A. Hunnicutt)--OF COUNSEL

In opposition to the imposition of antidumping duties

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

Honda Motor Co., Ltd., and American Honda Motor Co., Inc.

Robert C. Cassidy, Jr.)--OF COUNSEL

Pettit & Martin--Counsel
Washington, DC
on behalf of--

Suzuki Motor Co., Ltd., and U.S. Suzuki Motor Corp.

Harry W. Cladouhos)--OF COUNSEL
John H. Korns)--OF COUNSEL

Willkie, Farr & Gallagher--Counsel
Washington, DC
on behalf of--

Yamaha Motor Corp., U.S.A.

Arthur J. Lafave III)--OF COUNSEL

D.J. Brown Associates--Independent Consultants
Washington, DC
on behalf of--

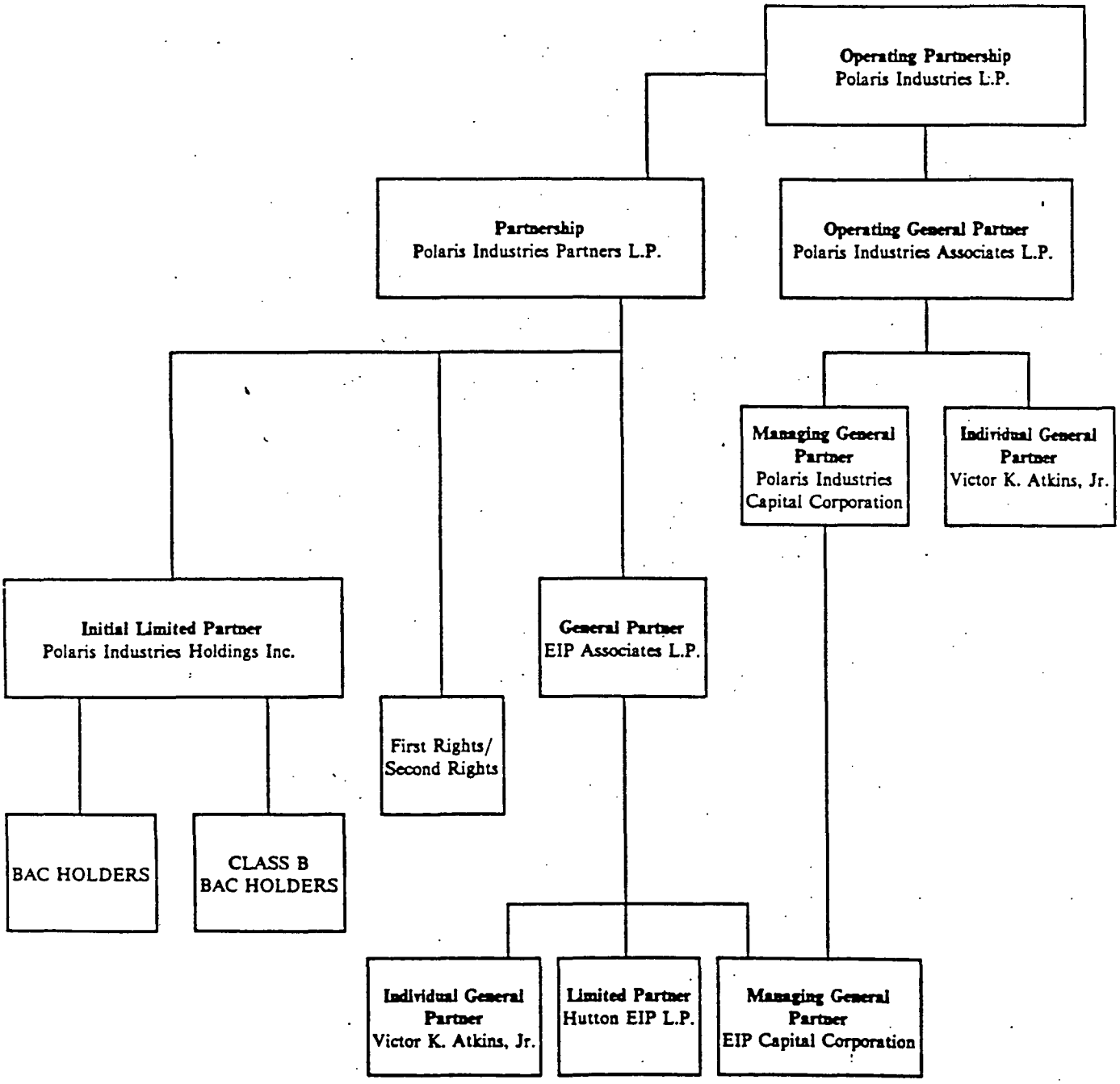
Honda Motor Co., Ltd., and American Honda Motor Co., Inc.
Suzuki Motor Co., Ltd., and U.S. Suzuki Motor Corp.
Yamaha Motor Corp., U.S.A.

Donald J. Brown)--Independent Consultant

APPENDIX C

POLARIS INDUSTRIES PARTNERS L.P.
ORGANIZATIONAL STRUCTURE

Polaris Industries Partners L.P.
Organizational Structure



APPENDIX D

PRODUCT SPECIFICATIONS OF DOMESTIC AND IMPORTED JAPANESE ATV MODELS FOR WHICH F.O.B. PRICE DATA WERE REPORTED

Product specifications for the various domestic and imported ATVs are shown in charts 1-4 on the following pages. Some of the more easily identifiable product features are highlighted, such as the intended use(s) of the models reported, the weight, displacement of the engine, type of transmission, and the amount of travel in the suspension system. Generally, larger engine displacements and greater travel in the suspension will enhance the value of the ATVs. Although not shown, all the models had air-cooled engines, reverse gear in the transmission, and came equipped with headlights and parking brakes as standard equipment. The 3-digit number following the letter prefix in the model names refers to the nominal engine displacement, measured in cubic centimeters (cc). For instance, the Trailboss 250 2x4 has a 250cc engine.

Comparison Chart: 1

ATV specifications of domestic and imported Honda models

ATV type: 4-wheeler	U.S. produced models		Imported Honda models	
	Polaris Trailboss 250 (2x4)	Kawasaki KLF 300A/B (Bayou 300)	TRX 250	TRX 300J
Intended use(s)--	Utility/ sportsman	Utility	----Utility/sportsman----	
Dimension:				
Length (")	70.0	72.8	73.8	74.9
Height (")	43.5	43.3	40.0	41.5
Width (")	43.0	41.1	42.5	43.8
Ground Clearance (")	6.2	7.7	6.3	6.3
Dry weight (pounds)	440	492	467	474
Engine:				
Displacement (cc)	244	290	246	282
Bore & Stroke (mm)	72.0x60.0	76.0x64.0	74x57.3	74x65.5
Stroke	2	4	4	4
Number of cylinders	1	1	1	1
Carburetor	Mikuni 30mm	Keihin CVK32	27mm piston	29mm piston
Transmission:				
Type	Automatic	5-SP Manual	5-SP Manual	5-SP Manual
Drive Train	Chain	Shaft	Shaft	Shaft
Suspension:				
Front--Type	Strut	W. Wishbone	Single shock	MacPh. Strut
Travel (")	6.3	4.5	2	5.1
Rear---Type	Single shock	Torque Tube	Single shock	Single shock
Travel (")	6.0	4.7	4	5.1
Brakes:				
Front (type)	Drum	Drum	Drum	Drum
Rear (type)	Disc	Drum	Drum	Drum
Fluid capacities:				
Fuel tank (gallons)	4.0	2.2	3.1	4.0
Tires:				
Front (size)	22x8.00-10	22x9.00-10	21x7-10	23x8-11
Rear (size)	22x11.00-10	24x11.00-10	25x12-9	25x12-9
Starter:				
Electric starter	Yes	Yes	Yes	Yes
Manual starter	No	Yes	Yes	Yes
Standard equipment:				
Racks	Front/rear	Front/rear	Front/rear	Front/Rear
Hitch	Yes	Yes	Yes	Yes
Tool kit	Yes	Yes	No	No
Others	Platform type foot rests	Rear storage	---	---

Comparison Chart: 2

ATV specifications of domestic and imported Kawasaki models

ATV Type: 4-Wheeler	U.S. produced models		Imported Kawasaki model
	Polaris Trailboss 250 (2x4)	Kawasaki KLF 300A/B (Bayou 300)	KLF 185-A series (Bayou 185)
Intended use(s)--	Utility/ sportsman	Utility	Light utility
Dimension:			
Length (")	70.0	72.8	66.9
Height (")	43.5	43.3	39.4
Width (")	43.0	41.1	38.8
Ground Clearance (")	6.2	7.7	5.7
Dry weight (pounds)	440	492	333
Engine:			
Displacement (cc)	244	290	182
Bore & Stroke (mm)	72.0x60.0	76.0x64.0	66.0x53.3
Stroke	2	4	4
Number of cylinders	1	1	1
Carburetor	Mikuni 30mm	Keihin CVK32	Mikuni VM22
Transmission:			
Type	Automatic	5-SP Manual	5-SP manual
Drive Train	Chain	Shaft	Shaft
Suspension			
Front--Type	Strut	W. Wishbone	I.Swing axle
Travel (")	6.3	4.5	4.9
Rear---Type	Single shock	Torque Tube	Rigid
Travel (")	6.0	4.7	---
Brakes:			
Front (type)	Drum	Drum	Drum
Rear (type)	Disc	Drum	Drum
Fluid capacities:			
Fuel tank (gallons)	4.0	2.2	2.4
Tires:			
Front (size)	22x8.00-10	22x9.00-10	21x9.00-8
Rear (size)	22x11.00-10	24x11.00-10	22x11.0-8
Starter:			
Electric starter	Yes	Yes	Yes
Manual starter	No	Yes	Yes
Standard equipment:			
Racks	Front/rear	Front/rear	Front/rear
Hitch	Yes	Yes	Yes
Tool kit	Yes	Yes	Yes
Others	Platform type foot rests	Rear storage	Rear storage

Comparison Chart: 3

ATV specifications of domestic and imported Suzuki models

ATV Type: 4-Wheeler	U.S. produced models		Imported Suzuki models	
	Polaris Trailboss 250 (2x4)	Kawasaki KLF 300A/B (Bayou 300)	LT 250E	LT 300E
Intended use(s)--	Utility/ sportsman	Utility	----Utility/sportsman----	
Dimension:				
Length (")	70.0	72.8	77.6	78.3
Height (")	43.5	43.3	40.7	44.1
Width (")	43.0	41.1	42.1	43.7
Ground Clearance (")	6.2	7.7	5.1	5.5
Dry weight (pounds)	440	492	434	450
Engine:				
Displacement (cc)	244	290	249	293
Bore & Stroke (mm)	72.0x60.0	76.0x64.0	72x61.2	72x72
Stroke	2	4	4	4
Number of cylinders	1	1	1	1
Carburetor	Mikuni 30mm	Keihin CVK32	Mikuni VM24SS	Mikuni VM26SS
Transmission:				
Type	Automatic	5-SP Manual	5-SP Manual	5-SP Manual
Drive Train	Chain	Shaft	Chain	Chain
Suspension:				
Front:				
Front--Type	Strut	W. Wishbone	Dbl. A-frame	Dbl. A-frame
Travel (")	6.3	4.5	3.3	3.2
Rear---Type	Single shock	Torque Tube	Rigid	Single shock
Travel (")	6.0	4.7	---	3.9
Brakes:				
Front (type)	Drum	Drum	Drum	Drum
Rear (type)	Disc	Drum	Drum	Drum
Fluid capacities:				
Fuel tank (gallons)	4.0	2.2	3.0	2.6
Tires:				
Front (size)	22x8.00-10	22x9.00-10	22x8-9	21x8-9
Rear (size)	22x11.00-10	24x11.00-10	25x12-9	25x12-9
Starter:				
Electric starter	Yes	Yes	Yes	Yes
Manual starter	No	Yes	Yes	Yes
Standard equipment:				
Racks	Front/rear	Front/rear	Front/rear	Front/rear
Hitch	Yes	Yes	Yes	No
Tool kit	Yes	Yes	Yes	Yes
Others	Platform type foot rests	Rear storage	---	---

Comparison Chart: 4

ATV specifications of domestic and imported Yamaha models

ATV Type: 4-Wheeler	U.S. produced models		Imported Yamaha models	
	Polaris Trailboss 250 (2x4)	Kawasaki KLF 300A/B (Bayou 300)	YFM 225	YFM 350X (Warrior)
Intended use(s)--	Utility/ sportsman	Utility	Utility/ recreation	Sport(racing)
Dimension:				
Length (")	70.0	72.8	72.3	72.4
Height (")	43.5	43.3	39.6	42.5
Width (")	43.0	41.1	43.9	42.5
Ground Clearance (")	6.2	7.7	5.3	5.3
Dry weight (pounds)	440	492	452	390
Engine:				
Displacement (cc)	244	290	223	348
Bore & Stroke (mm)	72.0x60.0	76.0x64.0	70x58	83.0x64.5
Stroke	2	4	4	4
Number of cylinders	1	1	1	1
Carburetor	Mikuni 30mm	Keihin CVK32	Mikuni VM24SH	Mikuni BTM36SI
Transmission:				
Type	Automatic	5-SP Manual	5-SP Manual	6-SP Manual
Drive Train	Chain	Shaft	Shaft	Chain
Suspension:				
Front:				
Front--Type	Strut	W. Wishbone	I.Swing axle	Double Wishbone
Travel (")	6.3	4.5	2.76	7.9
Rear---Type	Single shock	Torque Tube	Swingarm	Swingarm.m.cross
Travel (")	6.0	4.7	3.15	7.9
Brakes:				
Front (type)	Drum	Drum	Drum	Disc
Rear (type)	Disc	Drum	Disc	Disc
Fluid capacities:				
Fuel tank (gallons)	4.0	2.2	3.2	2.5
Tires:				
Front (size)	22x8.00-10	22x9.00-10	22x8-10	21x7-10
Rear (size)	22x11.00-10	24x11.00-10	25x12-9	22x10-9
Starter:				
Electric starter	Yes	Yes	Yes	Yes
Manual starter	No	Yes	Yes	Yes
Standard equipment:				
Racks	Front/rear	Front/rear	Front/rear	No
Hitch	Yes	Yes	No	No
Tool kit	Yes	Yes	Yes	Yes
Others	Platform type foot rests	Rear storage	---	---

APPENDIX E

DISCOUNT-ADJUSTED NET F.O.B. SELLING PRICE DATA FOR THE U.S. PRODUCED ATV MODELS

Table E-1
ATVs: Net f.o.b. selling prices (discount-adjusted) to dealers and distributors and quantities sold of the U.S. produced Polaris Trailboss 250 2x4, by quarters, April 1985-December 1987

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Table E-2
ATVs: Net f.o.b. selling prices (discount-adjusted) and quantities sold to dealers of the U.S. produced Kawasaki KLF 300-A/B, by quarters, January 1985-April 1987

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APPENDIX F

DISCOUNT-ADJUSTED NET F.O.B. SELLING PRICE DATA FOR THE IMPORTED JAPANESE ATV MODELS

Table F-1
ATVs: Net f.o.b. selling prices (discount-adjusted) and quantities of Honda ATVs imported from Japan and sold to dealers, by quarters, January 1985-December 1987

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Table F-2
ATVs: Net f.o.b. selling prices (discount-adjusted) and quantities of the imported Japanese Kawasaki KLF 185-A series (Bayou 185) ATVs imported from Japan and sold to dealers, by quarters, January 1985- December 1987

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Table F-3
ATVs: Net f.o.b. selling prices (discount-adjusted) and quantities of Suzuki ATVs imported from Japan and sold to dealers, by quarters, January 1985-December 1987

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Table F-4
ATVs: Net f.o.b. selling prices (discount-adjusted) and quantities of Yamaha ATVs impported from Japan and sold to dealers by quarters, January 1985-December 1987

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