

DRAFTING MACHINES AND PARTS THEREOF FROM JAPAN

Determination of the Commission in
Investigation No. 731-TA-432
(Preliminary) Under the Tariff Act
of 1930, Together With the
Information Obtained in
the Investigation

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JULY 1989

**United States International Trade Commission
Washington, DC 20436**



UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

Investigation No. 731-TA-432 (Preliminary)

DRAFTING MACHINES AND PARTS THEREOF FROM JAPAN

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission has made its determinations pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)). The Commission's determinations are based on two separate like products: larger drafting machines, both track and elbow types, and portable drafting machines. 2/ In the case of larger drafting machines, the Commission has determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Japan of drafting machines and parts thereof, 3/ provided for in subheadings 9017.10.00 and 9017.90.00 of the Harmonized Tariff Schedule of the United States, 4/ that are alleged to be sold in the United States at less than fair value (LTFV). However, the Commission determines that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded by reason of imports from Japan of portable drafting machines and parts thereof provided for in

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

2/ Commissioner Eckes, dissenting on the determination of two separate like products, finds that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Japan of drafting machines and parts thereof, provided for in subheadings 9017.10.00 and 9017.90.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

3/ The products covered by this investigation are track and elbow-type drafting machines, whether finished, unfinished, assembled, unassembled, or drafting machine kits. The term "parts" includes, but is not limited to, horizontal and vertical tracks, parts of horizontal and vertical tracks, band-and-pulley mechanisms, protractor heads, and parts of protractor heads, destined for use in drafting machines.

4/ Formerly provided for in item 710.8025 of the Tariff Schedules of the United States Annotated.

subheadings 9017.10.00 and 9017.90.00 of the Harmonized Tariff Schedule of the United States.

Background

On April 7, 1989, a petition was filed with the Commission and the Department of Commerce by Vemco Corp., San Dimas, CA, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of drafting machines and parts thereof from Japan. Accordingly, effective April 7, 1989, the Commission instituted preliminary antidumping investigation No. 731-TA-432 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 13, 1989 (54 F.R. 14875). The conference was held in Washington, DC, on April 28, 1989, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the record developed in this preliminary investigation, we unanimously determine that there is a reasonable indication that an industry in the United States producing large elbow-type and track-type drafting machines is materially injured by reason of allegedly LTFV imports from Japan. We further determine that there is no reasonable indication that an industry in the United States producing portable drafting machines is materially injured or threatened with material injury by reason of imports from Japan. 1/ 2/ 3/

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

2/ The legal standard in preliminary antidumping investigations is set forth in section 733(a) of the Tariff Act of 1930. 19 U.S.C. § 1673b(a). That section requires the Commission to determine whether, based on the best information available at the time of the preliminary determination, there is a reasonable indication of material injury to a domestic industry, or threat thereof, or material retardation of the establishment of such an industry, by reason of imports of drafting machines and parts thereof. The definition of "material injury" is the same in both preliminary and final investigations, but in preliminary investigations an affirmative determination is based on a "reasonable indication" of material injury, as opposed to the actual finding of material injury or threat required in a final determination. Compare 19 U.S.C. § 1673b(a) with 19 U.S.C. § 1673d(b)(1). See, American Lamb v. United States, 785 F.2d 994 (Fed. Cir. 1986); Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil, Inv. No. 731-TA-421 (Preliminary) USITC Pub. 2128 (September 1988) at 4-5.

3/ Commissioner Eckes does not join the Commission's determination as to portable drafting machines. In this preliminary investigation, he finds the existence of a single domestic industry, producers of all drafting machines, for which there is a reasonable indication of material injury by reason of the imports under investigation.

I. Like product and domestic industry.

As a threshold matter in title VII investigations, the Commission must determine what constitutes the domestic industry. The statute defines domestic industry as "the domestic producers as a whole of a like product...." ^{4/} "Like product" in turn is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with" the articles subject to investigation. ^{5/}

The Department of Commerce defines the imported merchandise that is subject to the investigation, and the Commission determines the domestic products "like" the imports. The starting point of the Commission's like product analysis is therefore Commerce's definition of the imported merchandise.

In its Notice of Initiation, ^{6/} Commerce defined the articles subject to investigation as follows:

The scope of this investigation includes drafting machines that are finished, unfinished, assembled, or unassembled, and drafting machine kits. For purposes of this investigation, "drafting machine" refers to "track" or "elbow-type" drafting machines used by designers, engineers, architects, layout artists, and others. Drafting machines are devices for aligning scales (or rulers) at a variety of angles anywhere on a drawing surface, generally a drafting board. A protractor head allows angles to be set and read and lines to be drawn at this angle. The machine is generally clamped to the board. Both "track" and "elbow-type" machines are classified under HTS 9017.10.00.

Also included within the scope of this investigation are parts of drafting machines classified under HTS

^{4/} 19 U.S.C. § 1677(4)(A).

^{5/} 19 U.S.C. § 1677(10).

^{6/} 54 Fed. Reg. 19424 (May 5, 1989).

9017.90.00. Parts include, but are not limited to, horizontal and vertical tracks, parts of horizontal and vertical tracks, band and pulley mechanisms, protractor heads, and parts of protractor heads, destined for use in drafting machines. Accessories, such as parallel rulers, lamps, and scales are not subject to this investigation.

The terms of the scope determination appear to include all drafting machines regardless of size or sophistication.

The Commission's decision concerning like product is factual and is made on a case-by-case basis. ^{7/} The Commission has traditionally considered: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) customer and producer perceptions, (5) common manufacturing facilities and employees, and (6) price. ^{8/} The Commission has not drawn distinctions based on minor physical differences, ^{9/} and instead has looked for clear dividing lines between articles before considering them to be separate like products. ^{10/}

We note at the outset that the parties were not in disagreement as to the like product in this investigation, i.e. "all drafting machines and only drafting machines (and parts

^{7/} Asociacion Colombiana de Exportadores de Flores v. United States, 12 CIT ___, 693 F. Supp. 1165, 1169 & n.5 (1988); 3.5" Microdisks and Media Therefor from Japan (Microdisks), Inv. No. 731-TA-389 (Final), USITC Pub. 2170 (March 1989) at 6.

^{8/} Certain All-Terrain Vehicles from Japan (ATVs), Inv. No. 731-TA-388 (Final), USITC Pub. 2163 (March 1989) at 4; Dry Aluminum Sulfate from Sweden, Inv. No. 731-TA-430 (Preliminary), USITC Pub. 2174 (March 1989) at 4.

^{9/} S. Rep. 249, 96th Cong., 1st Sess. 90-1 (1979).

^{10/} Certain Telephone Systems and Subassemblies thereof from Japan, Korea, and Taiwan, Invs. Nos. 731-TA-426-428 (Preliminary), USITC Pub. 2156 (February 1989) at 4.

thereof)." 11/ 12/ This does not mean, however, that the Commission may not determine that the like product in this investigation is other than as suggested by the parties. 13/ For this reason, we address below two like product issues raised by this investigation: (1) whether the two types of Vemco drafting machines, track-type and elbow-type machines, constitute a single

11/ Post Conference Brief of Vemco at 3; Post Conference Brief of Mutoh at 1; Tr. at 77-8. We note that the parties do not understand the term "drafting machine" to include Draftette's portable machines. See discussion infra, section I.B.

12/ Respondents have, however, mentioned a product definition issue of another sort, with regard to drafting machines that employ a digital readout (DRO) for reading fractions of degrees, as opposed to the more common vernier scale. See Report at A-2, A-4. Respondents assert that there is Commission precedent for "excluding" from the investigation items that, although part of the like product, are not made by the domestic industry and are imported in such small quantities as not to be a cause of injury or threat. Tr. at 88, Post Conference Brief of Mutoh at 1. Respondents suggest that such an approach may be possible for machines with a DRO.

The Commission has recently rejected exclusion arguments. See e.g., Antifriction Bearings, Invs. Nos. 303-TA-19 & 20, 731-TA-391-399 (Final), at 34-40; ATVs, supra n.8 at 11, n.28; Microdisks, supra n.7 at 23-4. In a recent case, the Court of International Trade affirmed this view. Sony Corp. of America v. United States, 13 CIT ___, Slip op. 89-55 at 14 (April 26, 1989); see also, Sprague Electric Co. v. United States, 84 Cust. Ct. 260, 262 (1980). As to whether machines that differ only in the means of reading fractions of degrees should be separate like products, both petitioner and respondents argue that they should not, and we agree.

13/ See, e.g., Industrial Belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany, Invs. Nos. 701-TA-293-295, 731-TA-412-419 (Preliminary) USITC Pub. 2113 (August 1988) at 6-7 ("The Commission must decide ... how the like product and domestic industry are to be defined."(emphasis added)).

like product 14/; and (2) whether small, portable drafting machines are "like" the imports subject to investigation, and if so, whether the portable drafting devices are part of a single like product, all drafting machines, or constitute a separate like product.

A. Track and elbow drafting machines constitute a single like product.

Petitioner argues that track and elbow-type drafting machines constitute a single like product. It argues that the physical characteristics of both are similar and the main functions are identical. 15/ Petitioner asserts that track and elbow machines largely compete for the same customers, and are

14/ The petition was filed by Vemco Corporation, the sole domestic producer of drafting machines, both track-type and elbow-type (or band-and-pulley-type), that are used in commercial drafting offices. Report at A-8. Another domestic company, Draftette Corporation, makes small, portable drafting machines, but is not a party to this investigation. Respondent Mutoh Industries, Ltd. of Japan accounts for nearly all of the Japanese imports of both elbow and track drafting machines. Report at A-21, n.2. Mutoh America, Inc., which imports Mutoh machines, is also a respondent. Neither respondent Mutoh nor petitioner Vemco produces portable drafting machines.

We use the terms "large" drafting machines and "commercial" drafting machines interchangeably to describe both elbow-type and track-type drafting machines produced by Vemco Corporation. For a description of track and elbow drafting machines, see Report at A-1-A-2.

15/ Petitioner provides examples of these functions:

the ability to place the protractor head anywhere on the drafting surface while maintaining the precise orientation of the scales; the ability to set the scales at any angle within a precision of typically 5 minutes of arc; the ability to "index", that is, quickly to set angles that are multiples of 15 degrees; the ability to set a base (or zero) line at any angle. Post Conference Brief of Vemco at 7.

used interchangeably. 16/ In addition, petitioner asserts that "they have essentially identical channels of distribution, customers perceive them as similar, and both [petitioner] Vemco and [respondent] Mutoh ... manufacture both types." 17/

There are, however, some differences between track and elbow machines. The machines look different, have certain different parts, and operate on a slightly different principle. 18/ Track machines have on average approximately one third more parts than elbow machines. 19/ Track machines generally have more specialized features than elbow machines. 20/ They also differ in price, with the range of list prices of track machines several hundred dollars higher than elbow machines. 21/ There is some overlap in the range of list prices, however.

Applying the like product criteria, we note that the evidence as to physical characteristics is mixed: some of the parts differ, whereas the main component, the protractor head, is

16/ Tr. at 39; Post Conference Brief of Vemco at 7.

17/ Post Conference Brief of Vemco at 8.

18/ Report at A-3; Tr. at 39. Track machines maintain the alignment of the scales by means of the vertical and horizontal tracks; elbow machines employ the pulleys and steel bands on the two arms to maintain alignment. Report at A-1-A-2.

19/ There is an average of 107 parts for elbow machines, as compared to 142 parts for track machines. Post Conference Brief of Vemco at 8.

20/ Report at A-2; Tr. at 16-7 (counterweight, brakes).

21/ List prices for elbow machines range from \$219-\$416; for track machines, \$379-\$671. Post Conference Brief of Vemco at 8. See also, Report at A-2.

often identical. 22/ The uses are the same in that both are employed to draw straight lines of any angle on a drawing surface. 23/ Because track and elbow drafting machines can achieve the same degree of accuracy, they are by and large interchangeable in use. 24/ The channels of distribution are identical. 25/ Although the production processes for track and elbow machines differ somewhat on account of differences in parts, 26/ it appears that both track and elbow machines are made in the same facilities and with the same employees. 27/ Finally, as noted above, although the range of list prices for track machines is generally higher than for elbow machines, there is no clear price break between the two types.

We believe that similarities in use, distribution channels, manufacturing facilities and employees, and the fact that track and elbow machines are largely interchangeable, outweigh the differences in physical characteristics and price. Thus, we determine that track and elbow drafting machines (and parts thereof) are a single like product.

22/ Report at A-2; Tr. at 40.

23/ Report at A-2.

24/ The most accurate protractor head, the Civil Engineering head, can be used with either track or elbow machines. See, Vemco's product brochures (Petition, Exhibit 1); Tr. at 39-40.

25/ Report at A-9.

26/ Report at A-4-A-5.

27/ Tr. at 38.

B. Portable and large drafting machines are separate like products.

As noted above, petitioner argues (and respondents do not contest) that the Commission should find one like product, "all drafting machines and only drafting machines." At the same time, petitioner insists that Draftette's machines are not included in that like product. ^{28/} Thus it is apparent that petitioner and respondents alike do not consider Draftette's devices to be "drafting machines." Furthermore, because they propose a single like product that excludes portable drafting machines, they apparently do not believe that Draftette's machines are otherwise "like" the imported merchandise.

The parties may have based this position on the fact that apparently there are no Japanese imports of the smaller machines. However, the Commission is to base its like product determination on the terms of the scope of the investigation as set forth by the Department of Commerce. ^{29/}

^{28/} Petition at Exhibit 5.

^{29/} The Commission considered this issue in the recent Hydrostatic Transmissions preliminary investigation. Light-Duty Integrated Hydrostatic Transmissions and Subassemblies thereof, with or without Attached Axles, from Japan, Inv. No. 731-TA-425 (Preliminary), USITC Pub. 2149 (January 1989). That investigation involved hydrostatic transmissions (hydrostats) and an item called a transaxle, which was a transmission and axle in one. Like portable drafting machines, the transaxle was produced domestically but was not imported. Based upon the terms of Commerce's scope determination, however, the Commission determined that the transaxle was like the articles subject to investigation, despite the absence of actual imports. Id. at 6, n.13. The Commission further found that the domestically produced transaxle and hydrostats constituted two distinct like products. Id. at 20.

Applying the Department of Commerce's definition of the scope of the investigation, we note that Draftette's machines are "elbow-type" drafting devices used "for aligning scales (or rulers) at a variety of angles anywhere on a drawing surface." ^{30/} Draftette's machines have a "protractor head." They would be classified under the tariff provision listed in the Commerce scope (HTS 9017.10.00), a provision that encompasses "drafting tables or machines." ^{31/} Thus, notwithstanding the parties' implicit positions, we determine that the portable drafting machines produced by Draftette are "like" the articles described in the scope.

The question then presented is whether portable and commercial drafting machines constitute one or two like products. Petitioner contends that the portable machines are "much too small and lacking in accuracy to find any use in commercial drafting offices," and that the small machines are "only used when portability is required, such as when an engineer wishes to make field drawings...." ^{32/} Petitioner asserts that there appears to be slight, if any, competition between the small and

^{30/} Report at A-5-A-6.

^{31/} Id.

^{32/} Post Conference Brief of Vemco at 6. See also, Tr. at 41 (Mr. Vaughan) ("I have never, ever seen a Draftette machine used in [a commercial drafting] office...and I've seen a lot of drafting offices."); Tr. at 20; Petition at 64.

large machines. 33/ Petitioner argues that customers likely do not consider the small and large machines to be the same. 34/

In applying the like product factors, we note that the smaller machines produced in the United States by Draftette serve basically the same function as larger imported machines: aligning rulers (or scales) at particular angles on a drawing surface. The physical characteristics of the larger and smaller machines are partially similar: having two hinged arms and a protractor head, Draftette's machines look like small elbow-type drafting machines, 35/ but they do not operate by means of bands and pulleys. 36/ Significantly, the large and portable machines do not appear to compete. 37/ This is a sign that the machines are not in fact interchangeable and are not perceived similarly by

33/ Tr. at 41 (Mr. Vaughan) ("There may be some people who want to economize who will use them for home drafting ... so there's that little bit of ... competition but it's insignificant.").

34/ Id.

35/ Tr. at 20 (Mr. Vaughan) ("It's an elbow device...."); Report at A-6.

36/ Report at A-6. There appears to be no overlap in the range of sizes of portable drafting machines as compared to commercial drafting machines. Vemco's elbow-type drafting machines range in arm length from 16 to 36 inches; Draftette's range only from 6 to 12 inches. Similarly, there is no overlap in the range of the sizes of the boards to which the machines are generally attached. See Petition at Exhibit 2; Draftette sales catalogue. In addition, Draftette's machines have no capability for reading fractions of degrees. Draftette's machines have no anti-gravitational device and therefore cannot be used on an inclined board. Id.

37/ Like petitioner, Draftette has indicated that it believes its product and Vemco's are not competitive. Draftette's catalogue displays Vemco machines in addition to its own.

customers. Neither Vemco nor Mutoh produces the smaller machines, and larger machines list for much more than portable machines, with no price overlap. 38/

We believe that the very limited interchangeability between portable and large drafting machines, and the substantial differences in manufacturing facilities and employees, price, and channels of distribution, outweigh the partial similarity in physical appearance and function. Thus, we determine that Draftette's portable machines are a separate like product. 39/ 40/ Accordingly, we find that there are two domestic industries in this investigation: producers of large commercial drafting machines, both track and elbow types (Vemco), and producers of portable drafting machines (Draftette).

38/ The most expensive Draftette drafting machine ("arm") lists for below \$60, and includes a set of scales in the price. (See Draftette sales catalogue.) By contrast, the cheapest Vemco machine lists for over \$200. Petition at Ex. 2; Tr. at 40. Draftette machines that include a drafting board and accessories such as a carrying case or scales ("drafting systems") may list for up to \$105. Report at A-5-A-6.

39/ Commissioner Eckes believes that, although there may be some good reasons for finding that portable and larger drafting machines are separate like products, it is not appropriate to make such a finding in this preliminary investigation. He does not believe that the data so far received allows for the drawing of clear dividing lines between "portable" and "large" drafting machines.

40/ Commissioner Rohr emphasizes that no party to this investigation has argued that portable and large drafting machines are the same like product. He further notes that the parties have shown very little interest of any kind in portable drafting machines in this investigation.

II. Condition of the Industry. ^{41/}

A. Large drafting machines.

In assessing the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, production, capacity utilization, shipments, inventories, employment, wages, sales, profitability, ability to raise capital, and investment. ^{42/} The Commission is directed to evaluate these factors in the context of the business cycle and competitive conditions of the particular industry concerned. ^{43/} The period of this investigation covers the years 1986 through 1988.

Because there is only one domestic producer of large commercial drafting machines in this investigation, much of the specific data on the condition of the industry are confidential. Thus, we will discuss the condition of the domestic industry producing large drafting machines in only the most general terms.

Apparent U.S. consumption of commercial drafting machines

^{41/} Vice Chairman Cass does not reach a separate legal conclusion on the condition of the domestic industry. See, e.g., Digital Readout Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390 (Final) USITC Pub. 2150 (January 1989) at 95-117 (Concurring and Dissenting Views of Commissioner Cass). He believes, however, that the discussion of the domestic industry is accurate and relevant to his decision regarding whether there is a reasonable indication that the domestic industry is materially injured by reason of alleged LTFV imports. See his Additional Views, infra.

^{42/} 19 U.S.C. § 1677(7)(C)(iii).

^{43/} Id.

decreased in both quantity and value from 1986 through 1988. 44/ Production of large drafting machines decreased from 1986 to 1987 and recovered somewhat in 1988, for an overall decline from 1986 to 1988. 45/ Capacity utilization showed an overall decline and remained quite low throughout the period of investigation. 46/ Total shipments declined throughout the period. 47/ Inventories also fell from 1986 through 1988. 48/

The number of employees producing drafting machines decreased, whereas the total hours worked by production and related employees increased. 49/ Wages were up, as was total compensation. 50/

Net sales for the drafting machine industry decreased from 1986 to 1987, then remained at that lower level in 1988. 51/ With respect to net income-and-loss, the industry's financial condition worsened during the period of investigation. 52/ The domestic industry had some difficulty in obtaining capital from

44/ Report at A-9, Table 1.

45/ Report at A-11, Table 3.

46/ Id.; Petition at 16.

47/ Report at A-12, Table 4.

48/ Id. at A-13, Table 5.

49/ Id. at A-13, Table 6.

50/ Id.

51/ Id. at A-15, Table 8.

52/ Id.; Petition at 19-20.

outside sources. 53/ Spending on research and development decreased. 54/

In sum, although a few indicators were positive or neutral, namely inventories, employment and compensation, nearly all the other indicators showed a decline. Production, capacity utilization, shipments, and sales all dropped. The industry's financial condition was down, it spent less on research and development, and it had trouble raising capital. Accordingly, we determine that there is a reasonable indication that the industry producing large drafting machines is materially injured. 55/ 56/ 57/

53/ Report at A-16.

54/ Id. at A-17.

55/ Chairman Brunsdale does not reach a separate legal conclusion based on the condition of the domestic industry. She believes that the discussion of the domestic industry is accurate and relevant to her determination regarding a reasonable indication of material injury by reason of the allegedly LTFV imports. See Certain Light-Walled Rectangular Pipes and Tubes from Taiwan, Inv. No. 731-TA-410, USITC Pub. 2169 (March 1989) at 10-15 (Views of Chairman Brunsdale and Vice-Chairman Cass).

56/ Commissioner Rohr believes that several issues pertaining to the financial condition of the domestic industry may warrant further examination in any final investigation: the level of petitioner's general, selling, and administrative expenses; the relationship between petitioner's other product lines and the financial condition of its drafting machine line; and the relationship between petitioner's current ratio and other data relating to its profitability. See Report at A-14-A-16.

57/ Commissioner Eckes finds that there is a reasonable indication that the domestic industry producing all drafting machines is materially injured. He notes that although Draftette Corporation showed a relatively healthy performance in most indicators during the period of investigation, the value of
(continued...)

B. Portable drafting machines. Upon consideration of the factors outlined above, we determine that there is no reasonable indication of material injury to the domestic industry producing portable drafting machines. 58/ 59/ 60/ 61/

57/ (...continued)

Draftette's shipments were only a small fraction of Vemco's. Thus, the addition of Draftette's data does not alter the overall trends for the domestic industry observed above.

58/ This conclusion is based upon the data supplied by Draftette Corporation. Because the data are confidential, we are not free to discuss publicly even the trends in the performance of the domestic industry producing portable drafting machines.

59/ Even if we were to find a reasonable indication of material injury to the portable drafting machine industry, we would find no reasonable indication that the injury was "by reason of" imports from Japan. At present there are apparently no imports of portable drafting machines from Japan. Report at A-6 (For this we rely on information provided by Mutoh and Draftette, as drafting machine imports are included in a basket category that contains unrelated items.). In addition, because we have found that portable and large drafting machines do not compete for the same customers, imports of large drafting machines from Japan have had little or no effect on the domestic industry producing portable machines.

60/ As noted above (note 3), Commissioner Eckes did not consider whether there was a reasonable indication of material injury or threat of material injury to a separate portable drafting machine industry.

61/ See note 55, supra.

III. Causation (Large drafting machines). 62/

The Commission's last task in a title VII investigation is to determine whether there is a reasonable indication of material injury or the threat thereof to the domestic industry (or industries) "by reason of" the imports under investigation. 63/ In making this determination, the Commission considers the volume of imports, their effect on prices for the like product, and their impact on domestic producers. 64/ In this regard, the Commission assesses whether import volumes or increases in volume are significant, whether there has been significant underselling by imports, and whether imports significantly depress or suppress prices. 65/

The Commission may consider alternative causes of injury, but it is not to weigh causes. 66/ Rather, the Commission is to

62/ Vice Chairman Cass does not join this section of the Commission's opinion. His analysis of the question whether there is a reasonable indication of material injury to any domestic industry by reason of alleged LTFV imports is set forth separately in his Additional Views.

63/ 19 U.S.C. § 1673b(a).

64/ 19 U.S.C. § 1677(7)(B)(i)(I),(II),(III). The Commission may in its discretion consider other relevant economic factors. 19 U.S.C. § 1677(7)(B)(ii).

65/ 19 U.S.C. § 1677(7)(C).

66/ *Citrosuco Paulista v. United States*, 12 CIT ___, 704 F. Supp. 1075, 1101 (1988). Alternative causes may include:

the volume and prices of imports sold at fair value,
contraction in demand or changes in patterns of
consumption, trade, restrictive practices of and
competition between the foreign and domestic producers,
(continued...)

determine whether imports are a cause of material injury. 67/

Although the absolute volume and value of imports of large drafting machines from Japan declined from 1986 through 1988, 68/ the percentage of apparent domestic consumption accounted for by Japanese imports increased from 1986 to 1987 in both quantity and value terms, then decreased in 1988. 69/ Overall, the market share of imports declined from 1986 through 1988 in terms of quantity, but remained steady as to value. 70/ Market share held by imports was substantial throughout the period. Although we believe that the decrease in imports in absolute terms is not trivial, we determine that the market share accounted for by imports of large drafting machines throughout the period of investigation is significant and is probative of a causal link between imports and the material injury being experienced by the domestic industry.

66/ (...continued)

developments in technology, and the export performance and productivity of the domestic industry. S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979).

67/ LMI - La Metalli Industriale, S.p.A. v. United States, 13 CIT ___, Slip op. 89-46 (April 11, 1989) at 31, citing, British Steel Corp. v. United States, 593 F. Supp. 405, 413 (1984); Hercules, Inc. v. United States, 11 CIT ___, 673 F. Supp. 454, 481 (1987); See also, Maine Potato Council v. United States, 613 F. Supp. 1237, 1244 (1985) (The Commission must reach an affirmative determination if it finds that imports are more than a "de minimis" cause of injury.).

68/ Report at A-23, Table 11; Post Conference Brief of Mutoh at 4.

69/ Id. at A-24, Table 13.

70/ Id.

The Commission requested information from the domestic industry and importers on the prices obtained for the largest quarterly sales of several representative large drafting machines during the period of investigation. Because nearly all sales by importers and the domestic industry were to unrelated distributors and not to end-users, the prices requested were for sales to distributors. 71/

The prices for both domestic and imported drafting machines generally increased throughout the period. 72/ Petitioner has argued that despite price increases, price suppression has occurred because prices have not kept pace with increased costs, particularly costs of raw materials. 73/ Based on the two products for which there is the most complete and meaningful data, we do not find this to be the case. Although costs of producing drafting machines did grow, price increases by the domestic industry were generally greater than the increase in costs. 74/ However, our judgment is tempered by the fact that usable price data collected in this preliminary investigation are limited and show some fluctuations.

We have also examined the price data for evidence of

71/ Report at A-25.

72/ Report at A-26-A-27, Tables 14 & 15.

73/ Post Conference Brief of Vemco at 22-23; see 19 U.S.C. § 1677(7)(C)(ii)(II).

74/ Report at A-15, Table 8; A-26-A-27.

significant underselling by imports. 75/ We note initially that differences in features between the models of imported and domestic drafting machines being compared have limited the probative value of price comparisons. 76/ Nonetheless, we find that the price data exhibited mixed signs of underselling and overselling by the imported merchandise as compared with domestic commercial drafting machines. 77/ In sum, although prices increased and the available data regarding underselling are inconclusive, in light of the persistent significant market share held by imports and the low threshold applicable to preliminary investigations, we determine that there is a reasonable indication that the domestic industry producing large drafting machines is materially injured "by reason of" the imports. 78/ 79/

75/ 19 U.S.C. § 1677(7)(C)(ii)(I).

76/ Report at A-27-A-28. For most of the comparisons, imported models were equipped with more features than the domestic models. Were it not for these added features, import prices might be lower and thus more underselling by imports would be found. In any final investigation, we will request the parties to assist us in ensuring comparability in the models selected for our pricing analysis.

77/ Report at A-26-A-27. Because the data are confidential, we are not at liberty to discuss publicly price comparisons for individual models.

78/ Commissioner Rohr is of the opinion that market share, standing alone, will not support an affirmative determination, even in a preliminary investigation. He reaches an affirmative determination in this investigation on the basis of not only market share, but also the mixed pricing data and the strong possibility that more probative pricing data may be obtained in a final investigation. Since there are so few parties involved,
(continued...)

Respondents argue that causes other than imports explain whatever injury the domestic industry may be experiencing. Principal among their alternative causes is that the market for mechanical drafting machines is contracting. Respondents assert that this is because Computer-Aided Design (CAD) systems have captured much of the market formerly served by drafting machines. ^{80/} Respondents point out that their own sales of drafting machines in the United States have declined significantly, and assert that this decline has caused them to shift toward greater emphasis on selling CAD equipment and less on mechanical drafting machines. ^{81/} They contend that petitioner itself has begun to concentrate more on sales of its imported CAD accessories such as scanners. ^{82/}

Respondents concede (and petitioner agrees), however, that CAD cannot totally displace mechanical drafting machines. ^{83/} They also note that many customers will still buy drafting

^{78/} (...continued)

Commissioner Rohr believes that very detailed price data may be obtained in any final investigation.

^{79/} Chairman Brunsdale notes that the price evidence in this investigation is no worse than that received by the Commission in many investigations, which often suffers from the same defects identified in these views. She therefore does not rely on anecdotal price information to determine injury by reason of the subject imports.

^{80/} Tr. at 61; Post Conference Brief of Mutoh at 11-14.

^{81/} Tr. at 54, 61.

^{82/} Post Conference Brief of Mutoh at 13.

^{83/} Tr. at 61.

machines for simple tasks, and others may find CAD's price prohibitive. 84/

Petitioner responds that only a small percentage of the drafting machine market has been lost to CAD. 85/ It notes that many persons use CAD in conjunction with drafting machines. 86/ Petitioner adds that because of its high price, CAD cannot explain the price suppression that is occurring for large drafting machines. 87/ In sum, petitioner argues that there is a reasonable indication that imports were at least a cause of injury.

We believe that CAD bears some responsibility for the decline in the U.S. market for drafting machines and may partly explain the injury experienced by the domestic industry. However, we find it difficult in this preliminary investigation to ascertain the precise effects of CAD on the market. We will explore this issue in greater detail in any final investigation. However, on the basis of the record so far developed, and bearing in mind the standard applicable to preliminary investigations, we find that, whatever the effect of CAD, there is a reasonable indication that allegedly LTFV imports from Japan were a cause of material injury to the domestic industry producing drafting

84/ Id. CAD systems range in price from \$20,000 to \$50,000. Report at A-6.

85/ Tr. at 34.

86/ Tr. at 32-3; See also, Tr. at 62, 69.

87/ Tr. at 34.

machines. 88/

IV. Reasonable indication of threat of material injury (Portable drafting machines).

The statute directs the Commission to examine a number of factors in making a determination regarding threat. 89/ Threat must be real and material injury imminent; conjecture or supposition are not sufficient. 90/

Because we have found present material injury to the industry producing large drafting machines, we do not reach the issue of threat of material injury as to large drafting machines. With regard to portable drafting machines, we have found no imports from Japan. In addition, we are not aware of any Japanese production of such machines whatsoever, whether or not for export. 91/ The dominant Japanese producer of drafting machines has indicated that it has no intention of commencing production of such machines, although it states that only a relatively small amount of initial capital would be required for

88/ In any final investigation, we will also explore other alternative causation arguments advanced by respondents. Respondents argue that Vemco has had difficulties with the quality of its product, its service, and its sales force. See, e.g., Tr. at 60, 64, 69, 71-2, 74, 81-2. Petitioner challenges these assertions. Tr. at 17-8; Post Conference Brief of Vemco at 21.

89/ 19 U.S.C. § 1677(7)(F)(i)(I)-(X).

90/ 19 U.S.C. § 1677(7)(F)(ii). See also, Alberta Gas Chemicals, Inc. v. United States, 1 CIT 312, 515 F. Supp. 780, 791 ("Mere possibility" of future harm will not support a finding of threat.).

91/ Report at A-6.

it to begin production. 92/

Thus, any threat of material injury to the domestic industry producing portable drafting machines would stem from the possibility that a Japanese company might begin to produce the machines, decide to export them to the United States, and then be successful enough at exporting to cause material injury to an otherwise healthy industry. 93/ We believe that such a possibility is no more than "conjecture or supposition." 94/ Accordingly, we find that there is no reasonable indication that the domestic industry producing portable drafting machines is threatened with material injury by reason of the imports subject to investigation.

92/ Letter on behalf of Mutoh Industries, May 9, 1989.

93/ Report at B-13.

94/ 19 U.S.C. § 1677(7)(F)(ii).

ADDITIONAL VIEWS OF CHAIRMAN ANNE E. BRUNSDALE

Drafting Machines and Parts Thereof from Japan
Inv. No. 731-TA-432 (Preliminary)

May 22, 1989

I join in the Views of the Commission as far as they go. I am troubled, however, by the majority's treatment of the causation issue. The statute governing preliminary determinations requires an affirmative determination if the Commission finds "a reasonable indication that an industry in the United States" is materially injured or threatened with material injury "by reason of imports of the merchandise which is the subject of the investigation."^{1/} The courts have interpreted this language to require an affirmative determination unless "the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury."^{2/} As I have noted in prior investigations, the preliminary determination standard calls for a two-step inquiry: whether the record discloses a "reasonable indication" that the domestic industry is materially injured (or threatened with material injury) "by reason of" the subject imports, and whether the record establishes by overwhelming evidence that the "reasonable indication" would not meet the higher evidentiary burden of a final investigation.^{3/}

The Views of the Commission provide an adequate explanation of why Respondent's arguments regarding alternative causes of the industry's

^{1/} 19 U.S.C. § 1671b(a).

^{2/} American Lamb v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986).

^{3/} See New Steel Rails from Canada, Inv. Nos. 701-TA-297 and 731-TA-422 (Preliminary), USITC Pub. 2135 (November 1988) at 55-68 (Views of Acting Chairman Brunsdale).

condition do not satisfy the second step of this inquiry. In sum, the Commission does not have sufficient information to verify Respondent's arguments at this time.^{4/} However, the majority does not treat the first step of this inquiry, that is, whether the record reveals a "reasonable indication" of material injury. I do not believe that, under the statute and prevailing judicial interpretations, uncertainty over Respondent's explanations for the state of the industry can establish the affirmative case called for in the statute.^{5/}

The evidence supporting an affirmative determination in this investigation is limited. The so-called "trends" in this case do not support an affirmative determination. The U.S. market for drafting machines is mature and relatively stable. While the absolute size of the market has waned during the period of investigation, the Respondent's share of the domestic market has remained fairly constant.^{6/} The fortunes of the

^{4/} See Electrolytic Manganese Dioxide from Greece, Ireland and Japan, Inv. Nos. 731-TA-406-408 (Preliminary), USITC Pub. 2097 (July 1987) (Additional Views of Vice Chairman Brunsdale and Commissioners Liebel and Cass).

^{5/} Indeed, if this were the standard, then evidence regarding the imports under investigation would be superfluous in any preliminary investigation.

^{6/} Indeed, the majority concedes at several points that it views the Japanese market share as itself a basis for an affirmative preliminary determination. See Views of the Commission, supra, at 16 ("[W]e determine that the market share accounted for by imports of large drafting machines throughout the period of investigation is significant and is probative of a causal link between imports and the material injury beings experienced by the domestic industry"). I cannot agree with the view that the existence of imports with a certain market share is ever itself sufficient to support an affirmative determination, even with the lower evidentiary burden in a preliminary determination.

the domestic industry, therefore, cannot be attributed to an increasing penetration of the imports under investigation.^{7/}

The record establishes a "reasonable indication" of material injury "by reason of" the subject imports only if one is willing to take into account the fact that the imports are dumped and that, compared to some "fair" price, are underselling the domestic product or suppressing prices in the domestic market. I have long advocated the use of the dumping margins calculated by the Commerce Department as a reasonable measure of the gap between the dumped price and the fair price.^{8/} Only by looking at the dumping margin in this investigation can one assert with any reason that the imports have had an impact on the domestic industry over the period of investigation.

Petitioner alleges dumping margins ranging from 107 to 189 percent. Dumping margins in this range, if confirmed by the Department of Commerce, would indicate a great disparity between the actual price of the subject imports and the price that would prevail in the absence of dumping. Petitioner's proffer of evidence regarding this price gap, combined with the strong and persistent presence of the subject imports in the domestic market, constitutes a "reasonable indication" that the imports have had a material impact on the domestic industry.

^{7/} Furthermore, the majority readily concedes that the anecdotal price data in this investigation lack any probative value. See Views of the Commission, supra, at 17, 18.

^{8/} See Internal Combustion Engine Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final), USITC Pub. 2082 (May 1988) at 85 (Additional Views of Vice Chairman Brunsdale) ("in the absence of convincing evidence to the contrary, I generally assume that the weighted average dumping margin directly translates into a price advantage for dumped imports relative to what their prices would have been if they had been fairly traded").

Because I agree with the majority that Respondent's asserted alternative causes, though entirely plausible, are not substantiated sufficiently on this preliminary record to warrant termination of the investigation, I find that an affirmative preliminary determination is proper.

ADDITIONAL VIEWS OF VICE CHAIRMAN RONALD A. CASS

Drafting Machines and Parts Thereof from Japan
Inv. No. 731-TA-432
(Preliminary)

I concur with the Commission's determinations in this investigation, finding (1) that there is a reasonable indication that the domestic industry producing drafting machines (and parts thereof) other than portable drafting machines ("standard drafting machines") is suffering material injury by reason of alleged less than fair value ("LTFV") imports of drafting machines and parts thereof from Japan and (2) that there is no reasonable indication that the domestic industry producing portable drafting machines has been materially injured by reason of such imports. I join the Commission's discussion of the like product issue, of the possible threat of injury to a domestic industry from the subject imports, and of the condition of the domestic industry to the extent that it accurately summarizes information relevant to my disposition of this investigation. I offer these Additional Views because the analysis that I employ in assessing whether there is sufficient reason to believe that LTFV imports caused material injury to a domestic industry differs in certain respects from that reflected in the Views of the Commission.

I. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

While I agree with the Commission's description of the products at issue, I draw somewhat different conclusions. I agree that standard drafting machines are not sufficiently like portable drafting machines to constitute a single like product category. Given the statutory definition of like product in terms of similarity to the subject imports, I believe it best here to find the domestic like product consists solely of standard, not portable drafting machines. By finding two like products are like the imports and are not quite like the products actually imported, we give too much weight to the nominal description of the scope of this investigation, and too little weight to the factual indicia of its actual scope. In the absence of evidence that any portable drafting machines are among the imports under investigation, I would find one like product here consisting solely of standard drafting machines. That said, as the majority has found two different like products, I have examined the effects of the subject imports on both. Doing so, I concur in both of the majority's determinations regarding the imports' effects on the two industries producing those products.

II. LEGAL STANDARD GOVERNING DISPOSITION OF PRELIMINARY INVESTIGATIONS

On several other occasions,^{1/} I have discussed the legal

^{1/} See, e.g., Certain Telephone Systems from Japan, Korea and Taiwan, USITC Pub. 2156, Inv. Nos. 731-TA-426-28 (Preliminary) 53-63 (Feb. 1989) (Additional Views of Commissioner Cass) ("Phone Systems"); Generic Cephalixin Capsules from Canada, USITC Pub. 2143, Inv. No. 731-TA-433 (Preliminary) 39-45 (Dec. 1988)

standard that controls disposition of preliminary investigations under Title VII of the Tariff Act of 1930.^{2/} I do not believe extended discussion of that issue is warranted here. I believe, however, that certain aspects of the applicable standard should be kept in mind in considering what disposition is appropriate in this investigation.

First, to support an affirmative determination, there must be record evidence indicating that the injury necessary to imposition of antidumping duties -- material injury by reason of the alleged LTFV imports -- occurred or is imminent.^{3/} Second, less evidence is required to make the requisite showing of injury in a preliminary investigation than in a final investigation.^{4/} Third, we must consider all of the evidence before us, not just the evidence offered in support of an affirmative determination, in deciding whether such a showing has been made.^{5/} Fourth, in weighing conflicting evidence, we should not dismiss evidence

(Dissenting Views of Commissioner Cass) ("Cephalexin Capsules"); New Steel Rails from Canada, USITC Pub. 2135, Inv. Nos. 701-TA-297, 731-TA-422 (Preliminary) 19-31 (Nov. 1988) (Additional Views of Commissioner Cass) ("New Steel Rails").

^{2/} The standard is codified at 19 U.S.C. § 1671b(a) (countervailing duty investigations) and at 19 U.S.C. § 1673b(a) (antidumping investigations).

^{3/} Where, as here, the domestic industry producing the like product is well-established, material retardation is not at issue.

^{4/} See, e.g., Phone Systems, supra, at 54-55; New Steel Rails, supra, at 21.

^{5/} See American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986).

supporting a factual inference necessary to an affirmative determination unless contrary evidence is offered that clearly is more probative or more credible.^{6/} Finally, the absence of evidence necessary to an affirmative finding of injury from LTFV imports does not necessarily indicate that a negative determination is appropriate. Rather, we must consider the present lack of such evidence in light of the likelihood that in a final determination evidence might be developed that would support an affirmative decision.^{7/}

III. REASONABLE INDICATION OF INJURY
BY REASON OF LTFV IMPORTS

Title VII of the Tariff Act of 1930, as amended, the statute that governs antidumping and countervailing investigations, contemplates that, in evaluating whether there is a reasonable indication that a domestic industry has suffered material injury by reason of LTFV imports, the Commission will not make a freestanding inquiry into the condition of the relevant domestic industry. Rather, in assessing the effects of LTFV imports, we must compare the condition of the domestic industry to the conditions that would have existed had there not been LTFV

^{6/} Id. The court's phrase for such evidence is "clear and convincing".

^{7/} Id.

imports.^{8/} Title VII directs the Commission, in assessing the causation of injury by dumped imports, 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"9/

The statute goes on to spell out these three factors with greater particularity.

Although the statutory text does not identify all of the factors relevant to an assessment of whether dumped imports have materially injured a domestic industry,^{10/} the factors that are listed in the statute and the order in which they are listed suggest the essential elements of the inquiry that we are to undertake. First, we are to examine the volumes of imports of the merchandise under investigation. The absolute volumes of imports, their magnitude relative to domestic sales of the competing "like product", and the extent to which import volumes changed as a result of dumping are all relevant to assessment of the effect of LTFV imports on the domestic industry. The change in import volumes brought about by dumping, in turn, will be

8/ See, e.g., 3.5" Microdisks and Media Therefor from Japan, USITC Pub. 2076, Inv. No. 731-TA-389 (Preliminary) (Additional Views of Commissioner Cass) (April 1988); Phone Systems, supra.

9/ See 19 U.S.C. § 1677(7)(B).

10/ Indeed, the statute explicitly directs the Commission to consider all economic factors relevant to determining whether a domestic industry has been materially injured by reason of unfairly traded imports. See 19 U.S.C. § 1677(7)(C).

closely related to, and in large part a function of, changes in the prices of the imports that occurred as a result of dumping. Second, we must determine how the LTFV imports affected prices, and concomitantly sales, of the domestic like product. Finally, we must evaluate the extent to which the changes in demand for the domestic like product that were caused by dumping affected the financial performance and condition of the domestic industry and the level and terms of employment in the domestic industry.^{11/}

Title VII, as amended by the Omnibus Trade and Competitiveness Act of 1988, instructs the Commission to consider explicitly and state its conclusions on the factors that form the basis for each of these three inquiries.^{12/} In considering these factors, we also must consider the particular dynamics of the

^{11/} Of course, the Commission must also evaluate whether these effects are "material" within the meaning of the statute. This assessment is, in some sense, a fourth part of our inquiry. See Digital Readout Systems and Subassemblies Thereof from Japan, USITC Pub. 2150, Inv. No. 731-TA-390 (Final), 117-19 (Jan. 1989) (Concurring and Dissenting Views of Commissioner Cass).

^{12/} See Pub. L. No. 100-418, § 1328(1), 102 Stat. 1107, 1205 (codified as 19 U.S.C. § 1677(7)(B)(ii)).

I have explained in detail in other opinions how the three-part inquiry that I employ considers the specific factors listed in the statute as well as certain other economic factors relevant to an assessment of the impact of unfairly traded imports on the domestic industry producing the like product. See, e.g., New Steel Rails, supra, at 35-37; Cephalixin Capsules, supra, at 56-58.

relevant industries and markets.^{13/} The three inquiries outlined above are undertaken in light of these guidelines in the succeeding sections of these Views.

A. Standard Drafting Machines and Parts Thereof

In this investigation, I have made an affirmative determination respecting standard drafting machines. I have made this determination in large part on the basis of the data collected by the Commission staff. I have also carefully considered the arguments that were made to us by the parties to this proceeding, but I found in this investigation that they added little to the information otherwise available to us. The parties failed entirely to address certain issues that the Commission has normally regarded as highly relevant to an assessment of the impact of LTFV imports on the domestic industry, including, inter alia, the extent to which domestic consumers treat the subject imports as a close substitute for the domestic like product, information that is critical to understanding the effects of imports on domestic prices and sales. Should this case return to us in a final investigation, I hope that the parties will pay greater attention to this issue, as well as various other relevant issues mentioned elsewhere in these Views.

1. Volume and Prices of LTFV Imports

^{13/} See new Section 771(C)(iii)(IV) of the statute (codified at 19 U.S.C. § 1677(C)(iii)). See also S. Rep. No. 71, 100th Cong., 1st Sess. 117 (1987).

During the period covered by our investigation, the volume of the subject imports dropped [*****]. In 1986, [*****] drafting machines were imported from Japan.^{14/} In 1987, only [*****] Japanese machines were imported.^{15/} In 1988, the volume of imports dropped again, to [*****] units.^{16/}

The value-measured import data present a similar picture.^{17/} In 1986, the value of drafting machines and parts thereof imported from Japan amounted to approximately \$[*****].^{18/} In 1987, the value of these imports was only about \$[*****].^{19/} In 1988 the value was even lower -- approximately \$[*****].^{20/}

Nevertheless, the record evidence before us in this preliminary investigation suggests at least a colorable basis for an inference that the volumes of the subject imports increased [*****] and the prices of those imports declined [*****] as a result of the dumping alleged by Petitioner. According to Petitioner, the Japanese imports were sold in the

^{14/} Report at A-23, Table 11.

^{15/} Id.

^{16/} Id.

^{17/} The value data also better measure the volume of imports because, unlike the quantity data, they reflect the imports of drafting machines parts that are also covered by this investigation.

^{18/} Report at A-23, Table 11.

^{19/} Id.

^{20/} Id.

U.S. market at prices reflecting dumping margins ranging from 107% to as much as 189%.^{21/} These allegations cannot be taken at face value, however. In its notice of initiation of this investigation, the Commerce Department stated that it found that certain adjustments made by Petitioner to Respondent's U.S. sales prices and the foreign market value of the subject imports were unsubstantiated.^{22/} Accordingly, Commerce recalculated these values and determined that the average dumping margin alleged in the Petition was 73% -- in other words, less than the lowest margin alleged in the Petition.

In preliminary investigations such as this one, the alleged margin, as recalculated by Commerce, is the best evidence available to us and I believe that we are generally required to accept it as such. The legislative history of the Trade Agreements Act of 1979 specifies that, in preliminary investigations in antidumping cases, the Commission "will be guided by the description of the allegation of the margin of dumping contained in the petition or as modified by . . .

[Commerce]".^{23/} I do not discern any basis in the record upon which we might depart from that general rule. Accordingly, we must assume, for the purposes of this proceeding, that the

^{21/} Id. at A-7.

^{22/} International Trade Administration, Initiation of Antidumping Duty Investigation; Drafting Machines and Parts Thereof from Japan, 54 Fed. Reg. 19424 (May 5, 1989). See Report at B-5.

^{23/} Statements of Administrative Action, Trade Agreements Act of 1979, at 415.

subject imports were sold in the U.S. market at an average dumping margin of 73%.

In most cases, the actual decrease in the price of subject imports that occurs consequent to dumping will be less than the amount of the dumping margin.^{24/} In cases such as this one, where the alleged dumping margins reflect an assertion that the subject foreign producers/exporters have charged a lower price for their product in the United States than the price that they have charged in their home market (or another foreign market used as the surrogate for the home market), the actual decrease in the U.S. price of the subject imports that occurred consequent to dumping will be only a fractional percentage of the dumping margin.^{25/} This percentage, in turn, will be in large measure a function of the proportion of the total sales of the subject foreign producer(s) in the U.S. and the exporter's home market (or other surrogate foreign market) that is accounted for by sales in the home market.^{26/}

^{24/} See Phone Systems, supra, at 75.

^{25/} For a description of the manner in which the alleged dumping margins were calculated, see Petition at 8-10.

^{26/} See, e.g., Certain All-Terrain Vehicles from Japan, USITC Pub. 2163, Inv. No. 731-TA-388 (Final) 58-60 (March 1989) (Additional Views of Commissioner Cass); Granular Polytetrafluoroethylene Resin from Japan and the Netherlands, USITC Pub. 2112, Inv. Nos. 731-TA-385 and 386 (Final) 74 (Aug. 1988) (Additional Views of Commissioner Cass); Certain Bimetallic Cylinders from Japan, USITC Pub. 2080, Inv. No. 731-TA-383 (Final) 44 (May 1988) (Additional Views of Commissioner Cass).

In reality, an estimate of the decrease in the price of the dumped product that is derived in this fashion will be somewhat

Respondent's sales of drafting machines in its home market have consistently and substantially outweighed its sales of such products in the United States.^{27/} Accordingly, in this investigation, the record evidence indicates that dumping caused the price of the subject imports to decline by a substantial percentage of the dumping margin.

For reasons discussed in more detail below, I must also conclude that it is possible, although by no means certain, that the decreases in the price of the subject imports that occurred as a result of the alleged dumping also produced significant increases in volumes and sales of the subject imports. The extent to which decreases in the prices of the subject imports produce increases in the sales of those products is, in large measure, a function of the degree to which the imported product is substitutable for the domestic like product. As set forth in the following section of these Views, although the record on this issue is anything but well-developed, there is record evidence

overstated as it represents an approximate upper bound of that decrease. For a thorough explication of this subject, see Office of Economics, Assessing the Effects on the Domestic Industry of Price Dumping, USITC Memorandum EC-L-149 at 1, n. 1, 13, 19-21 (May 10, 1988). A more accurate statement of the effects of dumping on import prices also may require some adjustment to reflect the fact that dumping margins are calculated on an ex-factory, rather than final sales price, basis. However, the evidence that would be necessary to make such an adjustment is not contained in the record here.

^{27/} Throughout the period covered by our investigation, Respondent's sales of drafting machines in Japan accounted for [****]% of its total sales of such products in the United States and Japan combined. See Report at A-21, Table 10.

consistent with an inference that the imported and domestic products are reasonably close substitutes.

2. Prices and Sales of the Domestic Like Product

The second statutory inquiry into injury caused by LTFV imports builds on the first. It asks, in light of the changes in the volumes and prices of the subject imports that occurred as a result of the alleged dumping, what changes occurred in prices and sales of the domestic like product? In this investigation, the record evidence suggests that there is at least a reasonable possibility that these effects could have been significant.

In evaluating the effects of subject imports on domestic prices and sales, it is necessary to have some understanding of the markets for the domestic and imported products, especially the manner in which consumers' reactions affect these markets. In particular, the effect of imports on the domestic like product's prices and sales is critically affected by the evidence bearing on three issues: the share of the domestic market held by the subject imports; the degree to which consumers see the imported and domestic like products as similar (the substitutability of the subject imports and the domestic like product); and the degree to which domestic consumers change their purchasing decisions for these products based on variations in the prices of those products. The evidence bearing on each of these three issues is examined in turn.

Throughout the period covered by our investigation, the subject imports had a significant share of the domestic market.

The imports' market share fluctuated in a narrow range on both a quantity-measured basis and a value-measured basis. In 1986, the market share of the subject imports measured by quantity and value, was [**]% and [**]%, respectively.^{28/} In 1987, market penetration was [*****] higher: [**]% by quantity and [**]% by value.^{29/} In 1988, import market penetration dropped [*****]; the subject imports accounted for [**]% of domestic consumption measured by quantity and [**]% measured by value.^{30/} We do not have data for the early part of this year, but the parties have not argued, and the record does not otherwise suggest, that import market penetration was significantly different during this period than it was during the preceding three years.

The evidence concerning the other two important categories of facts relevant to imports' effects on domestic prices and sales is incomplete. The record does not clearly establish whether the subject imports are, in fact, close substitutes for domestically produced drafting machines; the parties offered virtually no evidence bearing on this issue. There are indications in the record that the features offered on imported drafting machines may differ from those offered on domestic machines in certain respects,^{31/} but there is no meaningful

^{28/} Report at A-24, Table 13.

^{29/} Id.

^{30/} Id.

^{31/} See Report at A-27.

indication as to the prevalence or significance of such differences. Moreover, Petitioner argued, without contradiction from Respondent, that price is more important than product features to high volume purchasers.^{32/} The record does not clearly establish whether consumers perceive any quality or other differences between the imported and domestic like products that do not relate to the features offered on the various models of the imported and domestic like products. The comparability of the quantity-measured and dollar-measured shares of the domestic market held by the imports might be thought to suggest that, as a class, the imports are comparable to the other competing products, including the domestic like product. This inference, however, is by no means a strong one. Although the record evidence before us respecting the substitutability of the imported and domestic like products is sparse, at best, it does not appear that the substitutability of domestically made drafting machines for the subject imports product is so limited as to negate any reasonable possibility that the dumping of the subject imports had a significant adverse effect on prices and sales of the domestic like product.^{33/}

The evidence is similarly inconclusive on the extent to which domestic consumers' demand for drafting machines responds

^{32/} Petitioner's Postconference Brief at 21.

^{33/} For reasons explained infra, this is, however, not at all true of the evidence respecting the substitutability of domestically produced portable drafting machines for the subject imports.

to changes in the price of that product. On the record as it now stands, the most that might be offered are intuitive judgments on this issue. In any final investigation, I would hope that the parties would pay serious attention to that issue, for I believe that it is especially significant in light of the recently enacted amendments to Title VII that require us to take into account the particular dynamics of the relevant industries and markets.^{34/}

In sum, then, the evidence in this investigation on several important issues relating to imports' effects on prices and sales of the domestic like product is far from complete. The best evidence that is available to us suggests, however, at least the reasonable possibility that the alleged dumping might have had a significant effect on domestic prices and sales. Given this evidence, together with a realistic prospect that a final investigation might develop further evidence to support such an inference, there is, in my view, a reasonable indication that the alleged LTFV imports had a significant effect on prices and sales of the domestic like product.

3. Investment and Employment

The data on employment and investment returns in the domestic industry that we have collected in this preliminary investigation are essentially consistent with, but do not offer strong independent support for, the inference that there is a

^{34/} See 19 U.S.C. § 1677(C)(iii)

reasonable indication that the alleged dumping has caused material injury to the domestic industry producing standard drafting machines. Petitioner's recent financial performance has been [*****]. During the last two years, for example, Petitioner reported [*****] operating [*****] on its drafting machine operations -- [*****]
[*****].35/ Petitioner's capital expenditures and research and development outlays in 1988, the most recent period for which data are available, were [*****] than in the earlier periods covered by our investigation.36/ These data, on their face, appear consistent with Petitioner's claim that it is [*****]
[*****].37/

On the other hand, Respondent claims that Petitioner's reported financial data reflect little more than the fact that Petitioner has been [*****]
[*****]
[*****].38/ According to Respondent, if these items were removed from Petitioner's financial data, it would become readily apparent that Petitioner was, in reality, quite profitable in

35/ Report at A-15, Table 8.

36/ Id. at A-17.

37/ See Petitioner's Postconference Brief at 14-15.

38/ See Comments Filed on Behalf of Mutoh Industries, Ltd. and Mutoh America, Inc. on Proprietary Business Information at 6-7.

1988.^{39/} This contention is not refuted by any of the other evidence now before us.

The conflicting interpretations of the financial data that have been offered by the parties illustrate the dangers inherent in any attempt to base conclusions respecting the impact of LTFV imports on domestic industry on financial or employment data viewed in isolation. Many divergent forces, most of which have nothing to do with LTFV imports, will invariably affect a firm's financial data, its employment levels and other related indicia of the performance of domestic industry. Without some understanding of the manner in which the subject imports affected prices and sales of the domestic like product, it is difficult, if not impossible, to offer any meaningful conclusions concerning the manner in which dumping may have affected the industry's performance. Thus, in determining that there is a reasonable indication that LTFV imports have caused material injury to the domestic industry producing standard drafting machines, I have considered, but not attached great weight to, the available financial data.

The available employment data are, if anything, even more ambiguous. Total employment in the domestic industry and hours worked remained essentially unchanged over the period covered by our investigation.^{40/} Hourly wages, on the other hand, rose

^{39/} Id.

^{40/} Report at A-13, Table 6.

[*****].^{41/} Such data certainly do not provide any support for an inference that dumping caused material injury to the domestic industry. By the same token, these data, taken alone, surely do not outweigh other record evidence that does provide a reasonable indication of injury by reason of LTFV imports.

4. Conclusion

Based on all of the record evidence before us -- particularly the evidence respecting the effects that the alleged dumping had on the volume and price of the subject imports, and concomitantly, prices and sales of the domestic like product -- I find that there is a reasonable indication that the domestic industry producing standard drafting machines has been materially injured by reason of LTFV imports from Japan. Given the paucity of the evidence that is available to us on certain key issues, this is, however, the strongest statement that can be made respecting the effects of these imports on the industry.

B. Portable Drafting Machines

In this investigation, I have determined that there is not a reasonable indication that LTFV imports have caused material injury to the domestic industry producing portable drafting machines. The issues relevant to an assessment of this question are similar to those involved in evaluating the impact of the alleged LTFV imports on the domestic industry producing standard

^{41/} Id.

drafting machines; however, for the reasons explained below, the relevant evidence on those issues compels a different conclusion for the industry producing portable drafting machines than is appropriate for the industry making standard drafting machines.

1. Volumes and Price of Subject Imports

During the period covered by our investigation, no imports of portable drafting machines from Japan were reported.^{42/} Indeed, it appears that such machines are simply not produced in Japan.^{43/}

This does not mean, however, that the alleged LTFV imports that are the subject of this investigation necessarily did not cause injury to the domestic industry that produces portable drafting machines. As previously discussed, the record evidence indicates the reasonable possibility that the alleged dumping could have produced significantly increased volumes of imports of standard drafting machines at significantly decreased prices. If imports of standard drafting machines were substitutable to a significant extent for domestically produced portable drafting machines, increased volumes of imports of standard drafting machines at decreased prices could have caused material injury to the domestic industry producing the portable machines. This plainly was not the case, for there is no significant degree of substitutability between standard drafting machines (from

^{42/} Report at A-6.

^{43/} Id.

whatever source, foreign or domestic) and the portable machines produced in the United States. That issue is discussed further below.

2. Prices and Sales of the Domestic Like Product

As the Commission stated in determining that portable drafting machines are a like product separate from standard drafting machines, there is no apparent competition between standard and portable drafting machines.^{44/} I will not repeat here all of the points that the Commission made in the context of its discussion of the like product issue. The essential point is simply that, although the physical characteristics of the two types of machines are similar in certain respects,^{45/} Petitioner argues, and the record suggests, that consumers simply do not view standard drafting machines as substitutable for portable drafting machines, or vice versa.^{46/} Portable drafting machines are much smaller, are not nearly as accurate as standard drafting machines, and portables do not have the same minute resolution capabilities.^{47/} Unlike standard machines, portable drafting machines can only be used on horizontal surfaces.^{48/} Portable drafting machines are, in short, as Petitioner argues and as

^{44/} See Views of the Commission at 12.

^{45/} See id.

^{46/} Id. at 12-13.

^{47/} Report at A-5-A-6.

^{48/} Id. at A-6.

their name suggests, used only when portability is required.^{49/} For the vast majority of uses in which standard drafting machines are employed, portable drafting machines are, therefore, not readily viewed as substitutable for a standard machine.^{50/} Conversely, standard machines, because they are not portable, are generally not suited for the applications in which the portable machines are used. Accordingly, although there is a reasonable possibility that the alleged LTFV imports had a significant effect on prices and sales of domestically produced standard drafting machines, it is plain that these imports did not have a significant effect on either prices or sales of portable drafting machines made in the United States.

3. Investment and Employment

The investment and employment data compiled by the Commission for the domestic industry producing portable drafting machines contain [*****] with the other record evidence suggesting that the alleged LTFV imports subject to this investigation had no significant impact on that industry. It is important that such data be viewed with care and in the context of the other information that is available to us respecting the effects of the LTFV imports in question. With that caveat in mind, it should be noted that the financial data for the portable machine drafting machine industry are [*****]. In this

^{49/} See Petitioner's Postconference Brief at 6. See also Tr. 20, 41.

^{50/} Id.

investigation, the financial data reveal that the domestic portable drafting machine industry recorded [*****
*****] in 1988, the most recent period covered by our investigation.^{51/} The employment data [*****
*****]; total employment in that industry is [*****

*****].^{52/} It is, in any event, apparent that the available employment data, like the financial data, provide no support for an inference that LTFV imports may have materially injured the domestic industry.

4. Conclusion

For the foregoing reasons, I have determined that there is no reasonable indication that the domestic industry producing portable drafting machines has been materially injured by the alleged LTFV imports from Japan that are the subject of this investigation.

^{51/} Report at B-13, Table B-3.

^{52/} See id. at B-13, Table B-1.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On April 7, 1989, petitions were filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by Vemco Corp., San Dimas, CA, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports from Japan of drafting machines and parts thereof 1/ that are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, effective April 7, 1989, the Commission instituted antidumping investigation No. 731-TA-432 (Preliminary), under section 733 of the Tariff Act of 1930, to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

The statute directs the Commission to make its preliminary determination within 45 days after receipt of the petition or, in this case, by May 22, 1989. 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 April 13, 1989 (54 F.R. 14875). Commerce published its notice of initiation in the Federal Register of May 5, 1989. 2/ The Commission held a public conference on April 28, 1989, at which time all interested parties were allowed to present information and data for consideration by the Commission. 3/ The Commission voted on this investigation on May 17, 1989.

The Product

Description and uses

A drafting machine is a manual device primarily used in constructing a line of predetermined length either through a single point at a predetermined angle with respect to one base line, or alternatively, through a pair of predetermined points. The operation of the machine involves aligning perpendicularly situated scales (or rulers) at a variety of angles anywhere on a drawing surface with the

1/ For the purpose of this investigation, the term "drafting machines" refers to track and elbow-type drafting machines, whether finished, unfinished, assembled, unassembled, or drafting machine kits. The term "parts" includes, but is not limited to, horizontal and vertical tracks, parts of horizontal and vertical tracks, band-and-pulley mechanisms, protractor heads, and parts of protractor heads, destined for use in drafting machines. Accessories, such as parallel rulers, lamps, and scales are not subject to this investigation. If imported, such goods are provided for in subheadings 9017.10.00 and 9017.90.00 of the Harmonized Tariff Schedule of the United States.

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

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

use of a protractor head, which allows angles to be set and read, and lines to be drawn at a predetermined angle. Three main operations are involved in the use of a drafting machine: parallel motion of the protractor head, base-line setting, and angle setting.

Drafting machines are used for lineal graphic presentation by a variety of users. These include, in part: draftsmen, engineers, students, architects, navigators, designers, and graphic artists.

Every drafting machine consists of a protractor head, which is used in setting angles. However, parallel movement of the protractor head on a board or other drawing surface is achieved through two different types of mechanisms: the track drafting machine and the band-and-pulley (elbow-type) drafting machine. These two types of drafting machines are illustrated in figure 1.

Track drafting machine.--The track drafting machine is newer, generally larger, more versatile, and more expensive than the band-and-pulley drafting machine. The major components are horizontal track (including horizontal carriage and clamps), vertical track (including vertical track bracket, vertical carriage, and support roller), and protractor head, which attaches to the vertical carriage.

The track drafting machine is a manually operated machine, consisting of a protractor head assembly mounted on a carriage that glides along a vertical track and whose movement is controlled by a vertical brake. The vertical track is, in turn, mounted on a carriage that glides along the horizontal track and is controlled by a horizontal brake. Parallel motion of the protractor head and accurate orientation of the scales is, therefore, achieved by means of the two carriages moving in mutually perpendicular tracks. The track drafting machine is normally mounted on the upper edge of a drafting board or other drawing surface by means of clamps attached to the horizontal track.

Band-and-pulley (elbow-type) drafting machine.--Generally smaller and less expensive than the track drafting machine, the band-and-pulley drafting machine primarily consists of upper and lower arms, tension bands, a pulley system, and the protractor head assembly.

It is a single manually operated unit to be mounted by means of a clamp to the upper edge of a drafting board or other drawing surface, not angled more than 25 degrees. The upper and lower arms, tension band, and pulley linkage provide parallel motion and maintain accurate orientation of the protractor head assembly from the clamp to the protractor head, allowing rotation at the elbow. Disc brakes at the elbow joint are provided to steady the lower arm on an inclined board. A gravity compensating adjustable counterweight may be offered on some models to adjust for more board tilt.

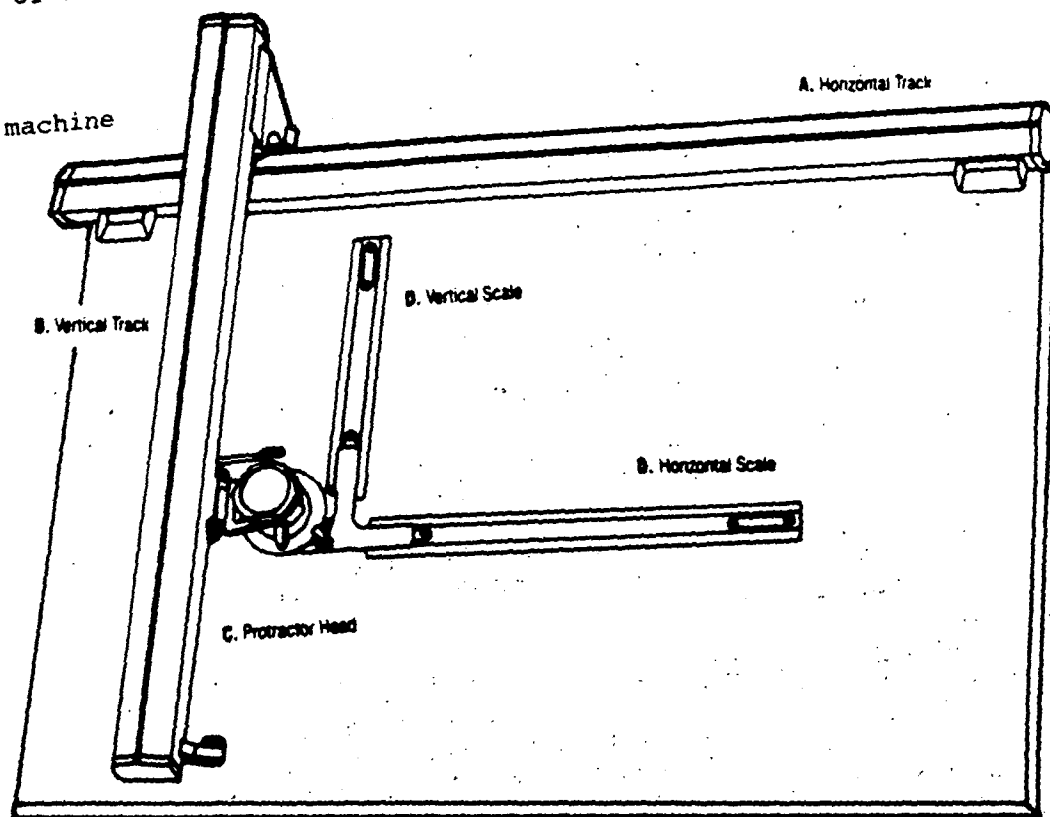
Protractor head.--The protractor head is available in three types, distinguished by preference of use and price. ^{1/} The three protractor heads include: digital, dial, and vernier. Each type accounts for * * * percent of

^{1/} Transcript of the conference, p. 35.

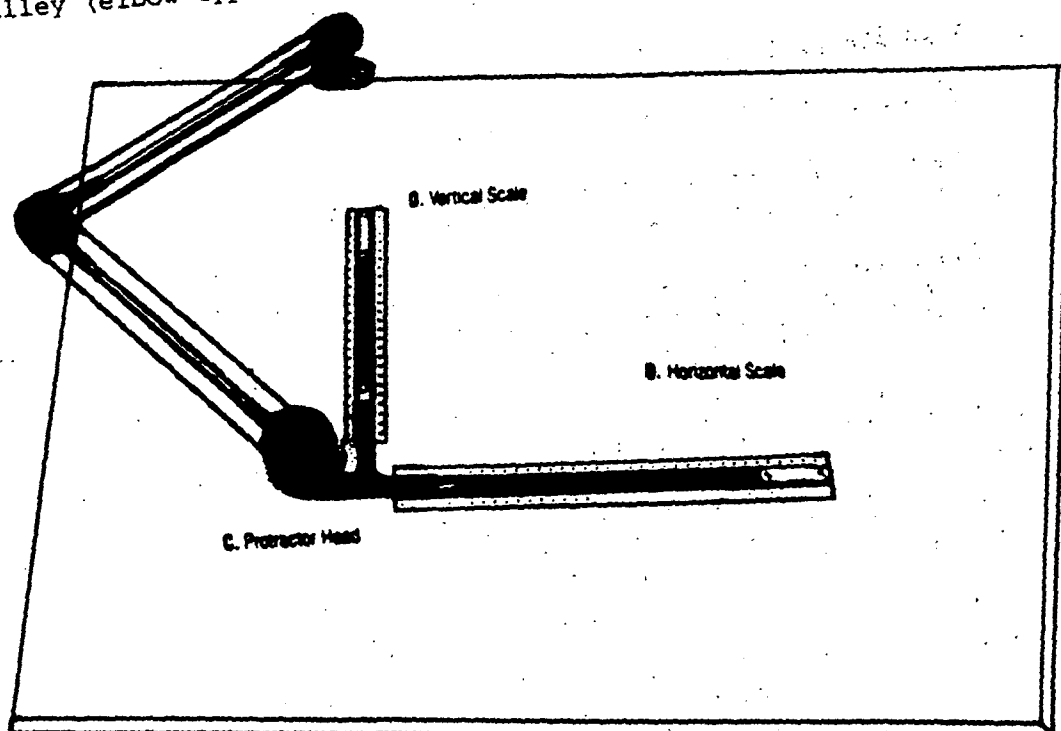
Figure 1.--Types of drafting machines

A-3

Track drafting machine



Band-and-pulley (elbow-type) drafting machine



Note.--Board and scales are not subject to this investigation.

Source: Vemco Corporation.

total U.S. drafting machine consumption, respectively. 1/ The digital protractor head contains a digital angle readout with a liquid crystal digital (LCD) display. All degree and minute settings are read from the LCD display mounted on the protractor head. It enables angle readout to a resolution of 5 minutes.

The dial protractor head is a 360-degree scale divided into 5-degree divisions, with all finer angle reading done from an adjacent dial. The dial, which rotates once for every 5 degrees of angle change, also enables angle settings to a resolution of 5 minutes. The civil engineer's dial head, designed for mapping and cartographic work, is graduated by 5-degree increments both in quadrants and from 0 to 360 degrees. It enables settings to 1 minute of arc.

The vernier protractor head, the only type of protractor head currently produced in the United States, contains a short scale made to slide along the 1-degree divisions of a graduated 360-degree scale for indicating 5-minute readings. The civil engineer's vernier head, divided to 1/2-degree increments both in quadrants and from 0 to 360 degrees, enables the user to set angles within 1 minute of arc.

Parts of drafting machines.--For the purposes of this report, the term parts of drafting machines refers to major components destined for use in drafting machines. According to parties to the investigation, drafting machine parts are currently produced and exported to the United States as replacement parts only. Drafting machine parts accounted for * * * percent of the total U.S. shipments of drafting machines and parts thereof during the period of the investigation.

Manufacturing processes 2/

The U.S. producer, Vemco, * * *.

The main Japanese exporter of drafting machines to the United States, Mutoh Industries, reports that drafting machine parts * * *.

The track drafting machine, the band-and-pulley drafting machine, and their respective protractor heads undergo different and separate production processes, so will therefore be discussed separately.

Track drafting machine.--The assembly of the track drafting machine consists of the following primary stages. Initially, the purchased aluminum extrusion is cut, straightened, and laminated to form the outer X (horizontal) and Y (vertical) beams of the drafting machine. These beams then undergo a pre-assembly process involving the insertion of a pre-cut stainless steel track into the aluminum extrusion. 3/ Stainless steel bearings coupled with rail carriages

1/ Based on 1988 U.S. shipments of drafting machines as compiled from questionnaires received by the U.S. International Trade Commission.

2/ Information on U.S. manufacturing processes obtained through an interview with Vemco officials. Information on Mutoh's manufacturing processes obtained from its post-conference brief.

3/ Exceptions include Vemco's models 612 and 520, in which tapered nylon wheels roll on an aluminum surface.

are then attached to each track. 1/ Next, the horizontal and vertical brakes, made of * * * components, are mounted on each track. The support roller, counterweight, and vertical track bracket are also assembled and mounted on the vertical track. Horizontal mounting clamps, consisting of * * *, are attached to the horizontal track.

The three main components, the horizontal track (including the horizontal carriage and clamps), the vertical track (including the vertical track bracket, vertical carriage and the support roller), and the protractor head assembly (which attaches to the vertical carriage), are assembled for final inspection and are subsequently disassembled for packaging and shipment.

Band-and-pulley drafting machine.--The primary assembly steps for band-and-pulley drafting machines are as follows. The upper mast bracket involves the assembly of the flange mounting, the standard mast pulley, and the mast brake assembly. This assembled unit is connected to the elbow bracket assembly by means of the upper arm, which is composed of aluminum tubing. The lower arm links the elbow bracket assembly, consisting of the elbow pulley and elbow brake assembly, to the protractor head bracket assembly. The assembly of the protractor head bracket assembly involves the attachment of the head pulley, brake, and protractor to the plate assembly. The unit is then attached to a mast clamp assembly, which serves to secure the machine to the drawing surface. Two continuous loop-welded steel bands are installed on each arm, the tension is adjusted, and the bands are clothed in a semiflexible plastic cover. Following inspection, the drafting machine is then packaged and shipped as a single unit.

Protractor head.--Assembly of the protractor head involves the attachment of a handle assembly to the protractor and head plate assembly, and then attachment of these parts to an index ring and base plate assembly. It is to this base plate assembly that horizontal and vertical scales are later fixed and aligned. In the case of the track drafting machine, the protractor head assembly is attached to the pivot hinge and is joined to the vertical track by means of the vertical carriage. The band-and-pulley protractor head assembly, which contains a head pulley, is connected to the lower arm by means of the head bracket assembly.

Substitute products

Some products that are capable of performing the same task as drafting machines may be considered as substitutes for the types of manual drafting machines Vemco produces. The most important of these substitutes are discussed below. Other products, such as Tee squares, parallel rulers, triangles, and manual protractors, may be conceivable substitute products, but are not included in this discussion. 2/

Portable drafting system.--The portable drafting system, produced by Draftette Corp., is a small, portable drafting device used primarily by

1/ In Mutoh's machine, a permanent magnet is fitted into the vertical track.

2/ According to the president of Vemco, such products as these may be used to create drawings, but they have "no significant professional drafting use."
(Transcript of the conference, p. 21.)

designers, engineers, draftsmen, landscapers, navigators, plant managers, students, and hobbyists. Though seemingly similar in appearance to the standard band-and-pulley drafting machine, the portable drafting system is limited in scope and performance capabilities. The portable drafting system, normally priced from \$10 to \$105, is much less expensive than the standard band-and-pulley drafting machine. It is produced in drawing-surface sizes ranging from letter size to 20" x 26" and may be permanently attached to a vinyl portfolio or can be equipped with mountings for attachment to any drawing surface. The drawing/sketching arms, constructed of black anodized tubular aluminum, are lightweight and are "designed to be portable but not precisely accurate." 1/ Although rotation is maintained at the elbow, it is not achieved through a band-and-pulley mechanism and contains no anti-gravitational devices; therefore, its use is restricted to a horizontal surface. The protractor head assembly attached to the lower arm is a 360-degree protractor head containing no minute reading capabilities. 2/

Imports of portable drafting systems, if any, are provided for in HTS subheading 9017.10.00; however, reports suggest that portable drafting systems are not currently produced in Japan, nor are there any U.S. imports of such products from Japan. 3/

Portable drawing board.--The portable drawing board is a lightweight, plastic 14-3/4" x 19-1/2" board with a removable graduated straightedge for use in horizontal or vertical ruling. The drawing/drafting head, which may be purchased separately as an attachment to the straightedge, is a 90-degree protractor head with attached scales. It can be set at any degree angle with a locking feature in 15-degree increments, but it contains no minute readings. 4/ Though possessing certain similarities in appearance to the track drafting machine, the portable drawing board's list price is only \$70.

Computer-aided design systems.--A computer-aided design (CAD) system is an electronically controlled device that can perform drafting functions. It is, however, much more expensive than the manual drafting machine, costing from \$20,000 to \$50,000. Most CAD systems include a computer, digitizer, graphic screen, plotter, and software. In such a system the computer executes the commands of the operator, creates digitized images of the drawing, and communicates with the peripheral devices to retrieve or save the images. The digitizer consists of an electronic drawing board and an electronic cursor. A rough sketch is first attached to the drawing board, and sketches may then be traced over by using the electronic cursor; the revised sketch is entered into the computer memory. The graphic terminal is used to create a drawing based on the rough sketch made by using the digitizer; the final images of the drawing are filed in the computer memory. The plotter is utilized to produce drawings on drafting paper.

1/ Draftette sales catalog.

2/ Draftette sales catalogue suggests, "Where precision is a prime concern you should order a Vemco arm."

3/ Telephone conversations held with representatives of Mutoh Industries and Draftette Corp. on May 8, 1989.

4/ Koh-I-Noor sales catalog.

A sophisticated CAD system generally has engineering analysis capabilities that may include finite element analysis, such as electronic circuit element analysis, fatigue and stress analysis, and aerodynamics analysis. Consequently, a CAD system is likely to be used by an end user who has a number of similar drawings, has drawings that require many changes to the original drawing, or needs engineering analysis capabilities.

U.S. tariff treatment

Drafting machines are provided for in subheading 9017.10.00 of the Harmonized Tariff Schedule of the United States (HTS) ^{1/} under the heading that includes drafting tables and machines, whether or not automatic. Parts of drafting machines are provided for in HTS subheading 9017.90.00. The most-favored-nation (MFN) or column 1 general rate of duty is 4.9 percent ad valorem, applicable to imports from Japan and most other countries. ^{2/} Prior to this year, drafting machines and parts thereof were classified in item 710.8025 of the former Tariff Schedules of the United States Annotated (TSUSA).

The Nature and Extent of Alleged Sales at LTFV

In comparing U.S. and Japan prices, the petitioner alleges that drafting machines from Japan are being sold in the United States at LTFV margins on individual models ranging from 107 percent to 189 percent. ^{3/} These margins were calculated by examining 11 models of drafting machines from Japan. ^{4/} The petition states that margins on the selected models were calculated by the petitioner using current price lists and adjustments were made for discounts, merchandise differences, and incidental costs such as those for freight, duty, insurance, U.S. warehousing, and U.S. sales force expense.

^{1/} The HTS replaced the previous Tariff Schedules of the United States effective Jan. 1, 1989. Chs. 1 through 97 are based upon the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description, with additional U.S. product subdivisions at the 8-digit level. Chs. 98 and 99 contain special U.S. classification provisions and temporary rate provisions, respectively.

^{2/} The rates of duty in rate col. 1 general of the HTS are MFN rates and in general represent the final stage of the reductions granted in the Tokyo Round of the Multilateral Trade Negotiations. Column 1 general duty rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general note 3(b) to the HTS, whose products are dutiable at the rates set forth in col. 2; China, Hungary, Poland, and Yugoslavia are the only Communist countries eligible for MFN treatment. Among articles dutiable at col. 1 general rates, particular products of enumerated countries may be eligible for reduced rates of duty or for duty-free treatment under one or more preferential tariff programs. Such tariff treatment is set forth in the special rates of duty subcolumn of col. 1.

^{3/} Commerce has recalculated the estimated average dumping margin to be 73 percent in its notice of initiation.

^{4/} All of the selected models are manufactured by Mutoh Industries Ltd., the only known current Japanese exporter of drafting machines to the United States.

The U.S. Market

U.S. producers

The petitioner, Vemco, is the sole remaining manufacturer of drafting machines and parts thereof in the United States today, with drafting product 1/ annual sales of less than \$10 million. 2/ Founded almost 50 years ago, the company currently produces drafting machines, scales, drawing instruments, lamps, diazo white printers, and high-pressure gas regulators. The production of drafting machines and parts thereof, however, accounts for the majority of Vemco's total sales. 3/ Vemco has been the only known U.S. producer of drafting machines and parts thereof 4/ since 1985, at which time, Vard Newport, Santa Ana, CA, ceased manufacturing the subject product. 5/ Two other U.S. producers, Keuffel & Esser Co. and Universal Drafting Machines (UDM), left the U.S. drafting machine industry in 1983 and 1979, respectively. Vemco produces drafting machines and parts thereof at a single plant location in San Dimas, CA, for sale under the Vemco and other distributor labels. 6/ Other Vemco manufacturing facilities are fully devoted to the operation of their gas regulator division.

Apparent U.S. consumption

According to Mutoh officials, U.S. consumption of drafting machines has fallen since 1982, with an accelerated decline in recent years. The cause of decline in apparent U.S. consumption has been attributed to CAD systems. 7/ Both Mutoh and Vemco officials also suggest through estimates of declining U.S. shipments of drafting machines, by quantity, that apparent U.S. consumption is falling. 8/

Data on apparent U.S. consumption of drafting machines and parts thereof were compiled from information submitted in response to questionnaires sent by the U.S. International Trade Commission. These data are presented in table 1. Apparent U.S. consumption of drafting machines * * * declined throughout the period of the investigation, * * *. The overall decline in units for the period of investigation was * * * percent. The decline indicated by the data submitted on completed drafting machines, in terms of value, followed a similar trend of

1/ Drafting products include drafting machines, scales, lamps, and compasses.

2/ Petition, p. 2.

3/ Ibid.

4/ Draftette Corp., located in San Diego, CA, produces an inexpensive portable drafting system. Information and questionnaire responses regarding these products are presented separately in app. C.

5/ Vard Newport discontinued production of drafting machines in or around July 1985. Remaining inventories of drafting machines manufactured by Vard Newport were subsequently shipped to Bruning Co. in Illinois.

6/ Vemco manufactures drafting machines for the trademarks and tradenames of Mayline, Martin Instruments, and Teledyne Post.

7/ Transcript of the conference, pp. 54 and 61.

8/ Vemco's estimates of quantities of drafting machines shipped in the United States can be found on pp. 12 and 16 of the petition. Mutoh's estimates of the same are found in the transcript of the conference, p. 47.

Table 1

Drafting machines and parts thereof: U.S. shipments, domestic shipments of imports, and apparent consumption, 1986-88

Item	1986	1987	1988
* * *	*	*	*

1/ * * *.

2/ * * *.

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

* * *. * * * was experienced for the apparent U.S. consumption of parts of drafting machines, in terms of value; however, parts of drafting machines account for * * * percent of the value of total U.S. shipments of drafting machines and parts thereof. Aggregated data reveal that the inclusion of parts of drafting machines in the calculation of apparent U.S. consumption * * *.

Channels of distribution

The majority of all drafting machines and parts thereof sold in the United States by the U.S. producer and U.S. importers are sold to unrelated distributors either under the producer's label or the purchaser's trademark. The U.S. producer and importers were requested to report their 1988 shipments of drafting machines, by market. These data are presented in table 2.

Questionnaire responses provided by the U.S. producer and importers of drafting machines and parts thereof from Japan reveal that the channels of distribution for the subject products are somewhat similar. 1/ U.S. shipments by the U.S. producer to unrelated end users in 1988 accounted for approximately * * * percent of its total U.S. shipments of drafting machines, and the remaining * * * percent were shipped to unrelated distributors. U.S. importers reported U.S. shipments to unrelated end users in 1988 to be * * * percent of total U.S. shipments, with * * * percent of shipments made to unrelated distributors.

1/ According to parties, a common dealer network for drafting machines is shared. (Transcript of the conference, pp. 22 and 56)

Table 2

Drafting machines: U.S. shipments of drafting machines, by markets and types of protractor head, 1988

(In units)						
Product category	Estimated shipments made by--					
	U.S. producer 1/ to			U.S. importers 2/ to		
	unrelated--			unrelated--		
	distributors	end users		distributors	end users	
	*	*	*	*	*	*

1/ Vemco was the only U.S. producer to ship the subject product in 1988.

2/ The only importers to provide usable data are Mutoh America, Inc., * * *, and * * *. All three companies reported imports of drafting machines from Japan; however, * * * ceased importing from * * *. * * *. The remaining data are for Mutoh America, Inc.

3/ Vemco produces drafting machines with vernier protractor heads only.

4/ Not applicable.

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

U.S. importers

Approximately 100 importers were identified as importing items under TSUSA 710.8025, which not only includes the product under investigation, but also includes other drafting products, such as plotters for use with CAD systems. The petitioner also identified three firms which import the product under investigation from Japan; however, * * *. 1/ Questionnaires were sent to 32 importers, each identified * * * as having at least * * * worth of material classified in TSUSA 710.8025 in one of three separate 12-month periods during January 1986-December 1988. Of the total responses received by the Commission, 14 firms responded that they did not import drafting machines and parts thereof and 6 firms reported imports of the same. 2/ Data presented in this report are estimated to account for at least 99 percent of the subject imports.

1/ Mutoh America, Inc., named by the petitioner as an importer of the subject product from Japan, * * *. The petitioner also named Teledyne Post and Bruning as U.S. importers of the subject products from Japan; * * *.

2/ The 6 firms include: * * *.

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

The information in this section of the report is based on data received from questionnaire responses to the Commission. A response was received from the only remaining U.S. producer of drafting machines and parts thereof, representing 100 percent of U.S. production for the period of investigation.

U.S. producer's capacity, production, and capacity utilization

Vemco reported capacity to produce drafting machines and parts thereof on the basis of * * *-hour workweek, operating * * * weeks per year. The U.S. reported capacity to produce the subject products * * *. Although actual reported U.S. production of drafting machines and parts thereof * * *. Overall production for the period of investigation fell * * * percent. The rate of capacity utilization experienced an overall decrease from * * * percent in 1986 to * * * percent in 1988. These data are presented in table 3.

Table 3

Drafting machines: U.S. capacity, production, and capacity utilization, 1986-88

Item	1986	1987	1988
* * *	*	*	*

1/ * * *.

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

U.S. producer's shipments

Vemco's U.S. shipments (including company transfers) 1/ and export shipments of drafting machines and parts thereof were reported for the period of investigation. 2/ These data are presented in table 4.

1/ * * *.

2/ Shipments of parts of drafting machines were reported in terms of value only.

Table 4

Drafting machines and parts thereof: U.S. producer's company transfers, domestic shipments, export shipments, and total shipments, 1986-88

Item	1986	1987	1988
* * *	*	*	*

1/ Principal export markets for drafting machines are * * *.

2/ Principal export markets for drafting machine parts are * * *.

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

Domestic shipments.--U.S. shipments of completed drafting machines * * *. The value of U.S. shipments of completed drafting machines * * *. The value of U.S. shipments of parts of drafting machines, which account for * * * percent of total U.S. shipments of drafting machines and parts thereof, * * *. The unit values of the U.S. producer's domestic shipments of completed drafting machines * * *. 1/ Domestic shipments by the U.S. producer of drafting machines and parts thereof, by value, accounted for * * *.

Export shipments.--Vemco's export shipments of completed drafting machine units * * *. The value of parts of drafting machines exported by the U.S. producer, which accounted for approximately * * * percent of total export shipments by the U.S. producer of drafting machines and parts thereof, * * *. Drafting machine unit values of export shipments * * *. Vemco's export shipments of drafting machines and parts thereof, by value, accounted for * * *.

Total shipments.--The U.S. producer's total shipments of completed drafting machines in units * * *. * * * in the value of total shipments of completed drafting machines for the period of investigation. Total shipments * * *. * * *, the total shipment value of drafting machine parts, which accounts for approximately * * * percent of total shipments of drafting machines and parts thereof, * * *. Total shipment unit values of completed drafting machines * * *.

U.S. producer's inventories

Reported end-of-period inventories of completed drafting machines * * *. Inventories as a share of U.S. shipments * * *, and the ratio of inventories to total shipments * * *. End-of-period inventory data are presented in table 5.

1/ Unit values of the U.S. producer's completed drafting machine shipments are necessarily influenced by shifts in the product mix.

Table 5

Drafting machines: U.S. producer's end-of-period inventories, inventories as a share of U.S. shipments, and inventories as a share of total shipments, 1986-88
1/

Item	1986	1987	1988
	*	*	*

1/ Parts of drafting machines are not included in inventory data.

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

U.S. employment, wages, and productivity

The reported number of production and related workers producing all products and drafting machines and parts thereof * * * decreased during the 3-year period of investigation. In response to a question in the Commission's questionnaire, Vemco reported that, in particular, * * *.

Hours worked, wages paid, and total compensation paid to production and related workers producing all products and drafting machines and parts thereof * * *. 1/ Average hourly wages paid to production and related workers producing all products and drafting machines and parts thereof * * *.

The number of drafting machines produced per 1,000 hours worked was * * *. Productivity * * *. Unit labor costs for drafting machines * * *. These data are presented in table 6.

Table 6

Drafting machines and parts thereof: Average number of employees and production and related workers, hours worked, wages paid, hourly wages, total compensation paid, productivity, and unit labor costs, 1986-88

Item	1986	1987	1988
	*	*	*

1/ Not applicable.

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

1/ * * *. (Post-conference brief of petitioner, p. 13)

Financial experience of U.S. producer

The petitioner, Vemco Corp., the only known U.S. producer of drafting machines since 1985, supplied income-and-loss data for both the overall operations of its establishment in which drafting machines and parts are produced and, separately, for its operations producing such products.

Overall establishment operations.--Overall establishment financial results of Vemco Corp. are presented in table 7. The overall establishment operations of the firm are devoted primarily to producing drafting machines. On the basis of net sales, these products accounted for * * * percent of the overall establishment operations during 1986-88. Products produced other than drafting machines are scales, lamps, instruments, diazo printers, and regulator parts.

Table 7

Income-and-loss experience of Vemco Corp. on the overall establishment operations within which drafting machines are produced, accounting years 1986-88

* * * * *

1/ Cash-flow is defined as net income or loss plus depreciation and amortization.

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

Overall establishment income-and-loss data * * *. Cost of sales, in absolute dollars and as a share of net sales, * * *; * * *. * * *. The three major components of cost of sales, raw materials, direct labor, and factory overhead, * * *.

Operations on drafting machines and parts thereof.--The financial results of Vemco Corp. on its drafting machines and parts are presented in table 8. * * *. Cost of sales, in absolute dollars and as a share of net sales, * * *. * * *. Operating income was * * *.

The U.S. market for drafting machines * * *. 1/ Plant tours by Commission staff in several recent investigations involving other products revealed practically no evidence of drafting machines, but considerable use of CAD systems. An official of Vemco 2/ was contacted about the apparent market erosion by this technological advancement over the older drafting equipment. * * *.

1/ Petition of Vemco Corp., per addition of imported units, p. 12, and Vemco units sold, p. 17.

2/ * * *.

Table 8

Income-and-loss experience of Vemco Corp. on its operations producing drafting machines and parts thereof, accounting years 1986-88

Item	1986	1987	1988
	*	*	*

1/ Cash flow is defined as net income or loss plus depreciation and amortization.

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

Financial ratios.--Vemco indicated that its 1988 balance sheet had not been completed by the outside accountants; however, it did submit balance sheets for 1986 and 1987. Analysis of these statements revealed * * *. For instance, the current ratio (current assets divided by current liabilities), which measures the ability to meet short-term obligations with current assets, * * *. * * *. The current and rates-of-return ratios are shown in the following tabulation:

<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Current ratio:			
All products (including receivables from affiliates).....	***	***	***
All products (excluding receivables from affiliates).....	***	***	***
Drafting machines.....	***	***	***
Rates of return:			
Operating return on total assets:			
All products (percent).....	***	***	***
Drafting machines <u>3/</u> (percent).....	***	***	***
Net income or (loss) before income taxes on total assets:			
All products (percent).....	***	***	***
Drafting machines <u>3/</u> (percent).....	***	***	***
Operating return on equity:			
All products (percent).....	***	***	***
Drafting machines <u>4/</u> (percent).....	***	***	***
Net income or (loss) before income taxes on equity:			
All products (percent).....	***	***	***
Drafting machines <u>4/</u> (percent).....	***	***	***

1/ * * *.

2/ Not available.

3/ Defined as operating income or net income before taxes divided by total assets, including receivables from affiliates, that are apportioned to drafting machines from overall establishment totals on the basis of respective book values of fixed assets.

4/ Defined as operating income or net income before taxes divided by total stockholders' equity that is apportioned to drafting machines from overall establishment operations on the basis of respective net sales.

The ratio of return on total assets measures management's effectiveness at using company assets to generate income. Return on stockholders' equity summarizes management's success at maximizing the return to the stock investors. Comparison of the various profitability measures indicate * * *.

Vemco's accounts receivable turnover rate (net sales divided by accounts receivable), * * *, as shown in the following tabulation:

* * * * *

Value of plant, property, and equipment.--The data provided by Vemco on its end-of-period investment in productive facilities in which drafting machines are produced are shown in the following tabulation (in thousands of dollars):

<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Establishment:			
Original cost.....	***	***	***
Book value.....	***	***	***
Drafting machines:			
Original cost.....	***	***	***
Book value.....	***	***	***

Capital expenditures.--The data provided by Vemco relative to its capital expenditures for land, buildings, and machinery and equipment used in the manufacture of drafting machines are shown in the following tabulation (in thousands of dollars):

<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Establishment:			
Land and land improvements..	***	***	***
Building or leasehold improvements.....	***	***	***
Machinery, equipment, and fixtures.....	***	***	***
Total.....	***	***	***
Drafting machines:			
Land and land improvements..	***	***	***
Building or leasehold improvements.....	***	***	***
Machinery, equipment, and fixtures.....	***	***	***
Total.....	***	***	***

Vemco indicated * * *.

Research and development expenses.--Research and development expenses by Vemco relating to drafting machines are shown in the following tabulation (in thousands of dollars):

	<u>1986</u>	<u>1987</u>	<u>1988</u>
All products.....	***	***	***
Drafting machines.....	***	***	***

Capital and investment.--The Commission requested Vemco to describe any actual or potential negative effects of imports of drafting machines and parts from Japan on its growth, investment, development and production efforts, and ability to raise capital. Vemco's response follows.

ACTUAL NEGATIVE IMPACT--* * *.

* * * * *

ANTICIPATED NEGATIVE IMPACT--* * *.

Consideration of the Question of Threat of Material Injury

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

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

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

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

(VI) the presence of under-utilized 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,

(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,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product. 1/

Petitioners have not alleged the existence of subsidies (item (I) above). 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 material injury." Information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of alleged material injury to an industry in the United States." Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), (VIII) and (IX) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows.

1/ Section 771(7)(F)(iii) of the act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

U.S. importers' inventories

U.S. importers' inventories of drafting machines imported from Japan * * *. * * *. 1/ Inventories as a share of shipments for U.S. importers of Japanese-produced drafting machines * * *. Only * * * U.S. importers reported inventories of drafting machines for the period 1986-88. 2/ Data are presented in table 9.

Table 9

Drafting machines: End-of-period inventories 1/ of Japanese products, 1986-88

Item	1986	1987	1988
<hr/>			
* * *	* * *	* * *	* * *

1/ Inventories are reported for completed drafting machines only.

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

The producers in Japan 3/

The Commission requested counsel for Mutoh Industries, a major Japanese producer and exporter of drafting machines and parts thereof to the United States, to provide information on its Japanese capacity, production, inventories, and shipments of the subject products for the period of investigation. Mutoh Industries produces drafting machines, tables, and other accessory items, as well as CAD systems. In existence since 1952, Mutoh Industries has exported their products to the United States since September 1965. 4/ Information regarding additional producers of drafting machines and

1/ Telephone conversation on May 4, 1989, with counsel for Mutoh Industries, Ltd. and Mutoh America, Inc.

2/ * * * were the only U.S. importers to report inventories of drafting machines. * * *. * * *. * * *.

3/ Other foreign producers of drafting machines and parts thereof include Kuhlman, Germany and Neolt, Italy. These producers are believed to export * * * of the subject product to the United States.

4/ Transcript of the conference, pp. 54 and 56.

parts thereof in Japan was also requested of the U.S. Embassy in Tokyo by the Commission. 1/ Data received from the respondent are presented in table 10. 2/

Table 10

Drafting machines: Mutoh's capacity, 1/ production, capacity utilization, end-of-period inventories, inventories as a share of total shipments, home-market shipments, exports to the United States, exports to all other countries, and total shipments, 1986-88

Item	1986	1987	1988
* * *	*	*	*

1/ * * *.

Source: Data submitted by counsel for Mutoh Industries in response to a request for information by the Commission.

* * *

Mutoh Industries is the parent company of Mutoh America, Inc., a subsidiary engaged in the sale and distribution of drafting machines in the United States. Mutoh does not possess U.S. production capability, nor does it have current plans for establishing such a capability in the future. In addition, there is no evidence of the existence of dumping findings or antidumping remedies in other GATT-member markets relating to drafting machines and parts thereof from Japan. 3/

1/ In particular, information was requested on three additional firms (Max Co., Ltd. (Max); Pentax; and Uchida Yoko Co. Ltd. (Uchida)) who are believed to have manufactured and exported * * * the subject product to the United States. According to data compiled from questionnaire responses from U.S. importers of drafting machines and parts thereof, exports of the subject products to the United States by Uchida accounted for * * *. Exports to the United States of the subject products by Max accounted for * * *. According to Mr. Watanabe, President of Max Business Machines Corp. (a sales subsidiary of Max Co., Ltd.), * * *.

2/ The data presented in table 10 are data submitted by counsel for Mutoh Industries. According to Mutoh officials, Mutoh Industries currently accounts for close to 100 percent of Japanese-produced drafting machine exports to the United States.

3/ Letter submitted by counsel for Mutoh Industries in response to a request for information by the Commission.

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

U.S. imports

Questionnaires were sent to 32 firms identified as the largest importers of products entered under TSUSA item 710.8025. Of the four importers who reported imports of the subject products from Japan during the period of investigation, three provided usable import data 1/ and two provided usable shipment data. 2/ Data received in response to the Commission's questionnaires are estimated to account for approximately 99 percent of the subject imports from Japan. In addition, two U.S. importers of the subject products from other countries besides Japan responded to the questionnaire. 3/ According to estimates made by officials of Mutoh Industries and Mutoh America, Inc., U.S. imports from other countries account for approximately 2 to 4 percent of total U.S. imports of the subject products for the period of investigation. 4/ Data presented in this report on imports and shipments of imports consist of drafting machines and parts thereof. Official import statistics could not be used for purposes of this report because the TSUSA item under which such products were reported for statistical purposes also contained many products other than the products subject to this investigation.

The quantity of U.S. imports of completed drafting machines from Japan * * *. * * *. The value of U.S. imports of completed drafting machines * * *. * * *. The aggregate of import values of drafting machine parts and completed drafting machines reveals * * *. * * *. * * *. 5/

The quantity of U.S. imports from other countries * * *. * * *. Unit values of imports from other countries * * *. * * *. Data are presented in table 11.

1/ * * *.

2/ * * *.

3/ * * *.

4/ Mutoh's post-conference brief, exhibit No. 1.

5/ Unit value is necessarily influenced by shifts in the product mix.

Table 11

Drafting machines and parts thereof: U.S. imports from Japan and all other countries, 1/ 1986-88

Item	1986	1987	1988
* * *	*	*	*

1/ The only U.S. importer of drafting machines that reported imports from any other country was * * *. Therefore, the data include only imports from Italy.
2/ * * *.

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

U.S. importers' shipments of the subject products are presented in table 12. The quantity of U.S. importers' U.S. shipments of drafting machines * * * in 1986 to * * * in 1987, but * * * in 1988. The value of U.S. importers' U.S. shipments of drafting machines * * *. * * *. * * *. Unit values of U.S. shipments by U.S. importers * * *. 1/

Table 12

Drafting machines and parts thereof: U.S. importers' 1/ domestic shipments, export shipments, and total shipments, 1986-88

Item	1986	1987	1988
* * *	*	*	*

1/ * * *.

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

1/ Unit values are necessarily influenced by shifts in the product mix.

Market penetration by the subject imports

Of the total apparent U.S. consumption, by quantity (in units), U.S. importers' U.S. shipments of Japanese-produced drafting machines accounted for * * *. The value of U.S. importers' U.S. shipments of drafting machines and parts thereof accounted for * * *. The value of U.S. importers' U.S. shipments of drafting machine parts accounted for * * *. ^{1/} Data are presented in table 13.

Table 13

Drafting machines and parts thereof: Shares of U.S. consumption supplied by Japan, all other countries, and U.S. producers, 1986-88

Item	1986	1987	1988
	*	*	*

^{1/} From the Commission's questionnaire, 1 response indicated that imports of drafting machines and parts thereof came from other countries. Data indicate that the share of U.S. consumption supplied by these countries is * * *. * * *, U.S. imports from other countries are estimated by the parties to be between 2 and 4 percent of apparent U.S. consumption.

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

^{1/} Apparent U.S. consumption of drafting machine parts accounts for * * * of total apparent U.S. consumption of drafting machines and parts thereof combined.

Prices

The great majority of drafting machines are sold to distributors, with the remainder sold directly to end users. The demand for drafting machines is derived from the demand for the services of its end users (i.e., draftsmen, engineers, etc.).

Vemco quotes prices of drafting machines on an f.o.b. plant basis, * * *. 1/ Transportation costs average * * * percent of total delivered cost. The average lead time for Vemco drafting machines bought off-the-shelf is * * * days. Standard-length drafting machines, bought out of stock, are available * * *, and the average lead time for custom-made machines is * * *. Actual transaction prices * * *. * * *. * * *. The discount schedules, * * *, are presented in the following tabulations:

Class A

Drafting machines purchased.....	***	***	***	***
Discount percentage.....	***	***	***	***

Class A1

Drafting machines purchased.....	***	***	***	***
Discount percentage.....	***	***	***	***

Class AAA

Drafting machines purchased.....	***	***	***	***
Discount percentage.....	***	***	***	***

Dealers that sell Vemco drafting machines under private labels constitute the fourth category. Discounts for these companies (* * *) * * *. Currently, * * * receives * * *, and * * * receive * * *.

Mutoh America quotes prices f.o.b. warehouse * * *. 2/ Transportation costs * * *, and the average lead time for drafting machines is * * *. * * *. * * *. 3/

The Commission requested price data from Vemco and U.S. importers of drafting machines from Japan. The firms were asked to report f.o.b prices for their largest quarterly sales to distributors during the period January 1986 to December 1988. The products selected for consideration by the Commission are those products which are considered by both Vemco and Mutoh to be the most comparable and representative of the market. Product descriptions are as follows:

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

PRODUCT 1: Elbow or band-and-pulley drafting machines with 18" arm size.

PRODUCT 2: Track drafting machines with vernier protractor head and 32" x 42" board size, without a secondary baseline setting scale. 1/

PRODUCT 3: Track drafting machines with vernier protractor head, secondary baseline setting scale, and 37"-37.5" x 60" board size.

PRODUCT 4: Track drafting machines with vernier or dial-type protractor head, secondary baseline setting scale, stainless steel rollers on stainless steel tracks, and 37"-37.5" x 60" board size. 2/

Questionnaires with usable price data were received from Vemco and from Mutoh America (Mutoh). 3/ The data are presented in tables 14 and 15.

Table 14

Drafting machines: F.o.b. prices reported by Vemco and Mutoh America for sales to distributors of product 1 and product 2, by quarters, January 1986-December 1988

Period	(per unit)			
	Product 1		Product 2	
	Vemco 3300 f.o.b. price	Mutoh E-18 f.o.b. price	Vemco MD520 f.o.b. price	Mutoh AV3242 f.o.b. price
	*	*	*	*

1/ * * *.

2/ * * *.

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

1/ The original product 2 description did not include the "without secondary baseline setting scale" specification. However, subsequent phone conversations with Mutoh indicated that the additional specification was necessary to further differentiate between product 2 and product 3.

2/ The product 4 description given to Mutoh was changed to ask for drafting machines with a dial-type protractor head only, so as to differentiate between the Mutoh products 3 and 4.

3/ * * *.

Table 15

Drafting machines: F.o.b. prices reported by Vemco and Mutoh America for sales to distributors of product 3 and product 4, by quarters, January 1986-December 1988

Period	(per unit)			
	Product 3		Product 4	
	Vemco MK12 f.o.b. price	Mutoh SA3760 f.o.b. price	Vemco 630 f.o.b. price	Mutoh LM3760 f.o.b. price

* * * * *

1/ No price data were supplied.

2/ * * *.

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

Price trends.--During the period of investigation, prices reported by Vemco * * *. * * *. Prices reported by Mutoh * * *.

Although the data in table 14 indicate * * *. * * *. * * *.

Mutoh's largest quarterly sales of product 1 * * *. * * *.

Vemco's prices for product 2 * * *. * * *.

Mutoh's prices for product 2 * * *. * * *.

Vemco's prices for product 3 * * *. * * *.

Mutoh's prices for product 3 * * *. * * *.

* * * * *

Price comparisons.--Prices for product 1 are difficult to compare because the price levels are largely influenced by the quantity of drafting machines sold. * * *. * * *. 1/ * * *. * * *.

Although these are the models considered the most comparable by both parties, it is difficult to compare prices for Vemco and Mutoh products 2, 3, and 4 because the comparable models of track drafting machines have different features.

Mutoh's prices for product 2 were * * * Vemco's prices * * *. Both models have vernier protractor heads, but only Mutoh's product 2 has a secondary baseline indicator and a protractor headlifter.

1/ * * *.

Prices for Mutoh's product 3 were * * * Vemco's prices * * *. Both products have vernier protractor heads, secondary baseline indicators, protractor headlifters, and micrometer adjustments. However, Mutoh's product 3 has a more precise secondary baseline scale (10 min. as opposed to 20 min.), and only Mutoh's model contains a baseline vernier.

Price comparisons were possible for product 4 only in 1988. Vemco's product 4 prices were * * * Mutoh's prices * * *. The models are comparable except that the Vemco product 4 secondary baseline scale is more precise (5 minutes as opposed to 10 minutes) and the Mutoh product 4 has a dial-type protractor head instead of a vernier protractor head.

Lost sales and lost revenues

Vemco reported losing sales of drafting machines to imports of Japanese drafting machines, but was unable to report specific details concerning these lost sales. Vemco reported * * * instances of lost revenues * * *.

Vemco named * * * in a lost revenue allegation involving * * *.

* * * * *

Vemco named * * * in a lost revenue allegation involving * * *. * * *, a representative of * * *, would not respond to the allegation.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1986-December 1988 the nominal value of the Japanese yen appreciated by 50.0 percent against the value of the U.S. dollar (table 16). Adjusted for relative movements in producer price indices, the real value of the Japanese yen appreciated by 23.7 percent against the value of the U.S. dollar during January 1986-December 1988.

Table 16

Nominal exchange-rate of the Japanese yen in U.S. dollars, real exchange-rate equivalents, 1/ and Producer Price Indexes, 2/ indexed by quarters, January 1986-December 1988

Period	Nominal exchange- rate index	Real exchange- rate index	Japanese Producer Price Index 3/	U.S. Producer Price Index
1986:				
Jan.-Mar....	100.0	100.0	100.0	100.0
Apr.-June...	110.4	108.3	96.3	98.2
July-Sept...	120.6	115.8	93.8	97.7
Oct.-Dec....	117.2	111.0	92.8	98.1
1987:				
Jan.-Mar....	122.7	114.0	92.2	99.2
Apr.-June...	131.7	119.5	91.5	100.8
July-Sept...	127.9	116.2	92.6	101.9
Oct.-Dec....	138.4	124.8	92.3	102.3
1988:				
Jan.-Mar....	146.8	130.1	91.3	102.9
Apr.-June...	149.6	129.8	90.9	104.8
July-Sept...	140.5	121.5	91.8	106.2
Oct.-Dec....	150.0	123.7	91.0	106.7

1/ Exchange rates are expressed in U.S. dollars per unit of foreign currency.

2/ Producer Price Indexes--intended to measure final product prices--are based on average quarterly indices presented in line 63 of the International Financial Statistics.

3/ The indexed real exchange rate represents the nominal exchange rate adjusted for relative movements in Producer Price Indices in the United States and the respective foreign country.

Note.--January-March 1986=100.

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

APPENDIX A

FEDERAL REGISTER NOTICES

industry in the United States is materially retarded, by reason of imports from Japan of drafting machines and parts thereof, provided for in subheadings 9017.10.00 and 9017.90.00 of the Harmonized Tariff Schedule of the United States, 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 May 22, 1989.

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: April 7, 1989.

FOR FURTHER INFORMATION CONTACT: Mary Trimble (202-252-1193), 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 April 7, 1989, by Vemco Corporation, San Dimas, CA.

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 certificate of service.

Limited disclosure of business proprietary information under a protective order. Pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)), the Secretary will make available business proprietary information gathered in this preliminary investigation to authorized applicants under a protective order, provided that the application be made not later than seven (7) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive business proprietary information under a protective order. The Secretary will not accept any submission by parties containing business proprietary information without a certificate of service indicating that it has been served on all the parties that are authorized to receive such information under a protective order.

Conference. The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on April 28, 1989 at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Mary Trimble (202-252-1193) not later than April 26, 1989, 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 May 2, 1989, a written brief containing information and arguments pertinent to the subject matter 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 business proprietary 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 information for which business proprietary treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Business Proprietary Information." Business proprietary submissions and requests for business

[Investigation No. 731-TA-432
(Preliminary)]

Drafting Machines and Parts Thereof From Japan

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-432 (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

proprietary treatment must conform with the requirements of §§ 201.6 and 207.7 of the Commission's rules (19 CFR 201.6 and 207.7).

Parties which obtain disclosure of business proprietary information pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)) may comment on such information in their written brief, and may also file additional written comments on such information no later than May 5, 1989. Such additional comments must be limited to comments on business proprietary information received in or after the written briefs.

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: April 10, 1989.

[FR Doc. 89-8849 Filed 4-12-89; 8:45 am]

BILLING CODE 7020-02-M

International Trade Administration
(A-588-811)

Initiation of Antidumping Duty Investigation: Drafting Machines and Parts Thereof From Japan

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of drafting machines and parts thereof (drafting machines) 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 drafting machines materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before May 22, 1989. If that determination is affirmative, we will make a preliminary determination on or before September 14, 1989.

EFFECTIVE DATE: May 5, 1989.

FOR FURTHER INFORMATION CONTACT: Steven Lim or Bradford Ward, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-4087 or (202) 377-5288, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On April 7, 1989, we received a petition filed in proper form by the Vemco Corporation on behalf of the domestic drafting machine industry. In compliance with the filing requirements of 19 CFR 353.36, petitioner alleges that imports of drafting machines 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, the U.S. industry.

Petitioner has indicated that it has standing to file the petition and that it is an interested party as defined under section 771(9)(C) of the Act and that it has filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party as described under

paragraphs (C), (D), (E), or (F) of section 771(9) of the Act wishes to register support for, or opposition to, this petition, please file written notification with the Commerce officials cited in the "FOR FURTHER INFORMATION CONTACT" section of this notice.

Under our revised regulations, parties seeking exclusion are required to submit their requests within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in 19 CFR 353.14 (54 FR 12773, March 28, 1989).

United States Price and Foreign Market Value

Petitioner's estimate of United States price (USP) is based on the list prices charged by the U.S. sales subsidiary of Mutoh Industries Ltd. (Mutoh) and list prices charged by U.S. wholesalers, less estimated sales discounts. Additional adjustments were made, where appropriate, for U.S. duty, ocean freight, containerization, U.S. inland freight, insurance, U.S. warehousing, U.S. marketing, and differences in merchandise. Petitioner's estimate of foreign market value (FMV) is based on Mutoh's list prices in Japan, less an estimated sales discount. Based on a comparison of FMV to USP, petitioner alleges dumping margins ranging from 107 to 144 percent.

However, because certain adjustments to USP and FMV were insufficiently substantiated, the Department has recalculated these prices. The Department's estimate of USP is based on the list price of Mutoh's U.S. sales subsidiary, increased by four percent to account for probable price inflation, less sales discounts and U.S. duty. The Department's estimate of FMV is based on Mutoh's list prices in Japan, less sales discounts and an adjustment for differences in merchandise, where applicable. Based on a comparison of FMV to USP as estimated by the Department, the petition alleges an average dumping margin of 73 percent.

Initiation of Investigation

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

We examined the petition on drafting machines from Japan and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty

investigation to determine whether imports of drafting machines from Japan are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by September 14, 1989.

Scope of Investigation

The United States had developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the United States fully converted to the *Harmonized Tariff Schedule* (HTS), as provided for in section 1201 et seq. of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS item number(s). The HTS item numbers are provided for convenience and Customs purposes. The written description remains dispositive as to the scope of the product coverage.

Prior to January 1, 1989, such merchandise was classified under item 710.8025 of the *Tariff Schedules of the United States Annotated* (TSUSA). This merchandise is currently classifiable under HTS items 9017.10.0000 and 9017.90.0000.

The scope of this investigation includes drafting machines that are finished, unfinished, assembled, or unassembled, and drafting machine kits. For purposes of this investigation, "drafting machine" refers to "track" or "elbow-type" drafting machines used by designers, engineers, architects, layout artists, and others. Drafting machines are devices for aligning scales (or rulers) at a variety of angles anywhere on a drawing surface, generally a drafting board. A protractor head allows angles to be set and read and lines to be drawn at this angle. The machine is generally clamped to the board. Both "track" and "elbow-type" drafting machines are classified under HTS 9017.10.00.

Also included within the scope of this investigation are parts of drafting machines classified under HTS 9017.90.00. Parts include, but are not limited to, horizontal and vertical tracks, parts of horizontal and vertical tracks, band and pulley mechanisms, parts of band and pulley mechanisms, protractor heads, and parts of protractor heads, destined for use in drafting machines. Accessories, such as parallel rulers, lamps, and scales are not subject to this investigation.

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 the written consent of the Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by May 22, 1989, whether there is a reasonable indication that imports of drafting machines from Japan materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, it will proceed according to the statutory and regulatory procedures.

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

April 27, 1989.

Joseph Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 89-10753 Filed 5-4-89; 8:45 am]

BILLING CODE 3510-08-M

APPENDIX B
LIST OF WITNESSES

LIST OF WITNESSES

Investigation No. 731-TA-432 (Preliminary)

DRAFTING MACHINES AND PARTS THEREOF FROM JAPAN

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigation on April 28, 1989, in the main Hearing Room 101 of the USITC Building, 500 E Street SW, Washington, DC.

In support of the imposition of antidumping duties

Collier, Shannon, Rill & Scott--Counsel
Washington, DC
on behalf of

Vemco Corporation

Philip A. Vaughan, President, Vemco Corporation
Paul G. McManigal, Assistant to President, Vemco Corporation

Paul C. Rosenthal)
Robin H. Gilbert) --OF COUNSEL

In opposition to the imposition of antidumping duties

Graham & James--Counsel
Washington, DC
on behalf of

Mutoh America, Inc. and Mutoh Industries, Ltd.

Hiromichi Sakai, International Business Division, Mutoh Industries Ltd.
Seiji Nagashima, Director/General Manager, International Business
Division, Mutoh Industries, Ltd.
Martin Foley, Sales Representative, Mutoh America, Inc.
Tim Wach, Sales Representative, Oregon Blue Print

Yoshihiro Saito)
Brian E. McGill) --OF COUNSEL
Eileen Shannon Carlson)

APPENDIX C

DRAFTETTE RESPONSE

Table B-1

Portable drafting systems: U.S. capacity, production, capacity utilization, U.S. shipments, inventories, inventories as a share of shipments, average number of employees, number of production and related workers, hours worked, wages paid, average hourly wages paid, and total compensation paid, 1986-88

Item	1986	1987	1988
* * *	*	*	*

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

Table B-2

Income-and-loss experience of Draftette on the overall establishment operations within which portable drafting machines are produced, accounting years 1986-88

Item	1986	1987	1988
* * *	*	*	*

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

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

Table B-3

Income-and-loss experience of Draftette on its operations producing portable drafting machines, accounting years 1986-88

Item	1986	1987	1988
* * *	*	*	*

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

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

