

CERTAIN RESIDENTIAL DOOR LOCKS FROM TAIWAN

Determination of the Commission
in Investigation No. 731-TA-433
(Preliminary) Under the Tariff Act
of 1930, Together With
the Information Obtained
in the Investigation

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



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Note.--Information that would reveal the confidential operations of individual concerns may not be published and, therefore, has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-433 (Preliminary)

CERTAIN RESIDENTIAL DOOR LOCKS FROM TAIWAN

Determination

On the basis of the record ¹ developed in the subject investigation, the Commission determines, ² pursuant to section 733(a) of the Tariff Act of 1930, as amended (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Taiwan of certain residential door locks, ³ that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On April 24, 1989, a petition was filed with the Commission and the Department of Commerce by the Ad Hoc Committee of Door Lock Manufacturers, ⁴

¹ The record is defined in sec. 207.2(h) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(h) as amended in 53 F.R. 33039 (Aug. 29, 1988)).

² Commissioners Eckes and Rohr dissenting.

³ For purposes of the Commission's investigation, the term "certain residential door locks" includes three categories of residential door locks specified in the Department of Commerce's Notice of Initiation: (1) tubular or cylindrical knob-type locksets with spring latches or dead latches, whether face-plated or drive-in type, including those with sectional handles; (2) dead locks, whether face-plated or drive-in type; and (3) lever-type locksets, whether face-plated or drive-in type, the foregoing provided for in subheading 8301.40.60 of the Harmonized Tariff Schedule of the United States (HTS) and statistical reporting number 8301.40.6060 (previously reported under item 646.9210 of the Tariff Schedules of the United States Annotated (TSUSA)). See 54 F.R. 2199 (May 22, 1989).

⁴ The petitioning Ad Hoc Committee of Door Lock Manufacturers includes the following firms: Dexter Lock, Auburn, AL; Kwikset Corp., Anaheim, CA; National Lock Corp., Sikeston, MO; Schlage Lock Co., San Francisco, CA; Weiser Lock, Huntington Beach, CA; and Weslock Corp., Los Angeles, CA.

New York, NY, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of residential door locks from Taiwan. Accordingly, effective April 24, 1989, the Commission instituted preliminary antidumping investigation No. 731-TA-4: (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 May 2, 1989 (54 F.R. 18707). The conference was held in Washington, DC, on May 15, 1989, and all persons who requested the opportunity were permitted to appear in person or by counsel.

IEWS OF CHAIRMAN ANNE E. BRUNSDALE
AND VICE CHAIRMAN RONALD A. CASS

Certain Residential Door Locks from Taiwan

Inv. No. 731-TA-433 (Preliminary)

On the basis of the information obtained in this preliminary investigation, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain residential door locks from Taiwan that are alleged to be sold at less than fair value (LTFV). 1/

The Legal Standard in Preliminary Investigations

The legal standard in preliminary countervailing duty and antidumping investigations is set forth in sections 703(a) and 733(a) of the Tariff Act of 1930, as amended, 2/ which require 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 establishment of such an industry, by reason of dumped imports. 3/ In preliminary investigations, an affirmative

1/ Material retardation of the establishment of an industry is not an issue in this investigation and will not be discussed further.

2/ 19 U.S.C. §§ 1671b(a) and 1673b(a).

3/ Maverick Tube Corp. v. United States, 12 Ct. Int'l Trade ___, 687 F. Supp. 1569, 1573 (1988).

determination is based on a "reasonable indication" of material injury, as opposed to an actual finding of material injury or threat required in a final determination. 4/

In American Lamb v. United States, 5/ the United States Court of Appeals for the Federal Circuit stated that, since the purpose of preliminary determinations is to avoid the cost and disruption to trade caused by unnecessary investigations, the Commission should not make an affirmative determination in a preliminary when there is no basis for believing that some reasonable probability exists for an affirmative determination in a final investigation. The court declared that the "reasonable indication" standard requires more than a finding that there is a possibility of material injury from LTFV imports. That said, the court indicated that, in a preliminary determination, the Commission should be cautious in drawing factual inferences adverse to the Petitioner from disputed evidence. To that end, the court stated that the Commission may weigh the evidence before it to determine whether evidence favoring an affirmative determination is outweighed by contrary evidence that is "clear and convincing." The court also made plain that the Commission should take account of the likelihood that evidentiary gaps in

4/ Compare 19 U.S.C. §§ 1671b(a) and 1673b(a) with 19 U.S.C. §§ 1671d(b)(1) and 1673d(b)(1).

5/ 785 F.2d 994 (Fed. Cir. 1986).

the record before it would be resolved favorably to Petitioner in a final investigation. 6/

The existence of unresolved factual questions is, thus, important to our consideration of whether a final investigation may provide evidence sufficient to support an affirmative final determination even when the record before us, if presented in a final investigation, would not. However, the existence of unresolved factual issues is not by itself a sufficient basis for reaching an affirmative determination in a preliminary investigation. In order to render an affirmative determination, the statutory standard, as interpreted by the Federal Circuit, requires the existence of evidence that reasonably could be thought to support a finding that LTFV imports materially injured or threatened such injury to a domestic industry. Where such evidence exists, however, unless that evidence is clearly outweighed by contrary information that is plainly more credible or probative, an affirmative preliminary determination is indicated. We believe this standard requires an affirmative determination in the instant investigation.

Like Product and Domestic Industry

To determine "whether there is a reasonable indication that an industry in the United States is materially injured, or is

6/ See id. at 1001-04. See also New Steel Rails from Canada, USITC Pub. 2135 at 55-68, Inv. Nos 701-TA-297 & 731-TA-422 (Preliminary) (Nov. 1988) (Views of Acting Chairman Brunsdale); id. at 19-31 (Additional Views of Commissioner Cass).

threatened with material injury", 7/ the Commission must first define the relevant domestic industry. The statute defines the term "industry" as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 8/ In turn, the statute defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation...." 9/

The Commission usually considers a number of factors when determining what product is "like" the product subject to investigation, including: (1) product features, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, (5) customer or producer perceptions and product uses, and (6) price. 10/ The Commission looks to these factors to ascertain where there are clear dividing lines between the markets for arguably "like" products, 11/

7/ 19 U.S.C. § 1673b(a).

8/ Id., § 1677(4)(A).

9/ Id., § 1677(10).

10/ See, e.g., Drafting Machines and Parts Thereof from Japan, USITC Pub. 2192 at 5, Inv. No. 731-TA-432 (Preliminary) (May 1989); see also Asociacion Colombiana de Exportadores de Flores v. United States (hereinafter "Asocolflores"), 12 Ct. Int'l Trade ___, 693 F. Supp. 1165, 1170 & n.8.

11/ See, e.g., Operators for Jalousie and Awning Windows from El Salvador, USITC Pub. at 4, n.4, Inv. Nos. 701-TA-272 and 731-TA-319 (Final) (Jan. 1987) (quoting S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979)).

as the legislative history indicates that minor distinctions among products are an insufficient basis for finding separate like products. 12/

In this preliminary investigation, we considered two questions relating to the definition of the like product: 1) whether residential and commercial door locks are the same like product, and 2) whether all types of residential locks performing different functions (e.g. passage, entrance, privacy) should be included in the same like product.

We note Petitioner's argument that the like product in this investigation should be no broader than the category of imported products identified by the Department of Commerce (Commerce). 13/ Commerce initially defined the imported product subject to this investigation to include three categories:

(1) Tubular or cylindrical, knob-operated locksets with spring latches or dead latches, whether face-plated or drive-in type, including entry-handled sets; (2) dead locks, whether face-plated or drive-in type; and (3) lever-operated locksets, whether face-plated or drive-in type. All three categories are imported from Taiwan and sold in any of the following forms: Fully assembled, partially assembled, unassembled, or parts relating thereto. These locks are used in the United

12/ See Asocolflores, 693 F. Supp. at 1168-69. S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

13/ In making its like product determination, the Commission may define the domestic like product and industry more broadly than the scope of Commerce's investigation. See Asocolflores, 693 F. Supp. at 1168, n.4; Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil, USITC Pub. 2128 at 7, n.16, Inv. 731-TA-421 (Preliminary) (Sept. 1988). See also Industrial Belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, The United Kingdom, and West Germany, USITC Pub. 2113 at 6-8, Inv. Nos. 701-TA-293-295 and 731-TA-412-419 (Preliminary) (Aug. 1988) (like product not limited to scope of investigation).

States residential door lock market. This petition does not cover door locks suitable for use with garage, overhead or sliding doors, or those suitable for use in the commercial market. 14/

Recently, Commerce issued a "clarification" of the scope of investigation that stated that residential door locks are "differentiated from other door locks (i.e., those for commercial or other uses) by the size of the face-plate or housing assembly." 15/

This language does not, as Petitioner suggests, clearly state that the scope of the investigation includes all residential door locks imported from Taiwan and necessarily excludes all commercial door locks. Commerce's scope determination does, however, include all products characterized by either of the two distinguishing sizes of door locks described in the petition, size distinctions that generally determine

14/ 54 Fed. Reg. 21999 (1989).

15/ The sizes Commerce specified as significant are the same as those urged by Petitioner:

(1) with a face-plated spring lock/latch, dead latch or dead bolt, the unit has (a) a face-plate size of 1 inch or less (plus a tolerance of +1/16 inch) in width, regardless of length; or (b) an outside diameter of the latch or dead bolt housing assembly of 7/8 inch or less (plus a tolerance of +1/16 inch) in outside diameter; or (2) if a drive-in type spring lock/latch, dead latch or dead bolt, the unit has a housing assembly (including the sleeve retaining device) of 1 inch or less (plus a tolerance of +1/16 inch) in outside diameter.

Letter from Gary Taverman, Acting Division Director of Commerce's Office of Antidumping Investigations to Lynn Featherstone, Director of the Commission's Office of Investigations (June 7, 1989). See also Antidumping Petition on Behalf of The Ad Hoc Committee of Door Lock Manufacturers (hereinafter "Petition") at 5, 8.

whether certain locks are suitable for use in the residential market and not the commercial market.

Commerce's determination, while important to our like product determination, is not dispositive. We must decide how similar or dissimilar domestic products are to one another and to the imported products identified by Commerce. During the investigation, Petitioner argued that commercial locks are not "like" residential locks and that all residential locks are a single like product. 16/ None of the other parties advanced alternative like product definitions. 17/

Residential and Commercial Door Locks

Although it is not patently clear that a sharp dividing line exists between the markets for residential and commercial door locks, there is substantial evidence in the record to support the determination that they constitute separate products.

16/ See Petition at 20-21; Post-Conference Brief of Petitioner at 4-11. In this investigation, we have gathered data from the producers of locksets, but are uncertain whether these data fully reflect components of locksets. In any final investigation, we will further examine this issue.

17/ See, e.g., Official Transcript of Staff Conference, Inv. No. 731-TA-433 (Preliminary) (hereinafter "Tr.") at 82 (Statement of Mr. Lasier); Tr. at 134 (Statement of Mr. Schutzman); Letter from Max F. Schutzman to Kenneth R. Mason, Secretary of the Commission at 5 (May 19, 1988). Although the Commission agrees with the like product definition advanced by the Petitioner in this case, apparent agreement of the parties does not mean that the Commission is precluded from determining that the like product is other than that suggested by the parties. See e.g., Industrial Belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, The United Kingdom, and West Germany, USITC Pub. 2113 at 6-7, Inv. Nos. 731-TA-412-419 (Preliminary) (Aug. 1988).

While at first glance the physical characteristics and components of each type of lock (e.g. a turning unit, a lock or latch, a face plate, and a strike plate) appear similar, closer examination reveals that the dimensions often differ in many respects. 18/ Locks used in the commercial market usually have wider face plates, larger housing assemblies, larger bolts, and larger backsets. 19/ In addition, commercial locks are generally heavier, thicker, and more durable than residential locks. 20/ These differences in physical characteristics correspond with differences in performance. Commercial locks often provide greater security because they are sturdier and can sustain many more rotations of the knob than a standard residential lock. 21/

Although all locks, whether commercial or residential, are used fundamentally for the same ends (i.e., to lock or latch a door), the end uses of commercial and residential locks typically differ because the locks are used in different structures. In addition, certain locks are almost exclusively used in the commercial market, e.g., classroom locks, store room locks, and hotel guest room locks. 22/

18/ See Taverman letter, supra note 15, and accompanying text.

19/ Petition at 5-8.

20/ Id. at 5-6; Staff Report to the Commission on Inv. No. 731-TA-433, Certain Residential Door Locks from Taiwan (Preliminary) (hereinafter "Report") at A-3, A-4-5.

21/ Report at A-4; Post-Conference Brief of Petitioner at 5-6.

22/ Post-Conference Brief of Petitioner at 9.

The differences in physical characteristics between residential and commercial locks limit the interchangeability of the two products. Residential locks often do not satisfy the security requirements of commercial users or the specifications of architects for commercial buildings. Similarly, many commercial locks are too large to fit into the standard prefabricated residential door. 23/

The production processes of residential and commercial manufacturers differ. Residential locks are mass produced whereas commercial locks are not. 24/ Although some equipment can be used for the production of components for both kinds of locks, heavier presses and different tooling often are used for production of commercial locks. 25/

With respect to manufacturing facilities, most domestic manufacturers produce only one of the two kinds of locks. Manufacturers that produce both kinds of locks often separate their commercial and residential production facilities. 26/ The existence of marked differences in price between commercial and residential locks also supports the inference that they are not part of the same like product. 27/

23/ Id.

24/ Id. at 7; Report at A-5, A-8.

25/ Tr. at 83.

26/ Id. at 81-83.

27/ Report at A-5 (Average unit values of domestic shipments of commercial/other door locks are more than three times the average
(continued...))

Notwithstanding these differences, the evidence indicates some overlap between residential and commercial locks. Nevertheless the record supports the inference that the two types of locks are largely, though not wholly, distinct products. For purposes of this preliminary investigation, we find that on balance the like product is comprised of residential door locks as defined above. 28/

Residential Door Locks

We also should consider whether residential locks comprise more than one like product category. Different locks perform different functions, e.g. passage, privacy, entrance. Although these differences limit the interchangeability of different locks, 29/ we find on the evidence now of record that all residential locks are part of the same like product. 30/ The

27/ (...continued)
unit values of residential locks.)

There is very little information in the record concerning the channels of distribution of commercial locks and customer perceptions. Because none of the parties argued that commercial locks are like the imported residential locks, information regarding this issue is limited, and our like product determination is necessarily tentative.

28/ In light of the facts that some producers make both residential and commercial locks and that some locks are suitable for use in either setting, we are prepared to revisit the distinction between commercial and residential door locks in any final investigation.

29/ Report at A-43, -47, -50.

30/ This conclusion is consistent with other Commission determinations. See e.g., Top-of-the-Stove Stainless Steel
(continued...)

parties have not argued for a determination that there are separate like products, and the record does not provide evidence permitting the Commission to draw clear dividing lines among locks based on the functions they serve. Our determination does not preclude any party from revisiting this issue in any final investigation.

For purposes of this preliminary investigation, we define the like product as residential locks and the domestic industry as the producers of residential locks.

Reasonable Indication of Material Injury
by Reason of Allegedly LTFV Imports

In making a determination in a preliminary antidumping investigation, the Commission is to determine whether there is a reasonable indication that a domestic industry is materially injured or threatened with such injury "by reason of" the imports under investigation. 31/ In determining whether a domestic industry is materially injured "by reason of" allegedly LTFV

30/ (...continued)

Cooking Ware From Korea and Taiwan, USITC Pub. 1936, Inv. Nos. 731-TA-304-305 (Final) (Jan. 1987); Porcelain-on-Steel Cooking Ware From Mexico, The People's Republic of China, and Taiwan, USITC Pub. 1911, Inv. Nos. 731-TA-297-299 (Final) (Nov. 1986); Certain Scissors and Shears From Brazil, USITC Pub. 1456, Inv. No. 104-TAA-19 (Dec. 1983) (rejecting argument that each type of scissors and shears should be a separate like product because it has distinct characteristics and special uses); Thermostatically Controlled Appliance Plugs and Internal Probe Thermostats Therefor From Canada, Japan, Malaysia, and Japan, USITC Pub. 2152 at 6-7, Inv. Nos. 731-TA-400 & 402-404 (Final) (Jan. 1989) ("[i]nterchangeability, however, is only one of the criteria for making a like product determination and no single criterion is determinative").

31/ 19 U.S.C. § 1673b(a).

imports, the Commission considers, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry. 32/ The Commission may take into account information concerning other causes of harm to the domestic industry, but is not to weigh the impact of allegedly LTFV imports against other factors affecting the condition of the domestic industry. 33/ The question for the Commission is whether, regardless of the effects of other factors, the evidence reasonably could be thought to show that allegedly LTFV imports have materially injured (or threaten such injury to) the domestic industry.

During this preliminary investigation, the Commission has gathered information about the U.S. market for residential door locks, U.S. producers of residential door locks, and imports of

32/ Id., § 1677(7)(B), as amended by Section 1328 of the Omnibus Trade and Competitiveness Act of 1988, Pub. L. 100-418, 102 Stat. 1107, 1205. In assessing impact, the Commission considers, among other factors, the domestic consumption of the product, U.S. production, capacity, and capacity utilization, shipments, inventories, employment, financial performance, and existing development and production efforts within the context of the business cycle and conditions of competition that are distinctive to the domestic industry. 19 U.S.C. § 1677(7)(C)(iii), as amended by section 1328 of the 1988 Act, 102 Stat. at 1205.

33/ "Current law does not...contemplate that the effects from the subsidized [or LTFV] imports be weighed against the effects associated with other factors (e.g., the volume and prices of nonsubsidized [LTFV] imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong. 1st Sess. 57, 74 (1979).

residential door locks from Taiwan. In our view, the record supports a determination that there is a reasonable indication of material injury by reason of the subject imports.

The Impact of Allegedly LTFV Imports on the Domestic Industry

General Issues: In considering the impact of allegedly LTFV imports on the domestic industry, we note that the subject imports account for almost one-fifth of U.S. apparent consumption and that the alleged margins of dumping are high, ranging up to 67 percent. 34/ Taken alone, these factors would tend to suggest that the allegedly LTFV imports may be doing substantial harm to domestic producers. However, a thorough assessment of the impact of allegedly LTFV imports on domestic producers cannot be made outside the context of a deeper understanding of the competitive conditions in the U.S. market for residential door locks and the performance of domestic producers within this market. Congress underscored the need to evaluate carefully the effect of LTFV sales in the context of particular market conditions in the Omnibus Trade and Competitiveness Act of 1988 by requiring us to analyze LTFV imports' effects with respect to "the business cycle and conditions of competition that are distinctive to the affected industry." 35/

34/ 54 Fed. Reg. 21999 (1989), reprinted in Report at A-65.

35/ Pub. L. No. 100-418, § 1328(2)(C), 102 Stat. 1107, 1206 (codified at 19 U.S.C.A. § 1677(7)(C) (West Supp. 1989)).

Apparent consumption of residential door locks measured by value increased steadily in the 1986 to 1988 period by 3.7 percent, and declined in the January/March 1988/1989 interim comparison by 5.5 percent. Measured by quantity, apparent consumption increased from 1986 to 1987 by 4.5 percent, declined in 1988 by 2.4 percent and declined slightly in the interim comparison. 36/

Domestic production and production capacity generally declined during the period under investigation. 37/ Measured by quantity, domestic shipments also declined, falling 8.3 percent from 1986 through 1988, and 5.5 percent in the interim comparison. Measured by value, domestic shipments fluctuated but declined from 1986 through 1988 and also declined in the interim comparison. 38/ Employment declined significantly over the period, by 23.4 percent from 1986 to March 1989. 39/

Respondents have argued that these declines are explained by decisions of domestic producers to move their production facilities offshore, inefficiencies of the domestic companies,

36/ Report at A-12, A-13 (Table 3).

37/ Id. at A-18 (Table 6). In any final investigation, the Commission plans to investigate whether production figures were understated in this investigation because they did not include production of all components or parts of locksets. Evidence gathered in this investigation suggests that some components are being produced in the United States and assembled in Mexico. Tr. at 73 (Statement of Mr. Lasier); id. at 125 (Statement of Mr. Schutzman).

38/ Report at A-25 (Table 8), A-29.

39/ Id. at A-22.

slackened housing starts, and increases in the productivity of domestic manufacturers. 40/ With respect to the latter argument, we note that the percentage decline in employment exceeded the percentage increase in productivity. 41/ Also, with respect to offshore production, Congress has expressly instructed the Commission to examine only production in the United States. 42/ Moreover, while we properly consider only that amount of injury caused by allegedly LTFV imports, Petitioner argues that movement of production to offshore locations by the domestic industry was in part a response to the imports of locks allegedly sold at LTFV from Taiwan. 43/

Respondents argue that the financial health of the domestic industry producing residential door locks is robust. They point

40/ See e.g., Posthearing Brief of Home Depot at 13-21. Post-Conference Brief of Tong Lung et al. at 10-14.

41/ See Report at A-22 (reporting an overall decline in employment of 14.6 percent from 1986 to 1988); id. at A-23 (Table 10) (reporting an increase in productivity from 6.8 units per hour in 1986 to 7.3 units per hour in 1988 -- a 7.4 percent increase).

42/ Section 771(7) of the Tariff Act of 1930, as amended by section 1328 of the Omnibus Trade and Competitiveness Act of 1988, Pub. L. 100-418, 102 Stat. 1107, 1205. In the 1988 Act, Congress amended the statutory definition of "material injury." The amendment provides that the Commission is to examine "the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States." 19 U.S.C.A. § 1677(7) (West Supp. 1989). Both the House and Senate reports to the 1988 Act discussed offshore production and concluded that such production should not be included in the Commission's material injury analyses. H.R. Rep. No. 40, 100th Cong., 1st Sess., pt. 1 at 128-29; S. Rep. No. 71, 100th Cong., 1st Sess. 115.

43/ See, e.g., Post-Conference Brief of Petitioner at 2.

to the fact that operating income as a ratio to net sales remained relatively stable -- 13.7 percent in 1986 and 13.8 percent in 1987 and 1988 -- as an indication that allegedly LTFV imports could not be harming the domestic industry. 44/ Petitioner counters by noting declines in other relevant indicators. 45/ From our perspective, both of these arguments miss the fundamental point that material injury in Title VII cases should not be measured by overall industry condition, which is affected by outside events that the Commission is explicitly enjoined from considering in its evaluation. Rather, our inquiry is to focus solely on the issue of whether material injury has been caused by dumped or subsidized imports. 46/ As we have acknowledged elsewhere, consistent profitability standing alone does not mean that the domestic industry is not materially injured by reason of the subject imports. 47/

44/ See, e.g., Post-Conference Comments of Tong Lung et al. at 5, 9, 12, 14-15, 18.

45/ See, e.g., Post-Conference Brief of Petitioner at 1-3.

46/ Of course, the materiality of any injury caused by subject imports can best be interpreted in the context of that industry's performance, since a weakened industry may be materially harmed by an impact that a stronger one could shrug off.

47/ See, e.g., Digital Readout Systems and Subassemblies Thereof from Japan, USITC Pub. 2150 at 34-35, Inv. No. 731-TA-390 (Final) (Jan. 1989) (Views of Acting Chairman Brunsdale); Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, USITC Pub. 2185 at 131-33, Inv. Nos. 303-TA-19-20 & 731-TA-391-399 (Final) (May 1989) (Concurring and Dissenting Views of Vice Chairman Cass) (citing, inter alia, S. Rep. No. 1385, 90th Cong., 2d Sess., pt. 2, at 11 (1968), reprinted in 1968 U.S. Code, Cong. (continued...)

Information on Import Volumes and Prices: Import volumes were significant during the period in which dumping is alleged and also throughout the period investigated by the Commission. Although the trend itself has no significance, we note that import volumes were higher at the end of the period investigated than at the beginning. Market penetration in terms of total quantity of apparent U.S. consumption was 16.9 percent in 1986, 17.7 percent in 1987, 17.3 percent in 1988, 18.8 percent in January/March 1988 and 16.7 percent in January/March 1989. 48/ Measured by value, market penetration followed a similar pattern. The value of imports from Taiwan increased 13.0 percent from 1986 to 1988, and decreased 9.7 percent in the interim comparison.

The change in imports consequent to LTFV sales may be more readily apparent from changes in the prices of the imports. The dumping margin provides information useful for assessing this price change. As we have already noted, the alleged dumping margins in this case range up to 67 percent. Respondents contend that these allegations are based on extremely old data, 49/ and

47/ (...continued)
& Admin. News 4548). Cf. *USX Corp. v. United States*, 11 Ct. Int'l Trade ___, 655 F. Supp. 487, 490 (1987) ("the mere fact that an industry has been lifted out of a recession can not automatically trigger the conclusion that foreign imports are not affecting the domestic market").

48/ Report at A-42.

49/ Post-Conference Brief of Tong Lung *et al.* at 16 (arguing that Petitioner's estimates of dumping margins are based on a 1983 price list).

that the evidence collected in the investigation shows that prices of subject imports in the U.S. market have risen considerably in subsequent years. 50/ Nonetheless, these allegations represent the best available evidence on margins at this time. Although the statute authorizes us to rely on these allegations as best available evidence for present purposes, 51/ the apparent inconsistency with the rest of the record leads us to accord them somewhat less weight than we otherwise might.

At this preliminary stage, we do not have sufficient evidence to predict with confidence how imports would have been priced in the absence of dumping. 52/ One factor relevant to consideration of this matter is the importance of the U.S. market to producers of the subject imports. 53/ Data for three producers of the subject product show that sales of these exporters were concentrated in the U.S. market, rather than Taiwan. This concentration suggests that the dumping margin, even if accurate, is apt to overstate significantly the change in import prices consequent to LTFV sales. However, we have no way of knowing whether this is also true for other producers from

50/ See, e.g., Report at A-51 (Table 25).

51/ 19 U.S.C. § 1673b(a).

52/ For this reason, we do not, at the present time, rely on any specific assessment of the degree to which allegedly LTFV sales altered import prices. It would be constructive to obtain additional evidence relevant to this issue in a final investigation. Chairman Brunsdale does not believe that such an assessment will necessarily be required or feasible in this case.

53/ See Report at A-52 (Table 21).

Taiwan who did not respond to the Commission's inquiries. 54/ In any final investigation we expect to have the benefit of more information furnished by foreign producers and a record that will enable us to delve more deeply into this question. Even with a modest price decline, however, the significant import penetration suggests the realistic possibility that the domestic industry has been confronting substantial competition from imports from Taiwan sold at lower prices than if not dumped, and that these sales may have affected certain business decisions of domestic producers, including decisions to move offshore. 55/

The Price Effect of the Subject Imports: The incompleteness of the price evidence collected in this preliminary investigation illustrates the need to obtain additional information in any final investigation. For example, the evidence before us suggests, on the one hand, that the subject merchandise was sold at significantly lower prices than the domestic products to which prices were compared. On the other hand, the evidence also indicates that the market share held by subject imports did not increase appreciably over the period covered by this investigation. This counter-intuitive evidence can be explained in part by the fact that, while there was a large disparity in prices in head-to-head price comparisons, there was inadequate evidence in the record on the substitutability of the like

54/ See id. at A-51, n.21.

55/ See id. at A-40, A-13 (Table 3).

product for the subject imports. 56/ This inadequacy helps explain the fact that the prices of U.S. producers remained stable or increased, indicating an absence of price depression. 57/

The stability of domestic and subject import market shares despite the apparent large price disparity raises the possibility that the subject imports might not be highly substitutable for domestic products in the same category to which their prices were compared. However, the direct evidence on substitutability paints a different picture. There are "no distinct differences" between subject imports and domestically produced residential door locks, and consumers are often unaware of the country of origin. 58/ Petitioner also notes a "very close physical similarity" between domestic and imported residential locks and finds the quality of these products to be "somewhat comparable." 59/

56/ In any final investigation, we plan to examine further the substitutability of the like product with the subject imports. To that end, we would also gather further information on "pricing points" to assure that any price comparisons are based on products that are substitutable.

57/ However, Petitioner has submitted some evidence of price suppression. The price of raw materials for locks rose substantially during the period of investigation. Other producers using the same raw materials have been able to pass through these increases in raw material prices more effectively than the domestic residential lock producers. Tr. at 42-43.

58/ Report at A-3.

59/ Tr. at 29, 36.

One importer even agrees that domestic and imported locks are highly competitive at the low end of the market. 60/

Should any final investigation occur in this case, we will seek further evidence and argument on the substitutability question. For purposes of our preliminary determination, however, we give Petitioner the benefit of the doubt by relying primarily on the evidence that indicates a high degree of substitutability.

Another factor influencing the effect of the subject imports on domestic prices (and, concomitantly, on domestic sales) is the sensitivity of consumers of the imported and domestic products to price, that is, the price elasticity of demand. If overall demand is very responsive to price (high price elasticity of demand), then import sales at low prices will, to a large extent, reflect the satisfaction of new demand rather than the diversion of sales from domestic producers. Low price elasticity makes the battle between foreign and domestic producers more of a zero-sum game.

Demand for residential locksets originates in two distinct submarkets: the new construction market and the replacement market. The demand for residential locksets in the new housing market is almost exclusively a derived demand. Given the minuscule proportion of new house construction costs accounted for by residential locksets, door lock prices will have no measurable impact on construction activity. Therefore the demand

60/ Posthearing Brief of Home Depot at 10.

for door locks in this submarket is apt to be extremely inelastic.

The replacement market is potentially more elastic. However, Petitioner states that price elasticity in the market for replacement residential locksets is "very low". 61/ Respondent Home Depot also suggests that price is not a primary determinant of demand. 62/ While we will want to reconsider the importance of prices in the retrofit market should any final investigation occur, the present record supports a conclusion that overall demand for residential locksets is highly inelastic.

Among the other factors relevant to our consideration of how LTFV imports have affected the prices and sales of domestic products are the responsiveness of domestic producers in this industry to changes in price (domestic supply elasticity) and the way in which imports from other countries vary with changes in U.S. prices for residential locksets (the supply elasticity of fairly traded imports). If the domestic supply elasticity is high, domestic producers would be capable of supplying additional products at prices near to those currently prevailing. If the price elasticity of fairly traded imports is high, sales of non-subject imports rather than those of the domestic like product might bear a significant share of the impact of any change in the level of LTFV imports. The only evidence relating to these matters is the data on domestic capacity utilization. The

61/ Tr. at 45.

62/ Posthearing Brief of Home Depot at 11.

existence of substantial excess capacity suggests that domestic supply elasticity is high. Should any final investigation occur, we will seek additional evidence on supply conditions.

Effect of the Subject Imports on the Domestic Industry: Taken together, the factors relevant to our determination suggest a reasonable indication, although surely no more than just that, that the allegedly LTFV imports materially injured the domestic industry. Subject imports that are highly substitutable for domestic products captured nearly one-fifth of the market in a period when they were allegedly dumped at possibly high margins. In the absence of dumping, prices of the subject imports most likely would have been higher. If in fact the subject imports were highly substitutable for other residential locksets, a substantial part of their market share might well have been captured by other suppliers, including domestic producers, had they been fairly traded. There is evidence that domestic producers' sales, which declined over the period of investigation, were significantly affected by allegedly LTFV imports. Interpreted in the context of present industry conditions and the low standard applicable in preliminary cases, these effects support a finding of a reasonable indication of material injury by reason of the subject imports allegedly sold at less than fair value.

Conclusion

On the basis of the evidence before us in this preliminary investigation, we conclude that there is a reasonable indication that a domestic industry has been materially injured by reason of allegedly LTFV imports of residential door locks from Taiwan.

VIEWS OF COMMISSIONER LODWICK AND COMMISSIONER NEWQUIST

Based on the information obtained in this preliminary investigation, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain residential door locks from Taiwan that are alleged to be sold at less than fair value (LTFV). 1/

The Legal Standard In Preliminary Investigations

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 whether the establishment of a domestic industry has been materially retarded by reason of the imports subject to investigation. 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.

1/ Material retardation of the establishment of an industry is not an issue on this investigation and will not be discussed further.

In American Lamb v. United States, 2/ the Federal Circuit stated that the purpose of preliminary determinations is to avoid the cost and disruption of trade caused by unnecessary investigations, 3/ and that the "reasonable indication" standard requires more than a finding that there is a possibility of material injury by reason of the unfairly traded imports. The Commission may render a negative preliminary determination when "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation." 4/

Like Product and Domestic Industry.

To determine whether a "reasonable indication of material injury or threat of material injury" exists, the Commission must first determine the relevant domestic industry. The term "industry" is defined by statute as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 5/ In turn, "like product" is defined in section 771(10) of the Tariff Act of 1930, as amended, as "a product which is like, or in the absence

2/ 785 F.2d 994 (Fed. Cir. 1986).

3/ Id. at 1002-1003.

4/ Id. at 1001.

5/ 19 U.S.C. § 1677(4)(A).

of like, most similar in characteristics and uses with, the article subject to an investigation...." 6/

The Commission's decision regarding like product is essentially a factual determination, made on a case-by-case basis. 7/ The Commission usually considers a number of factors when determining what product is "like" the product subject to investigation, including: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, (5) customer or producer perceptions, and (6) price. 8/ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a given investigation. The Commission looks for clear dividing lines between like products, 9/ because minor distinctions are an insufficient basis for finding separate like products. 10/

In this preliminary investigation, we considered two questions relating to the definition of the like product: 1) whether residential and commercial door locks are the same like

6/ 19 U.S.C. § 1677(10).

7/ *Asociacion Colombiana de Exportadores de Flores v. United States*, 12 CIT ___, 693 F. Supp. 1165, 1169 (1988) (hereinafter "Ascof

8/ See, e.g., *Certain All-Terrain Vehicles from Japan*, Inv. No. 731-TA-388 (Preliminary), USITC Pub. 2071 (March 1988) at 6; Ascoflores, 693 F. Supp. at 1170 n.8.

9/ See, e.g., *Operators for Jalousie and Awning Windows from El Salvador*, Invs. Nos. 701-TA-272 and 731-TA-319 (Final), USITC Pub. 1934 (Jan. 1987) at 4 n.4.

10/ Ascoflores, 693 F. Supp. at 1168-69. S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

product and 2) whether all types of residential locks performing different functions (e.g. passage, entrance, privacy) should be included in the same like product.

We note petitioner's argument that the like product in this investigation should be limited to the scope of the Department of Commerce's (Commerce) investigation. 11/ Commerce has defined the imported product subject to this investigation as follows:

The products covered by this investigation include the following three categories of residential door locks: (1) tubular or cylindrical, knob-operated locksets with spring latches or dead latches, whether face-plated or drive-in type, including entry-handled sets; (2) dead locks, whether face-plated or drive-in type; and (3) lever-operated locksets, whether face-plated or drive-in type. All three categories are imported from Taiwan and sold in any of the following forms: Fully assembled, partially assembled, unassembled, or parts relating thereto. These locks are used in the United States residential door lock market. This petition does not cover door locks suitable for use with garage, overhead or sliding doors, or those suitable for use in the commercial market. 12/

However, this language suggests that the scope of the investigation includes residential door locks and excludes commercial door locks. We interpret the scope determination as including all products that possess the two physical

11/ In making its like product determination, the Commission may define the domestic like product and industry more broadly than the scope of Commerce's investigation. See Ascoflores, 693 F. Supp. at 1168 n.4; Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil, Inv. 731-TA-421 (Preliminary), USITC Pub. 2128 (Sept. 1988) at 7. See also Industrial Belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, The United Kingdom, and West Germany, Invs. Nos. 701-TA-293-295 and 731-TA-412-419, (Preliminary), USITC Pub. 2113 (Aug. 1988) at 6-8 (like product not limited to scope of Commerce's investigation).

12/ 54 Fed. Reg. 21999 (May 22, 1989).

characteristics of residential door locks described in the petition. 13/

During the investigation, petitioner argued that commercial locks are not "like" residential locks and that all residential locks are a single like product. 14/ None of the other parties advanced alternative like product definitions. 15/

13/ These two physical characteristics are:

(1) if a face-plate spring lock/latch, dead latch or dead bolt, the unit has (a) a face-plate size of 1 inch or less (plus a tolerance of +1/16 inch) in width, regardless of length; or (b) an outside diameter of the latch or dead bolt housing assembly of 7/8 inch or less (plus a tolerance of +1/16 inch) in outside diameter; or

(2) if a drive-in type spring/lock, dead latch or dead bolt, the unit has a housing assembly (including the sleeve retaining device) of 1 inch or less (plus a tolerance of +1/16 inch) in outside diameter. See Petition at 5, 8. Letter from Gary Taverman, Commerce, to Lynn Featherstone, Office of Investigations, USITC, clarifying Commerce's scope of investigation, dated June 7, 1989.

14/ See Antidumping Petition on Behalf of The Ad Hoc Committee of Door Lock Manufacturers at 20-21 (hereinafter "Petition"); Post-Conference Brief of Petitioner Ad Hoc Committee of Door Lock Manufacturers at 4-11 (hereinafter "Ad Hoc Post-Conference Brief").

In this investigation, we have gathered data from the producers of locksets, but are uncertain whether this data fully reflect components of locksets.

15/ See, e.g., Official Transcript of Staff Conference, Inv. No. 731-TA-433 (Preliminary) (hereinafter "Tr.") at 82; Tr. at 134; Letter to Kenneth R. Mason, Secretary, USITC from Max F. Schutzman, dated May 19, 1989 at p. 5. Although the Commission agrees with the like product definition advanced by the petitioner in this case, apparent agreement of the parties does not mean that the Commission is precluded from determining that the like product is other than that suggested by the parties. See e.g., Industrial Belts From Israel, Italy, Japan, Singapore, South Korea, Taiwan, The United Kingdom, and West Germany, Inv. Nos. 731-TA-412-419, USITC Pub. No. 2113 at 6-7 (Aug. 1988).

1. Commercial door locks are not like residential door locks.

Although many residential and commercial locks have similar physical characteristics and components, (e.g. a turning unit, a lock or latch, a face plate, and a strike plate) their physical characteristics often differ in many respects. Locks used in the commercial market usually have wider face plates, larger housing assemblies, larger bolts, and larger backsets. 16/ In addition, commercial locks are generally heavier, thicker and more durable than residential locks. 17/ These differences in physical characteristics produce differences in performance. Commercial locks often provide greater security because they are sturdier and can sustain many more rotations of the knob than a standard residential lock. 18/

Although all locks, whether commercial or residential, perform fundamentally the same end use (i.e. they lock or latch a door), the end uses of commercial and residential locks typically differ because they are used in different structures. In addition, certain locks perform functions that are almost exclusively used in the commercial market, e.g., classroom locks, store room locks, and hotel guest room locks. 19/

The differences in physical characteristics between

16/ Petition at 5-8.

17/ Id. at 5-6; Report to the Commission (Report) at A-5, A-6.

18/ Report at A-6; Ad Hoc Post-Conference Brief at 5-6.

19/ Ad Hoc Post-Conference Brief at 9.

residential and commercial locks limit the interchangeability of the two products. Residential locks often do not satisfy the security requirements of commercial users or the specifications of architects for commercial buildings. Similarly, many commercial locks are too large to fit into the standard prefabricated residential door. 20/

The production processes of residential and commercial manufacturers differ. Residential locks are mass produced whereas commercial locks are not. 21/ Although some equipment can be used for the production of components for both kinds of locks, heavier presses and different tooling often are used for production of commercial locks. 22/

With respect to manufacturing facilities, most domestic manufacturers only produce one of the two kinds of locks. Manufacturers who produce both kinds of locks often separate their commercial and residential door lock production facilities. 23/

20/ Id.

21/ Ad Hoc Post-Conference Brief at 7; Report at A-7, A-11.

22/ Tr. at 83.

23/ Tr. at 81-83.

There are also significant differences in price between commercial and residential locks. 24/ 25/

2. All residential locks are the same like product.

Different locks perform different functions, e.g. passage, privacy, entrance. Although these differences limit the interchangeability of different locks, 26/ we find that all residential locks are part of the same like product. 27/ The parties have not argued for a determination that there are separate like products and the record does not provide evidence

24/ Report at A-8 (Average unit values of domestic shipments of commercial/other door locks are more than three times the average unit values of residential locks.)

25/ There is very little information in the record concerning the channels of distribution of commercial locks and customer perceptions. Because none of the parties argued that commercial locks are like the imported residential locks, information regarding this issue is limited and the Commission's like product determination is necessarily tentative.

26/ Report at A-57, A-63/A-68.

27/ This conclusion is consistent with other Commission determinations. See e.g., Top-of-the-Stove Stainless Steel Cooking Ware From Korea and Taiwan, Inv. Nos. 731-TA-304-305 (Final), USITC Pub. No. 1936 (Jan. 1987) or Porcelain-on-Steel Cooking Ware From Mexico, The People's Republic of China, and Taiwan, Inv. Nos. 731-TA-297-299 (Final), USITC Pub. No. 1911 (Nov. 1986); Certain Scissors and Shears From Brazil, Inv. No. 104-TAA-19, USITC Pub. No. 1456 (Dec. 1983) (rejecting argument that each type of scissors and shears should be a separate like product because it has distinct characteristics and special uses); Thermostatically Controlled Appliance Plugs and Internal Probe Thermostats Therefor From Canada, Japan, Malaysia, and Japan, Inv. Nos. 731-TA-400 and 402-404 (Final), USITC Pub. No. 2152 at 6-7 (Jan. 1989) ("[I]nterchangeability, however, is only one of the criteria for making a like product determination and no single criterion is determinative.") See also Ascoflores, 693 F. Supp. at 1168 ("If one has to choose a single basis upon which to make a like product determination, consumer preference would seem to be a poor choice.")

permitting the Commission to draw clear dividing lines among locks based on the functions they serve. In light of the admonition that the Commission should avoid like product determinations that differentiate between products on the basis of "minor" variations, we believe that the record does not support a division of the like product by function. 28/

Therefore, for purposes of this preliminary investigation, we define the like product as residential door locks and the domestic industry as the U.S. producers of residential door locks.

Condition of the Domestic Industry

In analyzing the condition of the domestic industry, we consider, among other factors, apparent domestic consumption, U.S. production, capacity and capacity utilization, shipments, market share, inventories, employment, financial performance, and existing development and production efforts, within the context of both the business cycle and the conditions of competition that are distinctive to the domestic industry. 29/ "Material injury" is defined in section 771(7)(A) of the Tariff Act of 1930, as amended, as "harm which is not inconsequential, immaterial or unimportant." 30/

28/ See S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

29/ See, Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil, Inv. No. 731-TA-421, (Preliminary), USITC Pub. No. 2128 (Sept. 1988) at 18.

30/ 19 U.S.C. 1677(7)(A)

Apparent domestic consumption of residential door locks remained relatively stable during the period of investigation in terms of volume, and rose slightly in value from 1986 to 1988; apparent consumption by volume and value fell slightly in the interim (Jan.-March) 1989, as compared to interim 1988. 31/

U.S. shipments and production declined overall in both volume and value terms, from 1986 to 1988; U.S. shipments and production fell even further in the interim period. 32/ These declines, 33/ which occurred during a period of relatively stable domestic consumption, reduced the domestic industry's share of apparent consumption, which fell from 74.5% in 1986 to 68.7% in 1988. The domestic industry's market share further deteriorated during the interim period, declining from 68.1% in interim 1988 to 66.4% in interim 1989. 34/

The reduction in U.S. production and U.S. shipments is also reflected in declines in capacity utilization. Productive capacity also generally declined from 1986 to 1988. 35/ Some of the shrinkage in productive capacity can be explained by the recent closing of certain domestic facilities; this has

31/ Report, Table 3.

32/ Id., Tables 7 & 8.

33/ There were a number of acquisitions, expansions and contractions in this industry over the period of investigation. The net change in this industry has been a contraction.

34/ Calculated from Table 3 of the Report.

35/ Report, Table 7 (A-18).

contributed to increased capacity utilization in the interim period. The contraction of the U.S. industry has also affected total employment and hours worked. Employment declined by over 23% from 1986 to March 1989. 36/ Total hours worked declined by over 13% from 1986 to 1988; hours worked also declined by over 17% in the interim period. 37/ Additionally, total compensation paid declined over the period of investigation. 38/ However, both total hourly compensation and productivity rose from 1986 to 1988 and during the interim period.

The financial performance of the domestic industry is mixed. 39/ U.S. net sales fell by slightly more than 1% from 1986 to 1988 but then dropped by 6% in the interim period. Operating income margins have been fairly stable and strong, at around 13.7 percent of net sales from 1986 to 1988, but declined slightly during the interim period. Operating losses were not reported by any of the seven reporting firms during the period of investigation except during the 1989 interim period.

The value of fixed assets generally declined from 1986 to

36/ Although respondents argue that the Commission should discount the declines in employment because of concurrent increases in productivity, we note that the percentage decline in employment exceeded the percentage increase in productivity. See Report, Table 10 (A-23) (reporting an overall decline in employment of 14.6 percent from 1986 to 1988); Report, Table 10 (A-23) (reporting an increase in productivity from 6.8 units per hour in 1986 to 7.3 units per hour in 1988 -- a 7.4 percent increase).

37/ Id., Table 10

38/ Id., Table 10

39/ Id., Table 12

1988 and also during the interim period, reflecting the contraction in the industry. However, total assets 40/ rose during the same period, reflecting the industry's financial position. Capital expenditures rose slightly from 1986 to 1988 and then jumped in the interim period; the levels of capital expenditures also suggests that firms were replacing aging assets but not making much new investment except during the 1989 interim period. 41/ Research and development expenditures remained relatively stable over the period of investigation. 42/

Despite its positive financial position during a period of stable consumption, the U.S. industry's loss of market share and attendant declines in U.S. production, shipments, and employment leads us to conclude that there is a reasonable indication that the U.S. residential door lock industry has been materially injured during the period of investigation.

Reasonable Indication of Material Injury by Reason of LTFV Imports

To assess the relationship between any material injury to the domestic industry and the imports under investigation, we consider import volume, the effect of imports on domestic prices, and the impact of imports on the U.S. operations of domestic

40/ Defined as the book value of fixed assets plus current and noncurrent assets. Id., Table 17 (A-34).

41/ Id., Table 18

42/ Id., Table 19

producers. 43/ No one factor is determinative, 44/ and the Commission is entitled to consider other economic factors relevant to its analysis, so long as such factors are identified and their relevance is fully explained. 45/ The Commission may take into account information concerning other causes of harm to the domestic industry, but is not to weigh causes. 46/ The imports need only be a cause of material injury. 47/

43/ 19 U.S.C. 1677(7)(B), as amended by section 1328(1) of the recently enacted Omnibus trade and Competitiveness Act of 1988 (the "1988 Trade Act"), P.L. 100-148, 102 Stat. 1107, Codified in 19 U.S.C.A. 1677(7)(B) (West Supp. 1989). Section 771(7)(C) of the Tariff Act of 1930, as amended by section 1328(2) of the 1988 Trade Act, provides detailed guidance with respect to evaluation by the Commission of import volumes, domestic price effects, and the impact of imports on the domestic industry. 19 U.S.C.A. 1677(7)(C) (West Supp. 1989).

44/ 19 U.S.C. 1677(7)(E)(ii) ("The presence or absence of any factor. . . shall not necessarily give decisive guidance with respect to the determination by the Commission of material injury."), cited in Atlantic Sugar, Ltd. v. United States, 2 CIT 18, 519 F. Supp. 916, 922 (1981).

45/ See 19 U.S.C.A. 1677(7)(B) (West Supp. 1989).

46/ "Current law does not...contemplate that the effects from the subsidized [or LTFV] imports be weighed against the effects associated with other factors (e.g., the volume and prices of nonsubsidized [LTFV] imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong. 1st Sess. 57, 74 (1979).

47/ See e.g., LMI-La Metall Industrie, S.p.A., v. United States, 13 CIT ___, Slip op. 89-46 (April 11, 1989) at 31, citing British Steel Corp. v. United States, 8 CIT 86, 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, 9 CIT 293, 613 F. Supp. 1237, 1244 (1985) (The Commission (continued...))

The volume of imports of residential door locks from Taiwan as a share of U.S. consumption, rose slightly from 16.9% in 1986 to 17.7% in 1987 and then fell to 17.3% in 1988; it then declined to 16.7% in interim 1989 from 18.8% in interim 1988. 48/ The value of imports from Taiwan as a share of domestic consumption showed similar trends, ranging from 9.4 to 10.7%. For purposes of this preliminary determination, we find that there is a reasonable indication that the volume and value of residential door locks imported from Taiwan is significant. 49/

Imported door locks from Taiwan appear to be consistently underselling U.S. door locks. The available data show that in the three major markets for door locks, imports undersold domestically produced products in 155 of 156 price comparisons by margins ranging from 3 to 59%. 50/ While we recognize that door lock products range from low-end standard door locks to deluxe high-end models 51/, the available price comparisons of U.S. and import door lock products from Taiwan indicate a pattern of

47/ (...continued)
must reach an affirmative determination if it finds that imports are more than a "de minimis" cause of injury); Citrosuco Paulista, S.A. v. United States, 12 CIT ___, 704 F. Supp. 1075, 1101 (1988).

48/ We note that the parties differ as to the appropriate source of import statistics. This issue will be examined further in any final investigation.

49/ We note, however, that an increase in fairly traded imports has accounted for most of the loss of market share by the U.S. industry.

50/ Report at A-56 to A-60

51/ Id. at A-43.

underselling 52/ which may well affect U.S. suppliers' ability to make sales, maintain or raise prices, or continue the production of products at profitable levels.

Data gathered in this preliminary investigation appear to confirm petitioner's allegations of lost sales and lost revenues due to allegedly LTFV imports from Taiwan. 53/ U.S. producer questionnaire responses also tend to support petitioner's contention that U.S. firms were unable to pass on cost increases through further price increases, 54/ were forced to relocate

52/ There appear to be differences among the parties about the substitutability of door locks among different levels of door lock products. The Petitioner on page 23 of its post-conference brief states that "Although LTFV imports from Taiwan have most directly affected the low end of the replacement market, price pressures have reached upward to even the high end of the replacement market. . . . Taiwan's products are copies of U.S. products (Tr. at 17-18). By selling comparable products in the eyes of the consumer, but at much lower prices, Taiwan imports have affected the American consumers' perceived price-to-value ratio over the full spectrum of residential locks (Tr. at 60)."

Respondent Home Depot in its post-conference brief at page 10 interpreted Petitioner's testimony to indicate that door locks do compete but at different levels. Respondent Home Depot then asserts that "Taiwanese products have been described as competing only at the low end of the market. Within the level on which the low-end locks compete, it appears that the Taiwanese product is priced competitively with the domestic product."

In any final investigation, we plan to further examine the substitutability of the like product with the subject imports. We would also gather further information on "pricing points" to ensure that any price comparisons are based on products that are substitutable.

53/ Report at A-61.

54/ Average f.o.b sales prices of domestic door locks generally stayed stable with some slight increases for some products over the period of investigation. Prices of Taiwanese door lock imports generally rose but still maintained large margins of underselling. Report at A-46 to A-61.

We note that petitioner has submitted some evidence of price
(continued...)

their production facilities within the U.S. to lower labor cost areas or to offshore sites in order to reduce labor costs, were unable to continue capital expenditures or investments previous levels, or have had to drop product lines due to the impact of the low priced residential lock imports from Taiwan. 55/ These assertions by U.S. producers appear to be supported, in part, by information showing declines in U.S. production, U.S. shipments, and employment, as detailed earlier in our discussion of the condition of the domestic industry. 56/ 57/ Faced with rising

54/ (...continued)

suppression. Petitioner submitted evidence establishing that the price of raw materials for locks has risen substantially during the period of investigation and that other products using the same raw materials have been able to pass through these increases in raw material prices more effectively than the domestic residential lock producers. (Tr. 42-43) In any final investigation, we would further investigate allegations of price suppression.

55/ Report at Appendix C; See also tr. at 74.

56/ Respondents have argued that these declines are explained by decisions of domestic producers to move their production facilities offshore, inefficiencies of the domestic companies, slackened housing starts and increases in productivity by domestic manufacturers. See e.g., The Home Depot Post-Hearing Brief at 13-21. Post-Conference Brief of Tong Lung Metal Industry Co., Taiwan Fu Hsing Industry Co., and Posse Lock Manufacturing Co. These arguments are supported in part by the record but do not preclude an affirmative determination.

57/ Some U.S. firms shifted their operations offshore in an effort to adjust to changes in the industry.

With respect to offshore production, Congress has expressly instructed the Commission to examine only production in the United States. (Section 771(7) of the Tariff Act of 1930, as amended by section 1328 of the 1988 Trade Act, H.R. 4848, Pub. L. 100-418, 102 Stat. 1107, 1205.) Therefore, we have not included within our analysis the offshore production of U.S. companies.

In addition, the Commission may not disregard these adverse trends simply because those trends may have been caused in part
(continued...)

costs and unable to sufficiently raise the prices of their domestically produced door locks due to underselling by allegedly LTFV imports from Taiwan, it appears that some U.S. producers elected to move offshore in an effort to maintain their profits by reducing their labor costs.

Given the significant volume of subject imports in the U.S. market, evidence of consistent underselling by importers of door lock products from Taiwan, confirmed allegations of lost sales and revenues, and the shift of some U.S. firms offshore, there is a reasonable indication that LTFV imports from Taiwan are a cause of material injury to the U.S. door lock industry.

57/ (...continued)
by factors other than the subject imports. As noted above, the Commission is not to weigh causes of injury in determining whether there is a reasonable indication that the allegedly LTFV imports are a cause of material injury.

Dissenting Views of Commissioner Eckes and Commissioner Rohr

Based on the record in this preliminary investigation, we find that there is no reasonable indication of material injury to the domestic industry by reason of alleged LTFV imports of residential door locks. Unlike our fellow Commissioners, we conclude that the condition of the domestic industry producing residential door locks does not warrant the continuation of this investigation.

The framework for our decision in preliminary investigations is provided by the statute, as applied by the Commission in past investigations and interpreted by the courts reviewing Commission negative preliminary determinations. In American Lamb v. United States,¹ the Federal Circuit stated that: (i) the purpose of preliminary determinations is to avoid the cost and disruption to trade caused by unnecessary investigations, (ii) the "reasonable indication" standard requires more than a finding that there is a "possibility" of such injury, and (iii) the Commission may weigh the evidence before it to determine whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury and (2) no likelihood exists that contrary evidence will

¹ American Lamb Co. v. United States, 785 F.2d. 994, (Fed. Cir. 1986)

arise in a final investigation." ²

The record of this investigation points to one conclusion: that there is no evidence of a reasonable indication that the domestic residential door lock industry is suffering present material injury. Further, in view of the strong performance of this industry, we find there is no reasonable indication that imports threaten the industry. Because we find no reasonable indication that the domestic industry is materially injured, we have not analyzed whether, assuming arguendo a reasonable indication that the industry were materially injured, such injury is by reason of the subject imports. ³

The record in this preliminary investigation is unusually complete. In particular, the record concerning the condition of the industry, which is the principal basis for our

² Commissioner Eckes refers to his separate views in "Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil" Inv. No. 731-TA-421 (Preliminary) USITC Pub. 2128 (Sept. 1988) in which he addresses his concerns on the appropriate standard for preliminary determinations. Based on the best available information, he finds in this investigation there is clear and convincing evidence of no reasonable indication of material injury or a threat of material injury and no likelihood of contrary evidence in a final investigation.

³ There appear to be a number of unanswered questions concerning the causal link between imports and the condition of the industry. Nonetheless, the absence of material injury, about which there is no question, requires a negative determination. National Association of Mirror Manufacturers v. United States, 696 F. Supp. 642 (CIT 1988) [Mirrors]. See also Digital Readout Systems and Subassemblies Therefor from Japan, Inv. No. 731-TA-390 (Preliminary), USITC Pub. 2081 (May 1988), Dissenting Views of Commissioners Eckes, Lodwick and Rohr at 33.

determination, covers the performance of virtually every domestic producer of residential door locks. Likewise, there is good coverage of data on imports and import trends, prices and other factors relevant to our consideration of threat of material injury. Because of the complete nature of this record, we find there is no likelihood of contrary evidence being developed in any final investigation.

Like Product and Domestic Industry

To determine whether a "reasonable indication of material injury or threat" exists, we must first determine the appropriate "like product" and the "domestic industry" at issue in this investigation. The term "like product" is defined by statute as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to investigation. . . ." ⁴ Like product determinations are essentially factual and are based on the record, including the arguments of the parties, in each investigation.

In this investigation, the petitioner has alleged that residential door locks are the appropriate like product and that commercial locks are not "like" the residential locks. Respondents in this investigation did not dispute petitioner's like product position. Our review of the record

⁴ 19 U.S.C. 1677(10).

supports petitioner's like product allegations. Therefore, for purposes of this investigation, we have found the like product to be residential door locks, and the domestic industry to consist of the producers of such locks.

Condition of the Domestic Industry

In determining the condition of the industry we considered those factors set forth in the statute, as amended by section 1328 of the Omnibus Trade and Competitiveness Act of 1988: domestic production and consumption, capacity and capacity utilization, shipments, inventories, employment, wages, financial performance and existing development and production efforts within the context of the business cycle and conditions of competition that are distinctive to the domestic industry.⁵ Further the Commission may only consider the impact of imports on the domestic industry's production operations within the United States.⁶

In making our determination in this preliminary investigation we looked to the best source of Congressional intent--the statute--for guidance in our assessment of the condition of this industry. In particular, we assessed the condition of the domestic industry which is defined by law as

⁵ 19 U.S.C. 1677(7)(C)(iii), as amended.

⁶ 19 U.S.C. 1677(7), as amended.

"the domestic producers as a whole of the like product." [emphasis added].⁷ The Court of International Trade in Copperweld found that this language manifests that Congress intended the Commission to determine whether:

the domestic industry (as a whole) has experienced material injury due to the imports. This language defies the suggestion that the [Commission] must make a disaggregated analysis of material injury. Furthermore, it appears that if Congress had intended that the [Commission] analyze injury on a disaggregated basis, Congress would have made this intention explicit, as it did for example in regard to regional industries.⁸

Therefore, in accordance with the statute and judicial guidance, our analysis is based on the condition of the entire domestic industry.

From the information that was collected during this investigation,⁹ the residential door lock industry is highly competitive and has been proceeding through a stage of rationalization. Acquisitions, expansion, and contractions affected some producers during the period of investigation. Thus, as individual companies pursue various scenarios of acquiring and/or relocating productive resources both within

⁷ 19 U.S.C. 1677(4).

⁸ Mirrors, citing Copperweld Corp. v. United States, 682 F. Supp. 552 (1988).

⁹ The information discussed in these views is from the Commission report unless otherwise indicated.

and outside the United States, it is not unexpected to find some incidental decline in performance trends during the period. Despite these conditions, most performance indicators for the industry have remained relatively static. Data on the industry's profitability and return on assets and other financial indicators are resoundingly favorable and further demonstrate that there is no reasonable indication that the industry as a whole is suffering material injury.

Apparent consumption of residential door locks remained high during the period of investigation. The quantity of residential door locks consumed increased by 4.5 percent from 1986 to 1987, returning in 1988 to just below 1986 levels. Total apparent consumption of these locks by value increased steadily over the three-year period, growing by nearly 4 percent.

As might be expected in a period of rationalization, domestic capacity to produce residential door locks decreased by 5.5 percent from 1986 to 1988. U.S. production of residential door locks declined from 49.9 million units in 1986 to 45.6 million units in 1988, an 8.6 percent drop. Capacity utilization data are mixed, fluctuating from 73.4 percent in 1986 to 70.4 percent in 1988.

While the quantity of U.S. shipments declined 8.3 percent between 1986 and 1988, the value of U.S. shipments declined by only 3.9 percent in the same period. Average unit values for U.S. shipments increased in every year of the

investigation, with 1988 values 5 percent above 1986. End-of-period inventories showed significant declines, offsetting some of the declines in production. Inventories dropped by 16.8 percent during the period of investigation, and decreased as a share of U.S. shipments, from 4.1 percent in 1986 to 3.7 percent in 1988.

Employment of production and related workers producing residential door locks declined by 14.6 percent from 1986 to 1988. Hours worked and total wages paid to production workers also experienced an overall decline throughout the period. However, hourly wages rose by almost 9 percent and productivity increased by 7.4 percent, from 6.8 to 7.3 units per hour.

The financial indicators dispel any possibility that these performance data provide a reasonable indication of material injury. None of the firms producing residential door locks experienced an operating loss between 1986 and 1988. Two firms accounting for a relatively small share of production did show such losses in the first quarter of 1989, but these interim results do not warrant much significance in the face of three years of exceptionally strong financial performance by the entire industry. While net sales fell by 1.3 percent through the period, gross profits continued to grow steadily. Operating income fluctuated slightly in each of the three years, with 1988 figures virtually the same as 1986. And, not only were operating margins in double-digits for every

year covered by this investigation, but they showed slight increases. The most recent year shows an aggregate operating margin of 13.8 percent for this industry.

In addition to this high, sustained profitability, other financial data are favorable as well. The return on fixed assets for this industry is substantial, growing from 55 percent in 1986 to 57 percent in 1988. Capital expenditures increased by 10.6 percent overall during these years. During the first quarter of 1989 the industry increased its capital expenditures by 84 percent over the same period of 1988. Research and development expenses remained constant for every year of the investigation.

While we recognize the variation in profitability among various producers, we are constrained to base our findings on the condition of the domestic industry as a whole. For this industry, despite some signs of marginal performance declines for some indicators, the considerable and consistent profitability even during a period of acquisitions, expansion and contractions warrants a finding of no reasonable indication of material injury.

No Reasonable Indication of Threat of Material Injury

In examining whether there is a reasonable indication that the domestic industry is threatened with material injury by reason of allegedly LTFV imports, we are directed by the

statute to consider, among other factors, any existing foreign capacity, increases in imports to the United States, any rapid increase in U.S. market penetration, the likelihood that such penetration will increase to any injurious level, the probability that imports will enter the United States at prices that will have a depressing or suppressing effect on domestic prices, any substantial increase in inventories in the United States, and the potential for product shifting.¹⁰ In addition, the Commission must base a finding of reasonable indication of threat of material injury on "evidence that the threat of material injury is real and that actual injury is imminent," and not on a "mere conjecture."¹¹

As reported by the three major Taiwanese producers, capacity and production increased from 1986 to 1987, then decreased from 1987 to 1988, to levels moderately higher than in 1986. Capacity utilization rates during the period were essentially unchanged. While the share of production being exported increased slightly during the period, export levels to the U.S. in 1988 were the same as in 1986. As a share of total exports, exports directed to the U.S. dropped

¹⁰ 19 U.S.C. 1677(F)(7). We also note that the most recent statutory changes added additional considerations involving agricultural imports and effects on domestic industry efforts to develop more advanced products which we do not find relevant to this investigation. 19 U.S.C. 1677 (7)(F)(i)(ix) and (x), as amended. Nor do we find that the record in this investigation indicates a threat based on dumping in markets of other countries. 19 U.S.C. 1677 (7)(F)(iii).

¹¹ 19 U.S.C. 1677(7)(F)(i) and (ii).

considerably during the period. Exports to other markets continue to be of growing significance to Taiwan producers. While it is possible for Taiwanese producers to shift exports to the U.S. from other markets, there is nothing in the record to suggest that this will occur imminently in such magnitude as to cause material injury.

Import data show that in terms of quantity, the volume of imports in 1988 from Taiwan was essentially the same as in 1986, after increasing slightly in 1987. As a share of apparent U.S. consumption, imports from Taiwan are basically the same during the period, increasing from a 16.9 percent share in 1986 to a 17.7 percent share in 1987, then declining to a 17.3 percent share in 1988. Interim 1989 data show a further decline in share to 16.7 percent. Similar trends emerge when imports are measured as a share of the total value of apparent U.S. consumption of residential door locks. In short, there have been virtually no increases in imports to the United States, nor any rapid increase in U.S. market penetration.

Given the condition of the domestic industry and the information on Taiwan producers' production, capacity, capacity utilization, and past export trends, there is no indication of any likelihood that the penetration of Taiwan imports will increase to an injurious level. While price data gathered in this investigation show underselling by the Taiwan product, there is no indication of imports entering at

prices and in volumes sufficient to provide an indication of threat of material injury to this industry. We would note that for five of the eight product domestic price series developed in the report, first quarter 1989 prices were higher than during the same quarter in 1986. Many of these product series demonstrated consistent price increases throughout the period covered.

Although inventories of residential door locks from Taiwan held in the U.S. roughly doubled from 1986 to 1988, such inventories as a share of imports dropped from 22.7 percent in 1986 to 13.8 percent in 1987, before increasing to 19.7 percent in 1988, still below 1986 levels.

In summary, our analysis of the statutory criteria provides no reasonable indication that the threat of material injury to this industry is real and that actual injury is imminent.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On April 24, 1989, a petition was filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by the Ad Hoc Committee of Door Lock Manufacturers. The petitioner alleges that an industry in the United States is materially injured, or threatened with material injury, by reason of imports from Taiwan of certain residential door locks that are being sold at less than fair value (LTFV).¹ Accordingly, effective April 24, 1989, the Commission instituted investigation No. 731-TA-433 (Preliminary) under section 733 of the Tariff Act of 1930 (19 U.S.C § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of 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 June 8, 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 May 2, 1989 (54 F.R. 18707). Commerce published its notice of initiation in the Federal Register of May 22, 1989 (54 F.R. 21999).² The Commission held a public conference on May 15, 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 June 6, 1989.

¹ For purposes of this investigation, the term "certain residential door locks" includes three categories of residential door locks: (1) tubular or cylindrical knob-type locksets with spring latches or dead latches, whether face-plated or drive-in type, including those with sectional handles; (2) dead locks, whether face-plated or drive-in type; and (3) lever-type locksets, whether face-plated or drive-in type, provided for in subheading 8301.40.60 of the Harmonized Tariff Schedule of the United States (HTS) and statistical reporting number 8301.40.6060 (previously reported under item 646.9210 of the Tariff Schedules of the United States Annotated (TSUSA)). The petitioning Ad Hoc Committee of Door Lock Manufacturers includes the following firms: Dexter Lock, Kwikset Corp., National Lock Corp., Schlage Lock Co., Weiser Lock, and Weslock Corp.

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.

The Product

Description and uses

Residential door locks are cylindrical or tubular knob- or lever-operated locksets with spring or dead latches and deadlocks, which are used on residential doors.⁴

Cylindrical and tubular locksets each have cylinders into which a key is inserted. Each cylinder contains a cylinder plug (the tubular section of the cylinder that rotates within the cylinder body when the correct key is inserted and turned) and a cylinder body with a tumbler mechanism. The tumbler mechanism is composed of springs and pins of various lengths, which fit into holes in the plug; the key aligns the pins in the plug to permit rotation and actuation of the lock. The section of the lockset that surrounds and retains the plug and cylinder body is the cylinder housing. Tubular locksets have a cylinder plug located in the latching mechanism of the lockset, whereas cylindrical locks have a cylinder plug located in the turning mechanism.

Lever-type locksets have the same characteristics and components as knob-type locksets; however, their turn unit is a lever rather than a knob.

The lock or latch may be a spring latch or a dead latch. A spring latch is a lock component with a beveled end that projects from the edge of the door in an extended position but which may be forced back into the lock case by end pressure or by the action of the lock mechanism. When the door is closed, the spring latch projects into a hole in a strike plate installed in a door frame. A dead latch is a spring-activated latch with a beveled end that also incorporates a plunger which, when depressed, automatically locks the projected latch against return by end pressure.

Bored locksets (both cylindrical and tubular), which are installed in round bored openings in the edge and side of doors, are face-plated. The hole in the edge of the door accommodates the latch or lock housing assembly (the metal that surrounds the latch or lock). The hole is covered by a rectangular strip of metal through which the latch or lock projects; the strip is called the latch-face or face-plate. For bored (face-plated) locks, the frame of the door is sometimes fitted with a strike box, which houses the extended latch or lock. The latch or lock projects through the strike into the frame, causing the door to be locked.

Deadlocks may be bored locks (which can be face-plated) or may be a drive-in type. The deadbolt is activated by a key or a thumbturn, rather than by a knob or lever (which projects and retracts the deadbolt). A deadbolt is a lock component that has an end protruding from, or withdrawn into, the edge of the door by the action of the lock mechanism. When the door is closed and

⁴ Door locks suitable for use with garage, overhead, or sliding doors are not within the scope of this investigation (see 54 F.R. 21999 (May 22, 1989), at app. A).

the deadbolt projected, the bolt extends into a strike mounted in the door frame, securing the door. Deadbolt locks provide a higher degree of security than most other types of door locks.

All keyed door locks are capable of being master-keyed, a process that allows two or more differently keyed locks to be opened by a common separate key. Door locks can be master-keyed by adding a separate set of pins to those within the lock cylinder. The individual key will align only the regular pins to permit the cylinder to rotate, but the master key will align the secondary pins in all of the locks in a particular system, which also enables the cylinder to rotate.

Like product considerations

There are no distinct differences between cylindrical and tubular residential door locks produced in the United States and those manufactured in Taiwan. The principal characteristics, functions, and uses of locks produced in these countries are essentially the same. Door locks manufactured in both countries are generally substitutable, and in many instances the purchaser or consumer is unaware of the country of origin.

The petitioner has argued that residential door lock manufacturers constitute the industry manufacturing the product most "like" residential door locks imported from Taiwan. Petitioner's arguments in favor of excluding commercial/other door locks from the "like" product analysis include a discussion of the following areas of distinction between residential and commercial/other door locks:⁵

- (1) differences in physical characteristics;
- (2) differences in uses;
- (3) differences in performance standards;
- (4) differences in production processes;
- (5) differences in channels of distribution; and
- (6) differences in price.

Locks used on residential doors are generally distinguishable from those used on commercial or other doors by the smaller size of the face-plate and the housing assembly, which are manufactured to fit the smaller doors usually found in private residences. Residential locks generally have the following physical characteristics:

- (1) if a face-plate spring lock/latch, dead latch or dead-bolt, the unit has (a) a face-plate size of 1 inch or less (plus a tolerance of +1/16 inch) in width, regardless of length; or (b) an outside diameter of the latch or deadbolt housing assembly of 7/8 inch or less (plus a tolerance of +1/16 inch) in outside diameter; or

⁵ Postconference brief, May 17, 1989, pp. 5-11.

(2) if a drive-in type spring/lock, dead latch or deadbolt, the unit has a housing assembly (including the sleeve retaining device) of 1 inch or less (plus a tolerance of +1/16 inch) in outside diameter.

These characteristics were used in Commission questionnaires to differentiate residential from commercial/other door locks. Commercial/other door locks, which are generally used on wider and heavier doors, usually have face-plates of 1-1/8 inches or more and housing assemblies of more than 1-inch in diameter. According to industry sources, there is some overlap in the residential/commercial applications of locks with a 1-inch face-plate. Locks with a 1-inch face-plate may be used in some commercial applications, and locks with a 1-1/8 inch face-plate may be installed in private residences. Although there are no black-and-white distinctions based on physical characteristics that will predict the end use of a given lock, the current breakout appears relevant for most domestically produced and imported door locks.⁶

Residential and commercial/other door locks can also be distinguished by the size of the backset (the distance between the knob and the edge of the door). The backset for residential applications usually measures 2-3/8 inches, whereas a backset for other door locks usually measures 2-3/4 inches.

Residential door locks are typically used in the construction of new one- and two-family dwellings, apartment buildings, condominiums, and mobile and prefabricated homes, and in the replacement or retrofitting of existing locks in these dwellings. The principal consumers of residential door locks are do-it-yourself homeowners, residential building contractors, and manufacturers of mobile and prefabricated homes. Commercial/other door locks are used primarily in schools, hospitals, hotels, office and government buildings, and in the replacement or retrofitting of existing locks in these facilities.

In addition to differences in physical characteristics and uses, there are performance distinctions between residential and commercial/other door locks. For example, an important distinction involves the maximum cycles (rotations of the knob) sustained by residential and commercial door locks. Grade I locks (heavy-duty commercial door locks) have been tested to withstand 800,000 cycles; Grade II locks (light-commercial/residential door locks) have been tested to withstand 400,000 cycles; and Grade III locks (residential door locks) have been tested to withstand 200,000 cycles. These grades are specified by the American National Standards Institute (ANSI). The overlap between residential and commercial/other door locks appears to be in the Grade II area. Most locks produced by the commercial door lock producers are classified as Grade I, with a small percentage of Grade II locks produced. Likewise, most locks manufactured by the residential door lock producers are classified as Grade III, with a small percentage of Grade II locks produced. Differences in performance/testing standards are usually not distinguishable as external physical differences between residential and other door locks.

⁶ Staff discussions with respondents to the Commission's questionnaires and Transcript of Conference (TR), pp. 47-51.

The production processes for manufacturing residential and commercial/other door locks also differ, as the residential locks are produced for high-volume sales, compared with the low-volume, highly specialized production processes used to produce commercial locks (e.g., heavier presses and different tooling to process heavier metals or components for electronic locking devices).

According to the petitioner, there is a marked difference in channels of distribution between the commercial and residential lock markets. Residential locks are sold mainly to distributors carrying large volumes of standard products and to mass merchandisers servicing individual home owner replacement lock needs. Commercial locks are generally sold to building contractors through a bid process, and such locks conform to architect specifications. Responses to the Commission's questionnaires indicate that both residential and commercial producers sell primarily to unrelated distributors. This is not inconsistent with the distinction between building contractors and hardware distributors, both of whom would be characterized as unrelated distributors.

Finally, the petitioner has alleged that there is a wide difference in prices between residential and commercial locks, with commercial locksets costing several times as much as residential locksets. Questionnaire results presented later in this report appear to support this distinction, as the average unit values of domestic shipments of commercial/other door locks are more than three times the average unit values of residential locks.

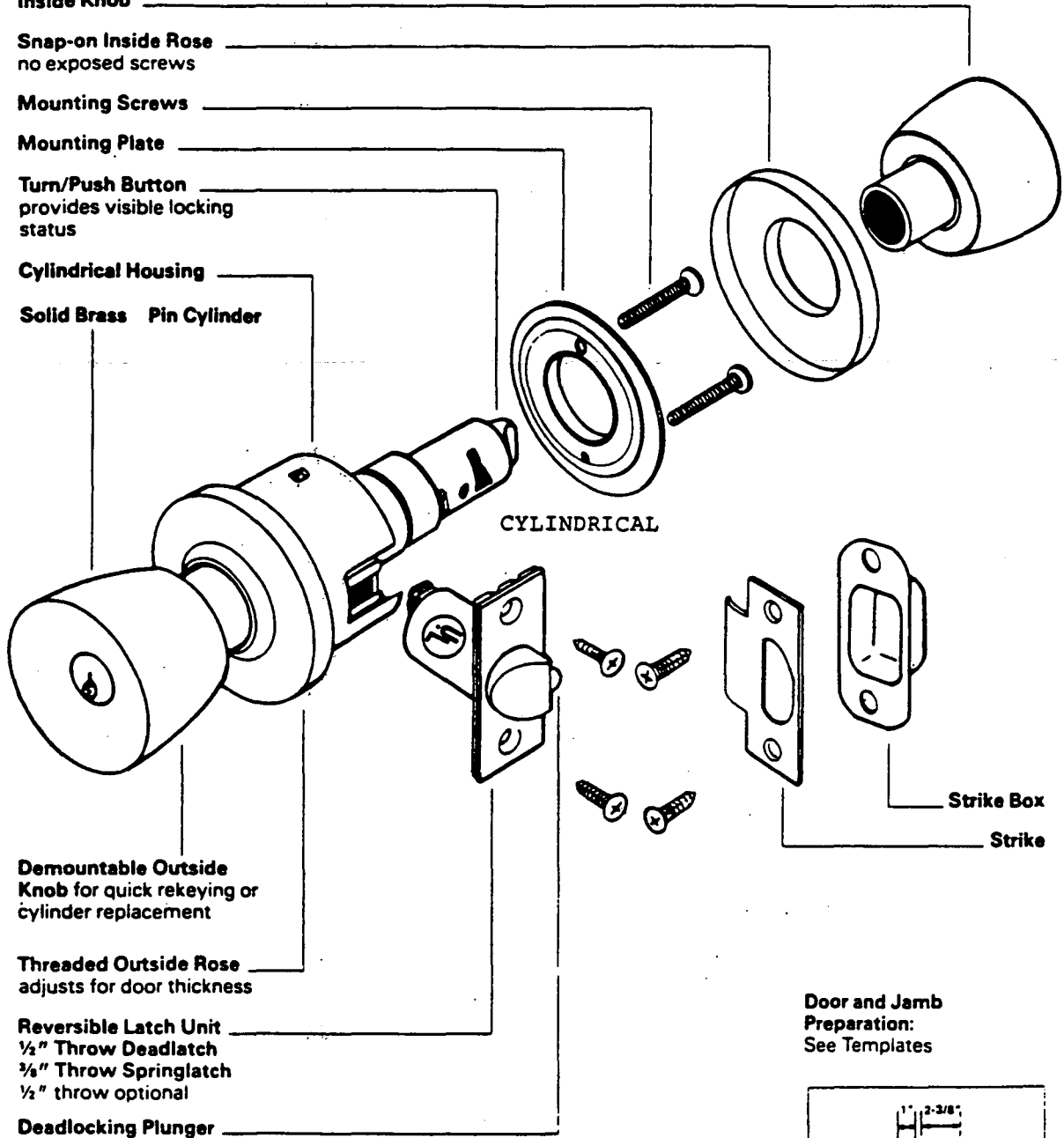
Figures 1 and 2 provide illustrations of standard bored (cylindrical and tubular) residential door locks. With the exception of the size of the faceplate and the housing assembly, the illustrations also depict the characteristics of most commercial door locks. There are a small number of commercial locks that are electronic and that do not share these physical characteristics, however, they only account for * * * percent of the quantity of commercial/other door lock shipments, and * * * percent of the value of such shipments.⁷

Because there is some degree of overlap between physically similar locks used in residential and commercial applications, the data collection and analysis for this investigation includes separate trends for residential and commercial/other door locks.

⁷ Figures derived from Commission questionnaire responses.

Figure 1

Illustration of cylindrical door lock
Inside Knob



Source: Provided by one member of the Ad Hoc Committee.

Figure 2

Illustration of tubular door lock

Turn Button
provides visible locking status

Inside Knob and Rose
Assembly

Demountable Outside
Knob for quick rekeying or
cylinder replacement

TUBULAR

Mounting Screws

Full Lip Strike

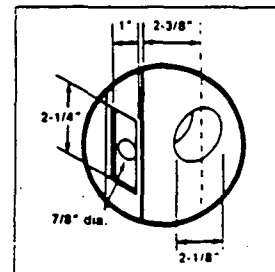
Universal Latch Unit
 $\frac{1}{2}$ " Throw
Reversible Latch fits both
 $2\frac{3}{4}$ " and $2\frac{1}{4}$ " backset

Pin Tumbler Cylinder

Outside Rose and Chassis

Door and Jamb
Preparation:
See Templates

Source: Provided by one member of the Ad Hoc Committee.



Manufacturing process

The principal raw materials used in the production of door locks are zinc and copper, although weather and certain atmospheric conditions may require the use of stainless steel or other metals. Because commercial door locks are generally manufactured from heavier gauge material, the manufacturing equipment is somewhat different from that used to produce residential locks. However, the manufacturing process (which is capital-intensive) for both types of locks generally consists of the following five basic procedures: fabrication, cleaning, finishing, assembly, and packaging. In the manufacture of component parts (knobs, levers, keys, cylinders, latches, deadbolts, strike-plates, and other parts), punch-presses incorporating specially designed metal-forming dies are used to produce the desired metal shape.

Other parts of door locks are manufactured by a variety of machines, such as an injection molded plastic machine (which produces parts such as bearings, hubs, and cams), a spring-winding machine (which produces the part that allows the knob to return to its standing position once the bolt or latch is projected), and cold-heading machines (which produce screws by inserting steel wire between reciprocating dies).

After the parts are fabricated, they are cleaned by vapor degreasing and washing equipment before they are plated and polished. During the assembly process, the individual lock parts are generally positioned by an assembly line of workers, although this process may be accomplished by using machines. Semi-automated equipment is used to package the locks and place the package onto a conveyor. The conveyor advances the package to various work stations where individuals complete the packaging operation.

The manufacturing techniques used by lock producers in Taiwan are similar to those used in the United States, with differences only in the amount of automated equipment used. During certain operations (such as inserting raw material into presses), producers in Taiwan generally rely upon manpower rather than automated equipment, whereas producers in the United States rely on machines to accomplish this phase of the operation.

U.S. tariff treatment

Residential and commercial door locks are provided for in subheading 8301.40.60 of the HTS,⁸ a heading that includes door locks, locksets, and other locks, both mechanical and electronic, suitable for use with interior or

⁸ The Harmonized Tariff Schedule of the United States replaced the previous Tariff Schedules of the United States effective January 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.

exterior doors (except garage, overhead, or sliding doors). These products were previously classified in TSUSA item 646.9210. The column 1-general rate of duty for this HTS subheading for imports from countries entitled to most-favored-nation (MFN) status (including Taiwan) is 5.7 percent ad valorem.⁹

The Nature and Extent of Alleged Sales at LTFV

In comparing United States prices with foreign market values (FMV), the petitioner alleges that residential door locks from Taiwan are being sold in the United States at LTFV margins on representative models ranging from 32 to 72 percent.¹⁰ These margins were calculated by examining four representative models of locks and one representative deadbolt produced by Tong Lung, the largest producer and exporter of residential door locks in Taiwan. Petitioner's estimates of United States prices are based on f.o.b. Taiwan prices to wholesalers, exclusive of U.S. customs and brokerage fees, ocean freight, and insurance. These prices were adjusted for credit expenses and foreign inland freight. Petitioner's estimates of FMV are based on gross prices at the manufacturer's facility in Taiwan to unrelated wholesalers, exclusive of any taxes, duties, or freight. These prices were adjusted for standard discounting and packing expenses.

The U.S. Market

U.S. producers

During January 1986-March 1989, residential door locks were produced in the United States by nine firms, as shown in table 1. Questionnaires were mailed and responses received from all firms believed to have produced such merchandise during the period of investigation.

⁹ The rates of duty in 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. Col. 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 dutied at the rates set forth in col. 2; the People's Republic of China, Hungary, Poland, and Yugoslavia are the only Communist countries eligible for MFN treatment. Among articles dutiable at col. 1 general rates, particular goods from 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.

¹⁰ In its notice of initiation, Commerce recalculated the estimated dumping margins to range from 28 to 67 percent, because certain adjustments to U.S. prices and FMV were inadequately substantiated (credit expenses, foreign inland freight, and export packing costs).

Table 1

Door locks: U.S. producers, plant locations, estimated shares of reported domestic shipments of residential and other door locks, and position on petition, by firms 1988

Firm	Plant location	Share of lock shipments in 1988		Position on petition
		Residential	Other	
		Percent	Percent	
<u>Residential lock producers:</u>				
Ad Hoc Committee members:				
Dexter Lock Co.....	Auburn, AL	***	***	* * *
Kwikset Corp.....	Anaheim, CA	***	***	* * *
National Lock Corp.....	Sikeston, MO	***	***	* * *
Weiser Lock Co.....	Huntington Beach, CA	***	***	* * *
Weslock Corp.....	Los Angeles, CA	***	***	* * *
Non-Ad Hoc Committee members:				
Harloc Products Corp.....	West Haven, CT	***	***	* * *
<u>Other lock producers:</u>				
Ad Hoc Committee members:				
Schlage Lock Co.....	San Francisco, CA	***	***	* * *
Non-Ad Hoc Committee members:				
Arrow Lock.....	Brooklyn, NY	***	***	* * *
Baldwin Hardware Corp.....	Reading, PA	***	***	* * *
Best Lock Co.....	Indianapolis, IN	***	***	* * *
Marks Hardware, Inc.....	Hicksville, NY	***	***	* * *
Sargent Manufacturing Corp..	New Haven, CT	***	***	* * *
Simplex Security Systems....	Collinsville, CT	***	***	* * *
Vingcard Systems, Inc.....	Dallas, TX	***	***	* * *
Yale Security, Inc.....	Charlotte, NC	***	***	* * *

1/ Less than 0.5 percent.

2/ No production.

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

With the exception of three firms, * * *, the residential lock producers either did not produce door locks other than residential door locks, or produced only negligible amounts of such other door locks. * * *.

Commercial/other door locks are believed to be produced by more than 25 firms in the United States. Only six firms in addition to the firms also producing residential door locks responded to the ITC questionnaire. Responding firms are estimated to account for over 60 percent of U.S. domestic shipments of commercial/other door locks during 1988.

Both residential and commercial production facilities, which vary from relatively small operations to large multiplant corporations, are concentrated in the Northeast, Midwest, and Western regions of the United States. Most producers are nonintegrated companies that acquire raw material from domestic and/or foreign sources.

During January 1986-March 1989, several residential lock producers established facilities in Mexico and Thailand, as shown in table 2. * * *. Of the residential lock producers, only Harloc is foreign-owned (United Kingdom), and of the commercial producers, only Yale and Simplex Security are owned by firms based overseas (United Kingdom and Canada, respectively).

Table 2

Door locks: U.S. producers' corporate ownership, foreign plant locations, value shares of reported imports of residential door locks from all sources except Taiwan, and ratio of reported quantities of imports of residential door locks to U.S. production, by firms, 1988

Firm	Corporate ownership and nationality	Foreign plant locations	Share of 1988 imports of residential locks	Ratio of imports to U.S. production
<u>Residential lock producers:</u>				
Ad Hoc Committee members:				
Dexter Lock Co.....	Masterlock Corp. (US)	None	***	***
Kwikset Corp.....	Black & Decker (US)	None	***	***
National Lock Corp.....	Same (US)	None	***	***
Weiser Lock Co.....	Masco Corp. (US)	Bangkok, Thailand	***	***
Weslock Corp.....	J.P. Industries (US)	Mexicali, Mexico	***	***
Non-Ad Hoc Committee members:				
Harloc Products Corp.....	Newman-Tonks (UK)	None	***	***
<u>Other lock producers:</u>				
Ad Hoc Committee members:				
Schlage Lock Co.....	Ingersoll Rand (US)	Auckland, New Zealand Ontario, Canada Tecate, Mexico	***	***
Non-Ad Hoc Committee members:				
Arrow Lock.....	Same (US)	None	***	***
Baldwin Hardware Corp.....	Masco Corp. (US)	None	***	***
Best Lock Co.....	Best Universal Lock Co. (US)	None	***	***
Marks Hardware, Inc.....	Same (US)	None	***	***
Sargent Manufacturing Corp..	Essex Industries, Inc. (US)	None	***	***
Simplex Security Systems....	Unicam Security Systems, Inc. (Canada)	Quebec, Canada	***	***
Vingcard Systems, Inc.....	Wartsila, Inc. (US)	Helsinki, Finland	***	***
Yale Security, Inc.....	Yale Valor (UK)	Midlands, UK Rome, Italy Eskilstuna, Sweden	***	***

1/ No imports.

2/ Less than 0.5 percent.

3/ No production.

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

There were a number of acquisitions, expansions, and contractions in the residential lock industry during the investigation period.¹¹ * * *.

U.S. importers

There are approximately 40 major importers of residential door locks from Taiwan. These importers, which consist largely of mass merchandisers * * * and a wide variety of hardware wholesalers, cooperatives, and other distributors, are located throughout the United States. In addition, a number also * * *. Of those 40 importers, 21 supplied usable questionnaire data in a timely fashion. They accounted for about 39 percent of the total value of imports of residential locks from Taiwan in 1988.¹² U.S. companies producing residential locks account for the vast majority of residential lock imports from all sources except Taiwan (about 97 percent of the value of residential locks from all other sources in 1988).¹³

Apparent U.S. consumption

Data on apparent U.S. consumption of residential and other door locks are presented in tables 3 and 4, respectively. Apparent U.S. consumption of residential door locks fluctuated in terms of quantity during the investigation period, increasing by 4.5 percent from 1986 to 1987, decreasing by 4.9 percent from 1987 to 1988, and then declined by 3.0 percent from interim 1988 to interim 1989. In terms of value, apparent U.S. consumption rose steadily from 1986 to 1988, by 3.7 percent, but decreased by 5.5 percent from January-March 1988 to January-March 1989.

Apparent U.S. consumption of other door locks in terms of quantity increased steadily from 1986 to 1988, and declined slightly from interim 1988 to interim 1989. In terms of value, apparent U.S. consumption followed a similar trend.

¹¹ Information for this discussion was gathered from ITC questionnaire responses.

¹² Figure derived from ITC questionnaire data and from official statistics of the U.S. Department of Commerce.

¹³ Figure derived from ITC questionnaire data and from official statistics of the U.S. Department of Commerce. * * *.

Table 3

Residential door locks: Apparent U.S. consumption and ratios of imports to consumption, 1986-88, January-March 1988, and January-March 1989

	Apparent U.S. consumption 1/	Ratio of imports to consumption--		
Period		For Taiwan	For all other sources	Total
Quantity (1,000 units)				
1986.....	65,355	16.9	8.6	25.5
1987.....	68,308	17.7	14.9	32.6
1988.....	64,949	17.3	13.9	31.3
Jan.-Mar.--				
1988.....	17,627	18.8	13.1	31.9
1989.....	17,082	16.7	16.9	33.6
Value (1,000 dollars)				
1986.....	441,493	9.4	9.3	18.7
1987.....	447,136	10.7	12.5	23.3
1988.....	458,006	10.2	14.5	24.7
Jan.-Mar.--				
1988.....	123,630	10.4	14.2	24.5
1989.....	116,818	9.9	15.2	25.1

1/ U.S. shipments plus imports.

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

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

Table 4

Other door locks: Apparent U.S. consumption and ratios of imports to consumption, 1986-88, January-March 1988, and January-March 1989

Period	Apparent U.S. consumption 1/	Ratio of imports to consumption--		
		For Taiwan	For all other sources 2/	Total
Quantity (1,000 units)				
1986.....	11,750	0	37.8	37.8
1987.....	13,073	0	41.6	41.6
1988.....	14,095	0	45.1	45.1
Jan.-Mar.--				
1988.....	3,642	0	43.3	43.3
1989.....	3,325	0	44.0	44.0
Value (1,000 dollars)				
1986.....	229,570	0	9.7	9.7
1987.....	253,524	0	10.7	10.7
1988.....	274,645	0	11.6	11.6
Jan.-Mar.--				
1988.....	72,010	0	10.9	10.9
1989.....	68,017	0	10.8	10.8

1/ U.S. shipments plus imports.

2/ There are no imports from Mexico, China, Korea, or Thailand.

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

Apparent consumption of all locks, which fluctuated during the investigation period, is presented in the following tabulation:

<u>Period</u>	<u>Apparent U.S. consumption</u>	<u>Ratio of imports to consumption for Taiwan</u>
1986 (1,000 units).....	77,105	14.3
1987 (1,000 units).....	81,381	14.9
1988 (1,000 units).....	79,044	14.3
Jan.-Mar.--		
1988 (1,000 units)....	21,269	15.6
1989 (1,000 units)....	20,407	14.0
1986 (1,000 dollars)....	671,063	6.2
1987 (1,000 dollars)....	700,660	6.8
1988 (1,000 dollars)....	732,651	6.4
Jan.-Mar.--		
1988 (1,000 dollars)..	195,640	6.6
1989 (1,000 dollars)..	184,835	6.3

Domestic and imported product styles and functions

As shown in table 5, the product style and function breakouts of both domestic and imported residential door locks are similar. Taiwan imports are slightly more concentrated in the cylinder and deadbolt styles, whereas the U.S.-produced and other foreign-produced products have slightly more emphasis on the lever style. According to function distinctions, the Taiwan product is more concentrated in entrance/security functions, whereas the U.S.- and other foreign-produced products have slightly more emphasis on interior functions (privacy/passage).

Table 5

Residential door locks: U.S. producers' domestic shipments and U.S. imports for consumption, by sources and by styles and functions of locks, 1988

(In percent)						
Product	U.S. shipments		Taiwan imports		All other sources of imports	
	Quantity	Value	Quantity	Value	Quantity	Value
Style:						
Cylinder.....	72.6	68.8	74.7	74.5	74.9	71.2
Deadbolt.....	20.2	22.6	21.8	21.4	17.4	21.4
Lever.....	7.2	8.6	3.5	4.1	7.7	7.4
Function:						
Entrance.....	38.0	41.0	43.5	48.0	34.1	43.3
Deadbolt.....	19.7	22.2	20.9	21.0	27.6	22.4
Privacy.....	19.4	18.3	17.3	16.4	20.1	16.7
Passage.....	23.0	18.6	18.3	14.6	28.0	17.6

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

Channels of distribution

The vast majority of 1988 domestic shipments of residential door locks by U.S. producers were made to unrelated distributors, whereas the majority of 1988 shipments of residential door locks imported from Taiwan were made to unrelated end users,¹⁴ as shown in table 6. Similar differences in producers' and importers' channels of distribution are evident concerning their shipments of domestic and imported commercial/other door locks.

¹⁴ The term "end users" in the Commission questionnaire for this investigation refers to retail outlets (e.g., individual stores in a chain of home centers).

Table 6

Door locks: Estimated U.S. shipments, by markets and by types of locks, 1988 ^{1/}

Item	Distributors		End users	
	Related	Unrelated	Related	Unrelated
Quantity (1,000 units)				
Residential locks:				
By producers.....	***	***	***	***
By importers.....	***	***	***	***
Other locks:				
By producers.....	***	***	***	***
By importers.....	***	***	***	***
Percent of reported shipments ^{2/}				
Residential locks:				
By producers.....	***	***	***	***
By importers.....	***	***	***	***
Other locks:				
By producers.....	***	***	***	***
By importers.....	***	***	***	***

^{1/} Data concerning U.S. producers' imports are not available.

^{2/} Percent of 1988 shipments, by market destination, reported in response to ITC questionnaires. The total of these shipments does not equal the total in table 8 for 1988 U.S. shipments, because of internal discrepancies in individual companies' questionnaire responses.

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

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. Response data from residential door lock producers represent 100 percent of 1988 domestic shipments, and response data from commercial/other door lock producers represent approximately 60 percent of 1988 shipments.

U.S. producers' capacity, production, and capacity utilization

As presented in table 7, U.S. capacity to produce residential door locks fluctuated during the investigation period, increasing very slightly between 1986 and 1987, decreasing moderately from 1987 to 1988, and decreasing substantially from interim 1988 to interim 1989. The declines in capacity can be attributed in part to an increasing reliance by U.S. producers on imports and/or offshore production to meet the demand for residential door locks in

Table 7

Door locks: U.S. average-of-period capacity, production, and capacity utilization, by products, 1986-88, January-March 1988, and January-March 1989

				Jan.-Mar.--	
Item	1986	1987	1988	1988	1989
<hr/>					
Average-of-period capacity (1,000 units)					
<hr/>					
Residential door locks.....	64,311	64,925	60,785	16,222	13,525
Other door locks.....	8,533	9,576	10,105	3,105	3,156
Total.....	72,844	74,501	70,890	19,327	16,681
<hr/>					
Production (1,000 units)					
<hr/>					
Residential door locks.....	49,862	46,486	45,549	12,344	11,394
Other door locks.....	7,372	7,751	8,012	2,219	1,982
Total.....	57,234	54,237	53,561	14,563	13,376
<hr/>					
Capacity utilization 1/ (percent)					
<hr/>					
Residential door locks.....	73.4	67.5	70.4	71.4	79.5
Other door locks.....	86.1	80.7	79.0	71.4	62.8
Average.....	74.9	69.2	71.7	71.4	76.4

1/ Capacity utilization rates are based on data for those firms that provided figures for both capacity and production; therefore, ratios based on capacity and production figures as presented may not reconcile.

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

the United States. Production during the investigation period fell steadily across all periods, and capacity utilization fluctuated during the period, decreasing from 73.4 percent in 1986 to 67.5 percent in 1987, increasing slightly to 70.4 percent in 1988, and increasing substantially from 71.4 percent in interim 1988 to 79.5 percent in interim 1989.

U.S. capacity to produce commercial/other door locks increased steadily during the investigation period, while production increased at a slower rate. Capacity utilization therefore decreased steadily across all time periods, from 86.1 percent in 1986 to 79.0 percent in 1988, and from 71.4 percent in interim 1988 to 62.8 percent in interim 1989.

U.S. producers' intracompany consumption, domestic shipments, and exports

Only about *** percent of U.S.-produced residential door locks are destined for internal consumption, as presented in table 8. About *** percent of production is destined for the export market. Domestic shipments of residential door locks, which account for over *** percent of U.S. producers' total shipments of such merchandise, decreased steadily, by 8.8 percent from 1986 to 1988 and by 5.6 percent from interim 1988 to interim 1989. In terms of value, domestic shipments fluctuated, decreasing from 1986 to 1987, increasing slightly from 1987 to 1988, and decreasing moderately from interim 1988 to interim 1989. Average unit values for domestic shipments increased steadily, by 5.0 percent, in 1986-88, but decreased 0.5 percent between interim 1988 and interim 1989.

* * * * *

Table 8

Door locks: Shipments of U.S. producers, by types and by products, 1986-88, January-March 1988, and January-March 1989

Item	1986	1987	1988	Jan.-Mar.-- 1988	1989
Quantity (1,000 units)					
Residential door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
U.S. shipments.....	48,675	46,011	44,628	12,001	11,339
Export shipments.....	***	***	***	***	***
Total.....	***	***	***	***	***
Other door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
U.S. shipments.....	7,314	7,636	7,737	2,065	1,861
Export shipments.....	***	***	***	***	***
Total.....	***	***	***	***	***
All door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
U.S. shipments.....	55,989	53,647	52,365	14,066	13,200
Export shipments.....	***	***	***	***	***
Total.....	***	***	***	***	***
Value (1,000 dollars)					
Residential door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
U.S. shipments.....	358,825	343,100	344,953	93,279	87,510
Export shipments.....	***	***	***	***	***
Total.....	***	***	***	***	***
Other door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
U.S. shipments.....	207,391	226,340	242,853	64,126	60,699
Export shipments.....	***	***	***	***	***
Total.....	***	***	***	***	***
All door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
U.S. shipments.....	566,216	569,440	587,806	157,405	148,209
Export shipments.....	***	***	***	***	***
Total.....	***	***	***	***	***

Continued on next page.

Table 8--Continued

Door locks: Shipments of U.S. producers, by types and by products, 1986-88, January-March 1988, and January-March 1989

	Jan.-Mar.--				
Item	1986	1987	1988	1988	1989
	Unit value (per unit) 1/				
Residential door locks:					
Company transfers.....	\$***	\$***	\$***	\$***	\$***
Domestic shipments.....	***	***	***	***	***
Average, U.S.					
shipments.....	7.37	7.46	7.73	7.77	7.72
Export shipments.....	***	***	***	***	***
Average.....	***	***	***	***	***
Other door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Average, U.S.					
shipments.....	28.55	29.87	31.63	31.28	32.86
Export shipments.....	***	***	***	***	***
Average.....	***	***	***	***	***
All door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Average, U.S.					
shipments.....	10.12	10.63	11.24	11.20	11.24
Export shipments.....	***	***	***	***	***
Average.....	***	***	***	***	***

1/ Computed from data of firms providing data on both quantity and value of shipments.

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

Inventories

Average-of-period inventories of residential and other door lock producers are presented in table 9. The data show a decrease in inventories of residential door locks from 1986 to 1988, and a further decrease from interim 1988 to interim 1989. As a share of the year's U.S. shipments, inventories fluctuated, decreasing from 1986 to 1987, increasing slightly from 1987 to 1988, and decreasing between the interim periods. Inventories of other door locks generally increased during the investigation period, both in absolute terms and as a share of the year's U.S. shipments.

Table 9

Door locks: U.S. producers' inventories, by products, as of Dec. 31 of 1986-88 and as of Mar. 31 of 1988 and 1989

Item	1986	1987	1988	Jan.-Mar.--	
				1988	1989
<u>End-of-period inventories (1,000 units)</u>					
Residential door locks.....	2,006	1,659	1,669	1,977	1,535
Other door locks.....	790	812	1,106	1,012	1,187
Total.....	2,796	2,471	2,775	2,989	2,722
<u>Share of U.S. shipments (percent) 1/</u>					
Residential door locks.....	4.1	3.6	3.7	4.1	3.4
Other door locks.....	10.9	10.7	14.4	12.3	16.1
Average.....	5.0	4.6	5.3	5.3	5.2
<u>Share of total shipments (percent) 1/</u>					
Residential door locks.....	***	***	***	***	***
Other door locks.....	***	***	***	***	***
Average.....	***	***	***	***	***

1/ Ratios are based on data supplied by firms that reported both inventory and shipments information. Ratios for Jan.-Mar. 1988 and Jan.-Mar. 1989 are based on annualized shipments.

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

Employment

Data on reporting producers' employment, presented in table 10, show a decline in the total number of residential lock producers' employees and production and related workers from 1986 to 1988 and a continued decline between interim 1988 and interim 1989, bringing the employment of production and related workers producing residential door locks to an overall decline of 23.4 percent from 1986 to March 1989. Hours worked declined steadily during the investigation period, whereas total compensation and unit labor costs fluctuated, increasing from 1986 to 1987, decreasing from 1987 to 1988, and decreasing again between the interim periods. Hourly total compensation increased steadily during the investigation period, whereas productivity fluctuated, decreasing from 1986 to 1987, increasing from 1987 to 1988, and increasing again from interim 1988 to interim 1989.

For other door lock producers, the total number of production and related workers, total hours worked, and total compensation paid, increased in 1986-88, and decreased from interim 1988 to interim 1989. Hourly total compensation and unit labor costs generally increased over the period, with :

Table 10

Total establishment employment and average number of production and related workers producing door locks, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-March 1988, and January-March 1989 3/

Item	1986	1987	1988	Jan.-Mar.--	
				1988	1989
Total number of employees in establishments.....	9,501	9,381	9,028	9,385	8,489
<u>Number of production and related workers (PRW's)</u>					
Residential door locks.....	3,924	3,712	3,350	3,589	3,006
Other door locks.....	2,545	2,582	2,603	2,681	2,494
Total.....	6,469	6,294	5,953	6,270	5,500
All products of establishments.....	7,236	7,066	6,760	7,045	6,266
<u>Hours worked by PRW's (thousands)</u>					
Residential door locks.....	7,124	6,866	6,187	1,746	1,449
Other door locks.....	4,677	4,742	4,896	1,213	1,056
Total.....	11,801	11,608	11,083	2,959	2,505
All products of establishments.....	14,180	14,142	13,699	3,600	3,144
<u>Wages paid to PRW's (1,000 dollars)</u>					
Residential door locks.....	65,527	65,868	61,921	17,277	14,960
Other door locks.....	43,198	45,841	47,599	12,629	11,340
Total.....	108,725	111,709	109,520	29,906	26,300
All products of establishments.....	131,501	136,814	136,413	36,436	33,086
<u>Total compensation paid to PRW's (1,000 dollars)</u>					
Residential door locks.....	85,860	85,909	80,966	22,277	19,339
Other door locks.....	54,248	58,480	60,277	15,971	14,702
Total.....	140,108	144,389	141,243	38,248	34,041
All products of establishments.....	166,316	173,694	172,473	45,897	42,009
<u>Hourly wages paid to PRW's 4/</u>					
Residential door locks.....	\$9.20	\$9.59	\$10.01	\$9.90	\$10.32
Other door locks.....	9.24	9.67	9.72	10.41	10.74
Average.....	9.21	9.62	9.88	10.11	10.50
All products of establishments.....	9.27	9.67	9.96	10.12	10.52

See footnotes at end of table.

Table 10--Continued

Total establishment employment and average number of production and related workers producing door locks, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-March 1988, and January-March 1989 3/

	Jan.-Mar.--				
Item	1986	1987	1988	1988	1989
<hr/>					
Hourly total compensation paid to PRW's 5/					
<hr/>					
Residential door locks.....	\$12.05	\$12.51	\$13.09	\$12.76	\$13.35
Other door locks.....	11.60	12.33	12.31	13.17	13.92
Average.....	11.87	12.44	12.74	12.93	13.59
All products of establish- ments.....	11.73	12.28	12.59	12.75	13.36
<hr/>					
Productivity (units per hour) 6/					
<hr/>					
Residential door locks.....	6.8	6.6	7.3	7.1	7.9
Other door locks.....	1.6	1.6	1.6	1.7	1.7
Average.....	4.7	4.6	4.8	4.9	5.3
<hr/>					
Unit labor costs (per unit) 7/					
<hr/>					
Residential door locks.....	\$1.77	\$1.89	\$1.80	\$1.80	\$1.70
Other door locks.....	7.42	7.61	7.59	7.82	8.20
Average.....	2.51	2.72	2.66	2.66	2.58

1/ Includes hours worked plus hours of paid leave time.

2/ Includes wages and contributions to Social Security and other employee benefits.

3/ Firms providing employment data accounted for 99.0 percent of the reported total quantity of shipments in 1988.

4/ Calculated using data from firms that provided information on both wages paid and hours worked.

5/ Calculated using data from firms that provided information on both total compensation paid and hours worked.

6/ Calculated using data from firms that provided information on hours worked and production.

7/ On the basis of total compensation paid. Calculated using data from firms that provided information on total compensation paid and production.

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

slight decrease between 1987 and 1988, and productivity remained relatively constant throughout the period.

In addition to providing aggregate data on the number of production and related workers, four firms provided specific instances of reductions in workers, as shown in the following tabulation:

<u>Item</u>	<u>Date of reduction</u>	<u>Number of workers</u>	<u>Duration of reduction</u>	<u>Reason for reduction</u>
<u>Residential locks:</u>	*	*	*	*
<u>Commercial/other locks</u>	*	*	*	*

Financial experience of U.S. producers

Fourteen producers supplied usable income-and-loss data on the overall operations of their establishments in which door locks are produced.¹⁵ Seven firms, accounting for about *** percent of U.S. production in 1988, furnished usable income-and-loss data on their operations producing residential door locks. In addition, eight producers furnished usable income-and-loss data on their operations producing other door locks. These producers account for 80.3 percent of 1988 shipments of other door locks. Although several producers manufacture a wide variety of locks, they usually specialize in specific types of locks. * * *.

Overall operations.--Several of the larger producers in the industry are affiliated with major corporations. They include Dexter (American Brands, through its subsidiary Masterlock, owns Dexter), Kwikset (purchased by Black & Decker on Apr. 27, 1989, from Emhart Industries), Schlage (Ingersoll-Rand), Weiser (Masco Corp.), and Weslock (J.P. Industries). In recent years, some firms have undergone ownership changes and restructurings, including leveraged buyouts. Companies have closed domestic plants, moved to areas with lower U.S. wages, and/or established overseas facilities.

In addition to residential door locks, the overall establishment operations of some firms include the production of other door locks, accessories, and other types of hardware products. The overall establishment income-and-loss experience is presented in table 11.

¹⁵ Three firms * * * were unable to furnish product-specific income-and-loss data on either their residential or other types of door locks. Eleven firms provided income-and-loss data on either residential or other types of door locks. Four of these firms * * * submitted data for both residential and other types of door locks. Three additional firms * * * furnished only residential door lock data, and four other firms * * * supplied only other door lock data.

Table 11

Income-and-loss experience of U.S. producers on the overall operations of their establishments within which residential and other door locks are produced, accounting years 1986-88 and interim periods ended Mar. 31, 1988, and Mar. 31, 1989

Item	1986	1987	1988	Interim period ended Mar. 31--	
				1988	1989
Value (1,000 dollars)					
Net sales.....	719,504	736,830	772,094	185,532	182,293
Cost of goods sold.....	492,495	505,315	532,463	125,458	128,723
Gross profit.....	227,009	231,515	239,631	60,074	53,570
General, selling, and administrative expenses...	130,794	133,149	140,206	30,828	31,172
Operating income.....	96,215	98,366	99,425	29,246	22,398
Startup or shutdown expense.....	1,280	1,800	2,700	0	175
Interest expense.....	25,485	25,611	31,853	9,134	12,245
Other expense, net.....	4,407	1,012	7,829	815	326
Net income before income taxes.....	65,043	69,943	57,043	19,297	9,652
Depreciation and amorti- zation included above.....	23,146	22,982	23,450	5,462	5,477
Cash-flow 1/.....	88,189	92,925	80,493	24,759	15,129
Share of net sales (percent)					
Cost of goods sold.....	68.4	68.6	69.0	67.6	70.6
Gross profit.....	31.6	31.4	31.0	32.4	29.4
General, selling, and administrative expenses...	18.2	18.1	18.2	16.6	17.1
Operating income.....	13.4	13.3	12.9	15.8	12.3
Net income before income taxes.....	9.0	9.5	7.4	10.4	5.3
Number of firms reporting					
Operating losses.....	1	2	2	1	2
Net losses.....	3	3	6	2	6
Data.....	14	14	14	12	12

^{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.

Operations on residential door locks.--The aggregate income-and-loss experience of the residential door lock producers is presented in table 12. Net sales decreased by 2.8 percent from \$362.6 million in 1986 to \$352.4 million in 1987. In 1988, sales were \$358.0 million, representing an increase of 1.6 percent over 1987 sales. Operating income was \$49.6 million in 1986, \$48.6 million in 1987, and \$49.3 million in 1988. Operating income margins as a percent of sales were 13.7 in 1986 and 13.8 in both 1987 and 1988. None of the producers incurred operating losses between 1986 and 1988. Net sales declined by 6.0 percent from \$96.6 million in interim 1988 to \$90.7 million in interim 1989. Operating income was \$14.9 million in interim 1988 and \$11.9 million in interim 1989. Operating income margins were 15.4 percent in interim 1988 and 13.1 percent in interim 1989. None of the firms reported operating losses in interim 1988 but two firms reported such losses in interim 1989.

Table 13 shows the income-and-loss experience of the industry by company and by amount of sales in 1988 (in descending order). The sales decline for some producers was partially attributable to increased production at their overseas facilities. * * *.

* * * * *

Although aggregate industry profitability was stable between 1986 and 1988, there was a wide variation in income-and-loss among the producers. * * *. The discrepancy in profitability could be attributable to a variety of factors, including size and efficiency of operations, degree of automation, productivity, and product mix. According to counsel for the petitioner, Kwikset, Weiser, and National have either designed new lower priced locks and/or engaged in price-cutting promotions in order to secure or retain business.¹⁶

¹⁶ Petition, pp. 23-25.

Table 12

Income-and-loss experience of U.S. producers on their operations producing residential door locks, accounting years 1986-88 and interim periods ended Mar. 31, 1988, and Mar. 31, 1989

	Interim period ended Mar. 31--				
Item	1986	1987	1988	1988	1989
	Value (1,000 dollars)				
Net sales.....	362,561	352,361	357,987	96,576	90,738
Cost of goods sold.....	250,584	240,234	245,750	65,580	63,563
Gross profit.....	111,977	112,127	112,237	30,996	27,175
General, selling, and administrative expenses...	62,403	63,489	62,939	16,112	15,268
Operating income.....	49,574	48,638	49,298	14,884	11,907
Startup or shutdown expense.....	960	1,500	2,160	0	140
Depreciation and amorti- zation included above.....	11,238	11,176	10,670	2,753	2,837
Cash-flow 1/.....	60,812	59,814	59,968	17,637	14,744
	Share of net sales (percent)				
Cost of goods sold.....	69.1	68.2	68.6	67.9	70.1
Gross profit.....	30.9	31.8	31.4	32.1	29.9
General, selling, and administrative expenses...	17.2	18.0	17.6	16.7	16.1
Operating income.....	13.7	13.8	13.8	15.4	13.1
	Number of firms reporting				
Operating losses.....	0	0	0	0	2
Data.....	7	7	7	7	7

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

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

Table 13

Income-and-loss experience of U.S. producers on their operations producing residential door locks, by producers, accounting years 1986-88 and interim periods ended Mar. 31, 1988, and Mar. 31, 1989

					Interim period ended March 31-	
Item	1986	1987	1988	1988	1989	

1/ Less than 0.05 percent.

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

Several firms experienced lower levels of income during the 1989 interim period compared with those during the interim period of 1988; two firms incurred operating losses during the latter period. During the conference on May 15, 1989, Mr. Malashevich of Economic Consulting Services indicated that the change in profitability between 1988 and 1989 was largely due to the sharp increase in commodity prices for copper and zinc, the two primary raw material components of brass. Copper and zinc prices have recently accelerated, and the industry has reportedly been unable to recover these costs through price increases.¹⁷

Operations on other door locks.--The aggregate income-and-loss experience of U.S. producers on commercial/other types of door locks is presented in table 14. Net sales increased by 6.9 percent from \$200.9 million in 1986 to \$214.8 million in 1987. In 1988, sales were \$229.8 million,

¹⁷ TR, pp. 41-43. Also refer to charts 1 through 4 at the end of the conference transcript.

Table 14

Income-and-loss experience of U.S. producers on their operations producing other door locks, accounting years 1986-88 and interim periods ended Mar. 31, 1988, and Mar. 31, 1989

	Interim period ended Mar. 31--				
Item	1986	1987	1988	1988	1989
Value (1,000 dollars)					
Net sales.....	200,890	214,849	229,762	44,847	43,269
Cost of goods sold.....	136,765	145,468	156,859	29,422	31,129
Gross profit.....	64,125	69,381	72,903	15,425	12,140
General, selling, and administrative expenses...	38,856	40,632	42,823	6,877	6,729
Operating income.....	25,269	28,749	30,080	8,548	5,411
Startup or shutdown expense.....	320	300	540	0	35
Depreciation and amorti- zation included above.....	5,263	5,191	5,561	901	867
Cash flow 1/.....	30,532	33,940	35,641	9,449	6,278
Share of net sales (percent)					
Cost of goods sold.....	68.1	67.7	68.3	65.6	71.9
Gross profit.....	31.9	32.3	31.7	34.4	28.1
General, selling, and administrative expenses...	19.3	18.9	18.6	15.3	15.8
Operating income.....	12.6	13.4	13.1	19.1	12.5
Number of firms reporting					
Operating losses.....	0	2	2	2	1
Data.....	8	8	8	7	7

^{1/} Cash-flow is defined as operating income or loss plus depreciation and amortization.

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

representing a further increase of 6.9 percent. Operating income was \$25.3 million in 1986, \$28.7 million in 1987, and \$30.1 million in 1988. Operating income margins as a percent of sales were 12.6 in 1986, 13.4 in 1987, and 13.1 in 1988. None of the firms incurred operating losses in 1986, but two firms sustained such losses in 1987 and 1988.

Net sales declined by 3.5 percent from \$44.8 million in interim 1988 to \$43.3 million in interim 1989. Operating income was \$8.5 million in interim 1988 and \$5.4 million in interim 1989. Operating income margins were

19.1 percent in interim 1988 and 12.5 percent in interim 1989. Two firms sustained operating losses in interim 1988, and one firm incurred an operating loss in interim 1989.

Table 15 shows the income-and-loss experience of the producers of commercial/other door locks, by company and by amount of sales in 1988 (in descending order). * * *. As in the residential door lock industry, income-and-loss performance varied from producer to producer.

A combined summary of the income-and-loss experience of all types of lock producers is presented in table 16.

Investment in productive facilities.--Seven companies provided data on their investment in productive facilities for residential door locks for all periods. Seven companies provided similar data for other door locks for 1986 to 1988 and six companies furnished such data for the two interim periods. These data, as well as returns on asset data, are shown in table 17.

Capital expenditures.--Seven companies supplied data on their capital expenditures on residential door locks for all periods. Seven companies furnished data on their other door locks capital expenditures for 1986 to 1988 and six companies furnished such data for the two interim periods. These data are shown in table 18.

Research and development expenses.--Six firms supplied data on their research and development expenses on residential door locks for all periods. Six firms furnished data on their other door locks research and development expenses for 1986 to 1988 and five firms supplied such data for the two interim periods. These data are shown in table 19.

Table 15

Income-and-loss experience of U.S. producers on their operations producing other door locks, by producers, accounting years 1986-88 and interim periods ended Mar. 31, 1988, and Mar. 31, 1989

Item	1986	1987	1988	Interim period ended March 31--		
				1988	1989	
<hr/>						
	Value (1,000 dollars)					
<hr/>						
Net sales:						
	*	*	*	*	*	*
Total.....	200,890	214,849	229,762	44,847	43,269	
Operating income or (loss):						
	*	*	*	*	*	*
Total.....	25,269	28,749	30,080	8,548	5,411	
<hr/>						
	Share of net sales (percent)					
<hr/>						
Operating income or (loss):						
	*	*	*	*	*	*
Average.....	12.6	13.4	13.1	19.1	12.5	

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

Table 16

Income-and-loss experience of U.S. producers on their operations producing all door locks, accounting years 1986-88 and interim periods ended Mar. 31, 1988, and Mar. 31, 1989.

	Interim period ended March 31--				
Item	1986	1987	1988	1988	1989
	Value (1,000 dollars)				
Net sales:					
Residential.....	362,561	352,361	357,987	96,576	90,738
Other door locks.....	200,890	214,849	229,762	44,847	43,269
Total.....	563,451	567,210	587,749	141,423	134,007
Gross profit:					
Residential.....	111,977	112,127	112,237	30,996	27,175
Other door locks.....	64,125	69,381	72,903	15,425	12,140
Total.....	176,102	181,508	185,140	46,421	39,315
Operating income:					
Residential.....	49,574	48,638	49,298	14,884	11,907
Other door locks.....	25,269	28,749	30,080	8,548	5,411
Total.....	74,843	77,387	79,378	23,432	17,318
	Share of net sales (percent)				
Gross profit:					
Residential.....	30.9	31.8	31.4	32.1	29.9
Other door locks.....	31.9	32.3	31.7	34.4	28.1
Average.....	31.3	32.0	31.5	32.8	29.3
Operating income:					
Residential.....	13.7	13.8	13.8	15.4	13.1
Other door locks.....	12.6	13.4	13.1	19.1	12.5
Average.....	13.3	13.6	13.5	16.6	12.9

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

Table 17

Door locks: Value of property, plant, and equipment of U.S. producers, by products, accounting years 1986-88 and interim periods ended Mar. 31, 1988, and Mar. 31, 1989

Item	As of end of accounting year--			Interim period ended Mar. 31--	
	1986	1987	1988	1988	1989
Value (1,000 dollars)					
All products of establishments:					
Fixed assets:					
Original cost.....	288,031	301,837	307,239	268,336	270,230
Book value.....	154,371	165,891	158,947	141,657	137,275
Total assets <u>1/</u>	341,877	371,497	367,930	341,681	349,130
Residential door locks:					
Fixed assets:					
Original cost.....	164,797	166,254	158,247	158,839	158,127
Book value.....	89,830	97,955	85,883	88,844	83,935
Total assets <u>2/3/</u>	163,636	187,731	176,545	183,633	190,154
Other door locks:					
Fixed assets:					
Original cost.....	79,132	87,724	97,278	61,794	57,402
Book value.....	38,422	41,004	46,462	26,491	26,346
Total assets <u>2/</u>	93,350	104,924	111,096	77,262	72,632
Return on book value of fixed assets (percent) <u>4/</u>					
All products of establishments:					
Operating return <u>5/</u>	62.7	60.1	63.3	<u>7/</u>	<u>7/</u>
Net return <u>6/</u>	42.7	43.2	37.3	<u>7/</u>	<u>7/</u>
Residential door locks:					
Operating return <u>5/</u>	55.2	49.7	57.4	<u>7/</u>	<u>7/</u>
Other door locks:					
Operating return <u>5/</u>	65.7	69.8	64.6	<u>7/</u>	<u>7/</u>
Return on total assets (percent) <u>4/</u>					
All products of establishments:					
Operating return <u>5/</u>	22.1	21.3	21.7	<u>7/</u>	<u>7/</u>
Net return <u>6/</u>	17.6	17.5	15.2	<u>7/</u>	<u>7/</u>
Residential door locks:					
Operating return <u>5/</u>	30.2	25.4	27.6	<u>7/</u>	<u>7/</u>
Other door locks:					
Operating return <u>5/</u>	12.7	14.1	11.8	<u>7/</u>	<u>7/</u>

1/ Defined as book value of fixed assets plus current and noncurrent assets.

2/ Total establishment assets are apportioned, by firm, to product groups on the basis of the ratio of the respective book values of fixed assets.

3/ During the conference on May 15, 1989, Mr. Leva (President of National Lock) indicated that his current firm purchased its predecessor company (Amerock) in 1988 for half as much as Amerock paid for a prior company in 1984. He attributes this decline in book value to imports from Taiwan. TR, pp. 79-80.

4/ Computed using data from only those firms supplying both asset and profit-and-loss information, and as such, may not be derivable from data presented.

5/ Defined as operating income or loss divided by asset value.

6/ Defined as net income or loss divided by asset value.

7/ Submitted data for varying periods of less than 1 year prohibits annual rate of return calculations.

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

Table 18

Door locks: Capital expenditures by U.S. producers, by products, accounting years 1986-88 and interim periods ended Mar. 31, 1988, and Mar. 31, 1989
(In thousands of dollars)

Item	1986	1987	1988	Interim period ended Mar. 31--	
				1988	1989
All products of establish- ments:					
Land and land improve- ments.....	182	534	1,082	5	2
Building and leasehold improvements.....	2,306	4,349	6,654	620	1,832
Machinery, equipment, and fixtures.....	18,819	19,969	19,397	3,714	2,746
Total.....	21,307	24,852	27,133	4,339	4,580
Residential door locks:					
Land and land improve- ments.....	182	194	106	0	2
Building and leasehold improvements.....	376	2,533	3,170	285	1,767
Machinery, equipment, and fixtures.....	10,074	9,798	8,483	1,553	1,621
Total.....	10,632	12,525	11,759	1,838	3,390
Other door locks:					
Land and land improve- ments.....	0	136	0	0	0
Building and leasehold improvements.....	214	1,661	3,399	330	55
Machinery, equipment, and fixtures.....	5,130	7,527	7,074	1,124	772
Total.....	5,344	9,324	10,473	1,454	827

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

Table 19

Door locks: Research and development expenses of U.S. producers, by products, accounting years 1986-88 and interim periods ended Mar. 31, 1988, and Mar. 31, 1989

(In thousands of dollars)					
Item	1986	1987	1988	Interim period ended Mar. 31--	
				1988	1989
All products of establish- ments.....	10,704	12,405	13,609	2,795	2,781
Residential door locks.....	3,558	3,548	3,547	916	854
Other door locks.....	4,870	6,246	6,722	1,084	1,060

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

Capital and investment.--The Commission requested U.S. producers to describe any actual or potential negative effects of imports of residential door locks from Taiwan on their firm's growth, investment, and ability to raise capital (including efforts to develop a derivative or more advanced version of the like product). Their responses are shown in appendix C.

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 ¹⁸--

(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),

¹⁸ 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."

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

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

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

(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.¹⁹

No subsidies (item (I) above) were alleged by the petitioner, and item (IX) is not relevant in this investigation. 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;" and 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), and (VIII)); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows.

U.S. inventories of door locks from Taiwan

According to data received from importers of door locks from Taiwan, their inventories of residential door locks held in the United States increased moderately from 1986 to 1987, increased substantially between 1987 and 1988, and increased slightly between the January-March periods of 1988 and 1989 (table 20). Importers' U.S. inventories of other door locks also increased similarly throughout the investigation period. As a ratio to the imports, importers' inventories of residential door locks fluctuated during the period, decreasing substantially between 1986 and 1987, increasing moderately between 1987 and 1988, and increasing again from interim 1988 to interim 1989. Inventories of other door locks increased steadily as a ratio to imports during the period but decreased from interim 1988 to interim 1989.

¹⁹ 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."

Table 20

Door locks: Importers' U.S. inventories, by products, as of Dec. 31 of 1986-88 and as of Mar. 31 of 1988 and 1989

				Jan.-Mar.--	
Item	1986	1987	1988	1988	1989

1/ Ratios are based on data supplied by firms that reported both inventory and imports information.

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

Ability of foreign producers to generate exports and the availability of export markets other than the United States

Information supplied by counsel for the three major Taiwan producers, Tong Lung Metal Co., Taiwan Fu-Hsing Industry Co., and Posse Lock Manufacturing Co., regarding their clients' capacity, production, capacity utilization, domestic shipments, exports, and inventories of residential door locks is shown in table 21. Comparable data regarding the entire residential door lock industry in Taiwan are not available.²⁰

²⁰ The Commission has not yet received a reply from all Taiwan producers in response to its inquiry via the American Institute in Taiwan. Questionnaire responses from U.S. importers revealed that * * *.

Table 21

Residential door locks: Taiwan's capacity, production, capacity utilization domestic shipments, exports, and inventories, 1986-88, January-March 1988, January-March 1989, and projected April-December 1989 and 1990

(In thousands of locks, except as noted)							
Item	1986	1987	1988	Jan.-Mar.--		Projected	
				1988	1989	Apr.-Dec. 1989	1990
Capacity.....	***	***	***	***	***	***	***
Production.....	***	***	***	***	***	***	***
Capacity utilization (percent)....	***	***	***	***	***	***	***
Domestic shipments....	***	***	***	***	***	***	***
Exports to--							
United States	***	***	***	***	***	***	***
All other....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Share of production exported (percent)....	***	***	***	***	***	***	***
Share of total exports to--							
U.S. (pct)...	***	***	***	***	***	***	***
All other (pct)	***	***	***	***	***	***	***
Total (pct)	100.0	100.0	100.0	100.0	100.0	2/	2/
End of period inventories...	***	***	***	***	***	2/	2/

1/ Data from * * * are not available.

2/ Data not available.

Source: Respondents' submission dated May 16, 1989, Attachment 1.

Capacity and production reported by the three firms * * *.

* * * * *

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

U.S. imports

U.S. imports of residential door locks for consumption, total and from selected sources, are shown in table 22. Because questionnaire respondents accounted for less than 40 percent of the 1988 value of imports of residential

Table 22

Residential door locks: U.S. imports for consumption, by selected sources, 1986-88, January-March 1988, and January-March 1989 1/

Source	1986	1987	1988	January-March-- 1988	1989
Value (1,000 dollars) 2/					
Taiwan.....	41,474	47,975	46,870	12,820	11,572
Mexico.....	37,233	50,471	52,862	15,535	15,011
China.....	134	304	6,540	621	1,655
South Korea.....	3,675	4,675	5,967	1,290	1,070
Thailand.....	152	610	814	86	0
Subtotal, excluding Taiwan.....	41,194	56,061	66,183	17,531	17,736
Total.....	82,668	104,036	113,053	30,351	29,308
Quantity (1,000 units) 3/					
Taiwan.....	11,060	12,115	11,267	3,313	2,850
Mexico.....	5,080	7,765	7,231	2,050	2,449
China.....	18	47	895	82	270
South Korea.....	501	719	816	170	175
Thailand.....	21	94	111	11	-
Subtotal, excluding Taiwan.....	5,620	10,182	9,054	2,313	2,894
Total.....	16,680	22,297	20,321	5,626	5,743
Unit value 4/					
Taiwan.....	\$3.75	\$3.96	\$4.16	\$3.87	\$4.06
Mexico.....	7.33	6.50	7.31	7.58	6.13
China.....	7.33	6.50	7.31	7.58	6.13
South Korea.....	7.33	6.50	7.31	7.58	6.13
Thailand.....	7.33	6.50	7.31	7.58	-
Percent of total value 5/					
Taiwan.....	39.6	36.6	32.4	33.5	31.6
Mexico.....	35.5	38.5	36.5	40.6	41.0
China.....	.1	.2	4.5	1.6	4.5
South Korea.....	3.5	3.6	4.1	3.4	2.9
Thailand.....	.2	.5	.6	.2	-
Subtotal, excluding Taiwan.....	39.3	42.7	45.7	45.9	48.4
Total.....	78.9	79.3	78.1	79.4	80.0

1/ The TSUSA and HTS categories combine data on residential and other locks. The petitioner has alleged that residential lock imports comprise the universe of imports for consumption from Taiwan, Mexico, China, South Korea, and Thailand, and that imports from all other sources comprise the universe of other lock imports. Responses to questionnaires sent to Taiwan importers confirm petitioner's allegation concerning imports from Taiwan, as imports of other locks accounted for less than 1 percent of the quantity and less than 5 percent of the value of imports of Taiwan locks reported. The estimation of imports of residential door locks in this report has relied on petitioner's suggested methodology.

2/ Figures combined from several statistics of the U.S. Department of Commerce, and represent landed duty paid values for imports for consumption.

3/ Figures derived using average unit values from all importers (including producers) for imports from Taiwan and from all other sources combined from Commission questionnaire responses and total values from official statistics of the U.S. Department of Commerce.

4/ Figures compiled from responses to questionnaires of the U.S. International Trade Commission.

5/ Percent of total value of all locks imported under TSUSA and HTS categories.

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

door locks from Taiwan, the import value figures presented are derived from official statistics of the U.S. Department of Commerce. The value of imports from Taiwan fluctuated during the investigation period, increasing by 15.7 percent from 1986 to 1987, decreasing slightly from 1987 to 1988 (for an overall increase of 13.0 percent from 1986 to 1988), and decreasing by 9.7 percent between interim 1988 and interim 1989. In terms of quantity, imports of residential door locks from Taiwan followed a similar pattern. As a percent of the total value of imports of residential door locks from all sources, those from Taiwan declined steadily during the investigation period.

Market penetration by the subject imports

Of the total value of apparent U.S. consumption of residential door locks, imports from Taiwan accounted for an increasing market share from 1986 to 1987 (from 9.4 to 10.7 percent), a slightly decreased market share from 1987 to 1988 (to 10.2 percent), and a moderately decreased market share from interim 1988 to interim 1989 (from 10.4 to 9.9 percent). Penetration of the U.S. market by imports from all sources rose from 18.7 percent in 1986 to 24.7 percent in 1988, and increased from 24.5 percent in interim 1988 to 25.1 percent in interim 1989. Trends in penetration of the domestic market by imports in terms of quantity were substantially higher and differed from the value trends: penetration increased substantially from 1986 to 1987, decreased slightly from 1987 to 1988, and increased slightly from interim 1988 to interim 1989. These data are presented earlier in table 3 of this report.

U.S. producers' imports and market penetration of combined imports of residential door locks from all sources other than Taiwan

The U.S. residential door lock producers account for the majority (97 percent) of combined imports for consumption of residential door locks from all sources other than Taiwan. Imports by U.S. producers of residential door locks increased during 1986-88 but declined from interim 1988 to interim 1989.²¹

As a share of the total value of apparent U.S. consumption of residential door locks, imports from all sources other than Taiwan increased from 9.3 percent in 1986 to 14.5 percent in 1988, and from 14.2 percent in interim 1988 to 15.2 percent in interim 1989 (table 3). In terms of quantity, the share of imports from all sources except Taiwan increased from 8.6 percent in 1986 to 14.9 percent in 1987, decreased to 13.9 percent in 1988, and increased from 13.1 percent in interim 1988 to 16.9 percent in interim 1989.

²¹ Trends derived from ITC questionnaire responses.

Prices of residential door locks

Market characteristics.--The prices of different door locks vary based on usage, construction, style and finish, type of keying, special options such as saw-proof and panic-proof features, decorative trim, and whether the design is standard or heavy duty. Among the three standard door locks based on usage, keyed-entrance locks, privacy locks, and passage locks, comparisons of suggested prices at the retail level show that entry locks are the highest priced. Passage locks are the lowest priced, roughly a third less. Privacy locks are priced in between, at roughly 10 percent above the passage lock price level.

Styles vary considerably, from standard ball or tulip knob design to lever-type-entrance handlesets. Finishes can vary from stainless steel to polished brass, antique bronze, and many others. Deadbolt locksets also are offered in many different styles and features and standard models retail at prices roughly at the keyed-entrance lock level.

Domestic producers have 4 to 6 or more knob or lever designs and offer 10 to 12 or more finishes for each design. A domestic product line is structured to span various price points from a low-end, standard door lock to a deluxe, high-end model. A line of imported locks from Taiwan offers a similar, but somewhat narrower selection of styles and finishes with fewer upgrade price points. Conference testimony and field interviews with domestic producers indicated that door lock producers in Taiwan have copied specific domestic door lock models in detail. Several domestic producers have added a low-end model to their regular product line as a move to compete with the lower priced imported door locks from Taiwan. ²²

Domestic producers and importers agree that imported locks from Taiwan are substitutes for the domestic product at specific price points but that neither domestic nor imported residential locks are suitable for commercial applications. Importers and producers are also in agreement that some of the imported door locks from Taiwan meet the ANSI standards for Grade II product, a category termed "light commercial/residential." According to purchasers of the imported product, however, these door locks generally are used in residential applications. Mass merchandisers note that, for sales at retail, only the customer knows the use made of a lock purchased for replacement or renovation.

Domestic producers of residential door locks publish price lists; most offer quantity discounts and schedule special promotions supported by advertising at various times during the year. Traditionally, advertised promotions are characteristic to the domestic industry, but import competition has increased the frequency of special promotions and price concessions made by domestic producers to distributors and mass merchandisers in support of such programs. Advertising allowances are a key item in annual order negotiations with customers. Locks are sold to distributors in plain boxes

for sale to builders and contractors but are packaged for retail sale in visual display pack units for the replacement and renovation market.

Importers fall into two categories, wholesalers and home centers/mass merchandisers. Wholesalers, in general, do not publish price lists but offer one price to all customers. Mass merchandisers price their product only at retail but advertise specials throughout the year. Home centers also sell at retail but both mass merchandisers and home centers offer quantity discounts to builders if the volume warrants special pricing. Importers also noted in their questionnaire responses that advertising allowances are an important consideration in negotiations with their offshore suppliers. Terms of domestic producers and importers/wholesalers are similar; 2 percent 10 days, net 30 is the common practice.

The domestic market for residential door locksets consists of a replacement market segment as well as a new construction segment. Door locks for both market segments are sold through a multi-level distribution channel system that serves three major types of purchasers: wholesalers, retailers, and end-product manufacturers. Some of these purchasers buy direct from domestic producers and/or import for their own account or, as wholesalers, buy for resale to retail outlets. Others purchase domestic or imported door locksets through wholesalers or buy direct from importers.

Domestic producers and importers classify their customers in several subcategories relative to their level in the channels of distribution, their function, and the markets they serve, as follows:

- A. Wholesalers (by primary line of business)
 - 1) hardware wholesalers
 - 2) locksmith distributors
 - 3) co-op hardware distributors (owned by retail member stores)
 - 4) specialty builders hardware wholesalers (door hardware)
 - 5) wholesale building materials distributors
 - 6) contract distributors (sell only to building contractors)
- B. Retailers (by primary line of business)
 - 1) mass merchandisers
 - 2) home centers
 - 3) hardware chains
 - 4) lumber yards
 - 5) building material dealers
 - 6) locksmiths
- C. Original Equipment Manufacturers (OEMs)
 - 1) door manufacturers
 - 2) package home manufacturers

Domestic producers and importers sell door locks to wholesalers and also sell directly to large OEM's such as door manufacturers, to large retail hardware chains, and to mass merchandisers. Large wholesalers and so-called master distributors have become importers; in turn, they sell to smaller distributors and at the same time compete with those distributors and wholesalers for sales to retail establishments.

Wholesalers generally sell to purchasers in two channels of distribution: to retail outlets serving the replacement market and to builders, developers, and architects buying for the new construction market. Some wholesalers serve a narrower market segment, such as only locksmiths or only building contractors. Most wholesalers supply both the market for new locksets and the replacement market, often without knowing how the product will be used.

Retailers serve individual customers and homeowners for new or replacement locksets and the builder market for new locksets. The builder segment of demand that buys from mass merchandisers and home centers is a growing dimension of the retail lockset trade. OEM's supply locksets along with pre-hung doors for individual builders and developers. Pre-cut or package home manufacturers supply door hardware with their products.

Petitioners allege that lockset manufacturers in Taiwan initially targeted their U.S. market entry efforts principally at the mass merchandisers and home centers. A check of the major importers tends to confirm that this is the principal market for door locks from Taiwan, but who approached whom first is not completely clear. Many mass merchandisers and home centers have become direct importers of locksets from Taiwan, thus adding to their gross margin not only because of the lower prices of the imported product but also by eliminating the margin of the middleman. This pattern is more prevalent than purchases by importers who in turn resell to a wholesaler, mass merchandiser, or an OEM. Wholesalers serving the small- and medium-size independent retail hardware stores and retail building outlets whose individual volume is not large enough to warrant importing container-size lots have turned to importing Taiwan locksets in container quantity. The imported locksets are then resold to retail outlets in less than container quantity but at prices to enable these outlets to better compete with the large home centers and mass merchandisers importing direct for their own account.

Residential and commercial door locks are sold through different channels of distribution. Bid competition characterizes the commercial market but not the residential market. Sales of commercial door locks are project oriented. Generally, the door locks are manufactured to order on short production runs to meet the architect's specifications for a particular job rather than standard specifications of a mass produced residential product. Commercial contractors, architectural hardware consultants, and architects are the channels through which commercial locks are marketed.

There is a category of door locks that is termed "light commercial." As indicated earlier in this report, door locks that are classified as Grade II, based on ANSI specifications, fall into this category. ANSI Grade II door locks are designated as residential but can be and are sold and used at times

for "light commercial" applications. Some imported locks from Taiwan meet the ANSI Grade II specifications. Grade II door locks are marketed largely through residential channels of distribution.

Questionnaire price data.--The Commission requested net U.S. selling prices and quantities for four representative door lock sets. U.S. producers and importers were asked to report f.o.b. price data separately for sales of these products to home centers/mass merchandisers and to purchasers serving the builder/developer market. Home centers/mass merchandisers importing direct for their own account to sell at retail in their own outlets were requested to provide landed, duty-paid f.o.b. purchase prices, port-of-entry. The price data were requested for each firm's largest sale, or purchase in the case of direct imports for sale at retail, by quarter, during January 1986-March 1989. In addition, the quantity and value of total sales each quarter were requested. The four products for which price data were requested are identified below:

PRODUCT 1: Keyed-entrance lock of polished brass, with tulip or ball style knob, standard or adjustable latch and a solid brass core with brass pins and stainless steel springs.

PRODUCT 2: Privacy lock of polished brass with tulip or ball style knob and a standard or adjustable latch.

PRODUCT 3: Passage lock of polished brass with tulip or ball style knob and a standard or adjustable latch.

PRODUCT 4: Single-cylinder 1-inch deadbolt lock with a standard or adjustable latch and a solid brass core with brass pins and stainless steel springs.

Seven U.S. producers and 15 U.S. importers of the subject foreign products reported the requested price data but not for each product, class of customer, or period. Eight of the importers providing data on prices are large home-center/mass-merchandiser retail chains that import door locks for their own account for resale in their own outlets.

Price trends.--Price trends for the domestic and subject imported door locks are based on the reported quarterly weighted-average net f.o.b. prices of the four products. The net weighted-average selling prices of each product were based on total sales volume of each of the specified representative door lock products to each class of purchaser. During the design of the questionnaire, domestic producers and importers were consulted in the selection of these products and agreed that they are volume items and that these domestic and imported Taiwan door lock sets are substitutes and compete head-to-head in the marketplace.

U.S. domestic door locks: sales to home centers/mass merchandisers.--Weighted average prices of the subject domestic door locks sold to home center/mass merchandiser customers are shown in table 23. Keyed-entrance lock (product 1) price data reflect a rather steady uptrend in 1986 that continued into mid-1987, from a base-period price of \$6.63 per lock in January-March 1986 to \$7.28 in April-June of 1987, representing an increase of 10 percent. In the following quarter, the price fell to \$6.57, a level 1 percent below the base-period price, but it then jumped to \$7.22 in the final quarter of 1987. The price again fell sharply in January-March 1988, hovered at a point or two below the base-period price for two quarters, and then moved up a point or two during the remainder of the subject period.

The price trend for sales of privacy locks (product 2) to home-center/mass-merchandiser customers varied only 1 or 2 percent above or below the base-period price of \$4.53 per lock during most of the subject period. The price strengthened in July-September 1988 and reached a period high of \$5.06 in October-December, 12 percent above the base-period price level.

Data on the prices of passage locks (product 3) reflect a similar flat trend that held throughout the period. The price was \$4.21 per lock in January-March 1986, reached a level 3 percent above that in October-December 1986, fell to a period low of \$4.05 per lock in January-March 1987, then held at or within plus or minus 2 points of the base-period price through mid-1988, before increasing during the final 3 quarters.

The data on prices of deadbolts (product 4) reveal an erratic pattern. The price fell to \$7.86 per lock in April-June 1986, 5 percent below the base-period price of \$8.31, but it recovered to a period high of \$9.00 in the following quarter. The price trend reversed in October-December 1986 and fell 20 percent to a period low of \$7.16 by April-June 1987. Prices climbed during the balance of 1987 to a level 2 percent above the base-period level, but then declined to levels in 1988 that ranged erratically from 2 to 11 percent below the base-period price. Prices ended the subject period down 13 percent at \$7.24 per lock.

U.S. domestic door locks: sales to purchasers serving the builder/developer market.--Weighted-average prices of the four domestic door lock products sold to purchasers serving the builder/developer market are shown in table 24. The prices of keyed-entrance door locks (product 1) reflect a slight uptrend in 1986 to a July-September high of \$8.01 per lock, 4 percent above the \$7.69 base-period price. The price began to decline in the last quarter of 1986 and was flat, 1 point below the base-period price, during the subsequent 3 quarters of 1987; it then jumped 9 percent to \$8.31, but held only for 1 quarter. During the balance of the subject period, the prices were below the 1986 base-period price level in 4 of the 5 quarters and ended the period at an average price of \$7.20 per door lock, 6 percent below the base-period price.

Table 23

Residential door locks: Average f.o.b. sales prices to home centers/mass merchandisers for door locks produced in the United States, weighted by total sales quantities, by quarters, January 1986-March 1989

Period	Product 1	Product 2	Product 3	Product 4
<hr/>				
Weighted-average price per door lock				
<hr/>				
1986:				
Jan.-Mar.....	\$6.63	\$4.53	\$4.21	\$8.31
Apr.-June.....	6.63	4.53	4.15	7.86
July-Sept.....	6.77	4.75	4.22	9.00
Oct.-Dec.....	7.16	4.59	4.32	8.78
1987:				
Jan.-Mar.....	7.05	4.53	4.05	7.32
Apr.-June.....	7.28	4.61	4.23	7.16
July-Sept.....	6.57	4.45	4.21	7.63
Oct.-Dec.....	7.22	4.66	4.30	8.46
1988:				
Jan.-Mar.....	6.53	4.51	4.13	8.05
Apr.-June.....	6.54	4.64	4.28	7.39
July-Sept.....	6.58	4.79	4.37	7.86
Oct.-Dec.....	6.79	5.06	4.58	8.16
1989:				
Jan.-Mar.....	6.69	4.89	4.46	7.24
<hr/>				
Quantity sold (units)				
<hr/>				
1986:				
Jan.-Mar.....	310,041	88,054	104,558	303,598
Apr.-June.....	379,004	111,220	121,637	338,715
July-Sept.....	365,958	115,391	108,411	350,708
Oct.-Dec.....	393,231	124,222	124,366	393,933
1987:				
Jan.-Mar.....	498,263	127,871	125,302	231,670
Apr.-June.....	422,648	100,147	107,641	233,093
July-Sept.....	506,926	119,639	123,422	228,618
Oct.-Dec.....	408,351	100,147	105,099	253,607
1988:				
Jan.-Mar.....	441,025	119,652	124,123	314,221
Apr.-June.....	398,932	134,663	140,360	316,912
July-Sept.....	389,481	114,087	118,119	310,945
Oct.-Dec.....	414,127	116,009	118,529	317,452
1989:				
Jan.-Mar.....	470,836	161,680	163,941	175,630

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

Table 24

Residential door locks: Average f.o.b. sales prices to purchasers serving the builder/developer market for door locks produced in the United States, weighted by total sales quantities, by quarters, January 1986-March 1989

Period	Product 1	Product 2	Product 3	Product 4
<u>Weighted-average price per door lock</u>				
1986:				
Jan.-Mar.....	\$7.69	\$4.52	\$4.15	\$9.32
Apr.-June.....	7.80	3.94	3.79	8.89
July-Sept.....	8.01	4.33	3.88	8.43
Oct.-Dec.....	7.82	4.46	3.85	8.46
1987:				
Jan.-Mar.....	7.65	4.55	4.04	7.20
Apr.-June.....	7.63	4.55	4.22	7.72
July-Sept.....	7.64	4.63	4.21	8.06
Oct.-Dec.....	8.31	4.66	4.10	8.23
1988:				
Jan.-Mar.....	7.35	4.51	3.96	9.27
Apr.-June.....	7.05	4.73	4.13	8.92
July-Sept.....	7.84	4.71	4.30	8.11
Oct.-Dec.....	7.58	4.93	4.47	8.95
1989:				
Jan.-Mar.....	7.20	4.84	4.30	7.83
<u>Quantity sold (units)</u>				
1986:				
Jan.-Mar.....	548,771	452,988	520,496	1,053,249
Apr.-June.....	639,618	388,730	622,230	1,102,489
July-Sept.....	624,282	453,488	514,211	1,135,408
Oct.-Dec.....	614,426	436,414	498,190	1,178,953
1987:				
Jan.-Mar.....	666,295	379,813	402,939	552,642
Apr.-June.....	601,923	342,346	385,755	527,536
July-Sept.....	586,832	300,315	326,264	490,232
Oct.-Dec.....	633,895	316,515	333,058	721,245
1988:				
Jan.-Mar.....	414,524	307,940	317,496	872,610
Apr.-June.....	333,110	258,163	275,681	785,390
July-Sept.....	331,495	239,199	252,886	560,989
Oct.-Dec.....	322,534	227,615	237,313	585,378
1989:				
Jan.-Mar.....	294,436	240,505	247,103	301,670

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

Privacy locks (product 2) sold to this class of customer show a somewhat stronger price trend. The price fell sharply in 1986 from the base-period price of \$4.52 to \$3.94 in April-June 1986, representing a decline of 13 percent, then climbed rather steadily upward (interrupted by a slight dip in January-March 1988) to a period high of \$4.93 in October-December 1988, 9 percent above the base-period price. The price dipped slightly in January-March 1989 to \$4.84 per door lock, 7 percent above the base-period price.

The price trend for passage locks (product 3) sold to purchasers serving the builder/developer market reflects a considerably weaker pattern. The price fell 9 percent in 1986 from a base-period level of \$4.15 to \$3.79 per lock in April-June. Although the trend then reversed and prices climbed to 2 points above the base-period price in April-June 1987, they again declined, quarter by quarter, to reach \$3.96 per lock in January-March 1988. Prices strengthened in the following quarters of 1988 and the average price reached a period high of \$4.47 in October-December 1988; it stood at \$4.30 in January-March 1989, 4 percent above the base-period price.

The prices of deadbolts (product 4) sold to this class of purchasers reflect an erratic pattern of price declines followed by upturns that failed to reach the level of the base-period price of \$9.32 per deadbolt. The quarterly price fell in 1986 and reached a period low of \$7.20 in January-March 1987. The trend reversed and prices climbed to \$9.27 per lock in January-March 1988, then fell at period end to \$7.83, or 16 percent below the base-period price.

Imports from Taiwan: sales to home centers/mass merchandisers.--The prices of door locks imported from Taiwan and sold to home centers/mass merchandisers reflect a downturn early in the subject time period followed by a recovery to levels equal to or somewhat above the base-period price levels. Weighted-average prices of the four representative door locks imported from Taiwan and sold to home centers/mass merchandisers are presented in table 25.

Keyed-entrance door lock (product 1) prices show a downturn of 11 percent in 1986 from a base-period price of \$4.10 to a period low of \$3.65 in April-June, followed by a 3-percent increase by yearend to \$3.77. During 1987, the price was flat at a level 2 percentage points or less below the base-period level, or from \$4.02 to 4.09 per lock. During the remainder of the subject period, the price climbed steadily to a high of \$4.96 per lock at period end, 21 percent above the base-period price.

Price data on privacy locks (product 2) reveal a pattern of prices that fell sharply in 1986 and remained below the base-period price level during 1987 and 1988. The price fell 24 percent in 1986 from \$3.70 per door lock in January-March to a period low of \$2.83 in July-September. Then the trend reversed and prices climbed steadily upward to a 1987-88 high of \$3.64 per door lock in July-September 1988; they then declined to \$3.34 in the fourth quarter, and finished the period at a price of \$3.73, 1 percent above the base-period price.

Table 25

Residential door locks: Average f.o.b. sales prices to home centers/mass merchandisers for door locks imported from Taiwan, weighted by total sales quantities, by quarters, January 1986-March 1989

Period	Product 1	Product 2	Product 3	Product 4
<u>Weighted-average price per door lock</u>				
1986:				
Jan.-Mar.....	\$4.10	\$3.70	\$3.06	\$3.89
Apr.-June.....	3.65	2.92	2.75	3.67
July-Sept.....	3.81	2.83	2.88	3.73
Oct.-Dec.....	3.77	3.12	3.02	3.68
1987:				
Jan.-Mar.....	4.06	3.13	2.93	3.88
Apr.-June.....	4.05	3.12	3.13	3.92
July-Sept.....	4.02	3.27	3.27	3.89
Oct.-Dec.....	4.09	3.26	3.13	4.19
1988:				
Jan.-Mar.....	4.23	3.57	3.55	4.28
Apr.-June.....	4.38	3.59	3.53	4.23
July-Sept.....	4.40	3.64	3.59	4.33
Oct.-Dec.....	4.77	3.34	3.49	4.53
1989:				
Jan.-Mar.....	4.96	3.73	3.68	4.42
<u>Quantity sold (units)</u>				
1986:				
Jan.-Mar.....	3,960	144	2,412	13,548
Apr.-June.....	7,416	3,216	3,216	13,776
July-Sept.....	3,392	2,184	3,000	12,456
Oct.-Dec.....	8,400	2,952	3,148	14,120
1987:				
Jan.-Mar.....	31,028	7,000	4,115	16,570
Apr.-June.....	24,028	10,166	7,588	19,548
July-Sept.....	23,136	11,604	8,620	16,916
Oct.-Dec.....	43,056	9,140	4,800	24,800
1988:				
Jan.-Mar.....	41,916	14,868	6,460	28,792
Apr.-June.....	35,340	11,812	8,284	29,916
July-Sept.....	25,556	11,928	7,180	30,584
Oct.-Dec.....	46,836	23,000	18,332	25,896
1989:				
Jan.-Mar.....	16,908	11,052	9,052	26,764

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

Passage lock (product 3) prices to home centers/mass merchandisers in 1986 fell below the base-period price of \$3.06 per door lock to a period low of \$2.75 in April-June. Beginning in April-June 1987, the price edged above the base-period price; it climbed 17 percent above that level in 1988 to \$3.59 and ended the subject period at \$3.68, or 20 percent above the base-period price.

The prices of deadbolt door locks (product 4) to this class of purchasers fell 4 to 6 percent below the \$3.89 base-period price during April-December 1986. In January-September 1987, the price increased and held for 2 quarters at levels at or within 1 percent of the base-period price. The price rose 8 percent in October-December 1987 and continued to climb to a period high of \$4.53 in the fourth quarter of 1988. The average price was \$4.42 in January-March 1989, 14 percent above the base-period price.

Imports from Taiwan: sales to purchasers serving the builder/developer market.--The weighted-average prices of the subject door locks imported from Taiwan and sold to purchasers serving the builder/developer market are presented in table 26. Price data for keyed-entrance locks (product 1) reflect a rising trend from a base-period price of \$4.60 in April-June 1986 to \$4.95 in January-March 1987. The price dipped to \$4.67 per lock in April-June, then held through January-March 1988 at a level 5 percent above the base-period price. During the balance of the subject period, the uptrend continued and the price peaked at \$5.78 in January-March 1989, 26 percent above the base price.

Prices of imported privacy door locks (product 2) to this class of purchasers reveal a steady, strong uptrend throughout the subject period. From a base-period price of \$2.84, the quarterly average price increased 27 percent to a level of \$3.62 in October-December 1986. By the fourth quarter of 1987, the price had climbed to \$4.30, 51 percent above the base-period price. The price continued to rise and in January-March 1989 it reached \$4.71 per lock, 66 percent above the base-period price.

The data on prices of imported Taiwanese passage locks (product 3) sold to purchasers serving the builder/developer market show a similar uptrend. Prices increased from a base-period level of \$2.72 to \$3.54 per door lock in October-December 1986. During 1987 and 1988, the prices continued a steady rise and by the end of the subject period, the price had risen to \$4.46, an increase of 64 percent over the base-period price.

The prices of imported Taiwan deadbolt locks (product 4) sold to this class of purchasers also reflect an uptrend punctuated by an occasional slight downturn in quarterly price. From a base-period price of \$3.83 per deadbolt door lock in January-March 1986, the price increased to \$4.32 in the first quarter of 1987. The price declined 4 percent during the next two quarters of 1987 but rose almost 14 percent to \$4.72 in October-December of that year. A downturn occurred in January-March 1988, followed by a steady increase over the subsequent quarters to a period high of \$5.85 in January-March 1989, a level 53 percent above the base-period price.

Table 26

Residential door locks: Average f.o.b. sales prices to purchasers serving the builder/developer market for locks imported from Taiwan, weighted by total sales quantities, by quarters, January 1986-March 1989

Period	Product 1	Product 2	Product 3	Product 4
<u>Weighted-average price per door lock</u>				
1986:				
Jan.-Mar.....	-	\$2.84	\$2.72	\$3.83
Apr.-June.....	\$4.60	3.43	2.83	3.89
July-Sept.....	4.75	3.61	3.54	3.95
Oct.-Dec.....	4.75	3.62	3.54	4.01
1987:				
Jan.-Mar.....	4.95	3.78	3.59	4.32
Apr.-June.....	4.67	4.27	3.60	4.21
July-Sept.....	4.84	4.33	3.63	4.15
Oct.-Dec.....	4.85	4.30	3.64	4.72
1988:				
Jan.-Mar.....	4.82	4.34	3.69	4.48
Apr.-June.....	5.05	4.39	3.79	4.52
July-Sept.....	4.95	4.39	3.80	4.62
Oct.-Dec.....	5.45	4.53	4.14	5.51
1989:				
Jan.-Mar.....	5.78	4.71	4.46	5.85
<u>Quantity sold (units)</u>				
1986:				
Jan.-Mar.....	-	48	48	400
Apr.-June.....	150	556	56	750
July-Sept.....	400	845	545	750
Oct.-Dec.....	700	1,048	648	925
1987:				
Jan.-Mar.....	2,500	4,057	4,057	1,400
Apr.-June.....	600	2,066	766	808
July-Sept.....	500	2,550	1,450	658
Oct.-Dec.....	4,000	1,566	666	975
1988:				
Jan.-Mar.....	1,500	8,100	5,060	1,428
Apr.-June.....	2,700	8,090	5,068	1,197
July-Sept.....	2,000	10,070	12,046	1,667
Oct.-Dec.....	12,500	22,100	27,049	6,234
1989:				
Jan.-Mar.....	16,000	24,100	27,069	7,349

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

Imports from Taiwan; purchases by home centers/mass merchandisers importing direct for their own account.--Weighted-average purchase prices of the four representative door locks imported direct from Taiwan by home centers/mass merchandisers for their own account are presented in table 27. This market segment was alleged by petitioners to have been the prime target for entry to the U.S. market by Taiwan manufacturers of door locks. Ten of 15 importers providing useful price data fall in the home-center/mass-merchandiser category. The aggregate volume purchased by this class of purchasers accounts for 75 percent of the total quantity of imports of the representative products used as a data base for the price and margin analysis.

Quarterly prices of imported keyed-entrance door locks (product 1) from Taiwan by this class of purchasers show an erratic pattern during January 1986-June 1987, with prices ranging from \$3.61 to \$3.84, or from 3 percent below to 3 percent above the base-period price of \$3.72. During the balance of the subject period, the price steadily increased to \$4.09 in January-March 1989, 10 percent above the base-period price.

Prices of privacy locks (product 2) imported from Taiwan by this class of purchaser fell 6 percent in 1986 and remained below the base-period price of \$3.17 through March 1987. Then the price climbed to \$3.48, 14 percent above the prior quarter, marking the beginning of an erratic pattern of ups and downs, with prices generally from 3 to 6 percent above the base-period price. The price reached a period high of \$3.55 in October-December 1988, but fell to \$3.30 in January-March 1989, or 4 percent above the base price.

Passage lock (product 3) prices for purchases by home centers/mass merchandisers importing Taiwan product for their own account show a downturn in price in 1986 that continued through January-March 1987 to a period low of \$2.84, 10 percent below the base-period price of \$3.15. This pattern then reversed and, except in October-December 1987, prices held at or slightly above the base-price level until October-December 1988, when the price peaked at \$3.53, 12 percent above the base-price level. The price fell again in January-March 1989 to end the subject period at \$3.20 per lock, or 2 percent above the base price.

The average quarterly prices of deadbolts (product 4) imported from Taiwan by this class of purchasers reflect a downturn that began in mid-1986 and held at levels 4 to 6 percent below the base-period price of \$3.89 through January-March 1987. The price increased 10 percent in the following quarter, but fell to slightly below the base-period price during July-December 1987. In 1988, the price strengthened to \$4.05, held at that level through July-September, and reached a period high of \$4.18 in October-December before it fell in January-March 1989 to \$3.97, 2 percent above the base-period price.

Table 27

Residential door locks: Average f.o.b. purchase prices paid by home centers/mass merchandisers for door locks from Taiwan imported direct for their own account, weighted by total quantities purchased, by quarters, January 1986-March 1989

Period	Product 1	Product 2	Product 3	Product 4
<u>Weighted-average price per door lock</u>				
1986:				
Jan.-Mar.....	\$3.72	\$3.17	\$3.15	\$3.89
Apr.-June....	3.81	3.08	3.07	3.89
July-Sept....	3.61	2.93	2.90	3.66
Oct.-Dec.....	3.72	3.14	3.05	3.72
1987:				
Jan.-Mar.....	3.69	3.05	2.84	3.64
Apr.-June....	3.84	3.48	3.24	4.03
July-Sept....	3.77	3.37	3.22	3.87
Oct.-Dec.....	3.80	3.14	3.07	3.84
1988:				
Jan.-Mar.....	3.89	3.26	3.14	4.05
Apr.-June....	3.95	3.38	3.19	4.04
July-Sept....	4.02	3.29	3.16	4.05
Oct.-Dec.....	4.08	3.55	3.53	4.18
1989:				
Jan.-Mar.....	4.09	3.30	3.20	3.97
<u>Quantity sold (units)</u>				
1986:				
Jan.-Mar.....	51,163	26,508	30,606	9,924
Apr.-June....	64,758	40,884	36,414	12,600
July-Sept....	93,326	44,760	54,442	40,056
Oct.-Dec.....	133,727	38,076	47,174	41,172
1987:				
Jan.-Mar.....	121,540	63,781	76,397	43,362
Apr.-June....	111,076	44,577	52,413	38,144
Jul-Sept....	106,736	48,039	55,549	36,342
Oct.-Dec.....	109,338	37,399	53,925	32,226
1988:				
Jan.-Mar.....	135,692	58,836	67,662	22,752
Apr.-June....	147,764	69,000	71,160	37,148
July-Sept....	178,503	63,026	58,308	36,800
Oct.-Dec.....	68,068	13,742	15,180	12,608
1989:				
Jan.-Mar.....	145,465	57,476	60,200	51,490

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

Price comparisons.---Price comparisons between residential door locks produced in the United States and those imported from Taiwan are based on the quarterly weighted-average net f.o.b. selling prices to home centers/mass merchandisers and purchasers serving the builder/developer market, and purchase prices reported by home centers/mass merchandisers importing direct from Taiwan for their own account during the period January 1986-March 1989. The data were based on net f.o.b. prices of the largest transaction to each class of customer, weighted by the total quantities of all transactions for the representative product in each quarter in which data were reported. Tables 28-30 show the margins of under/(over) selling in dollars and in percent for sales of the four subject representative door locks, by class of purchaser.

Sales to home centers/mass merchandisers.---Based on questionnaire responses of U.S. producers and importers, the reported net f.o.b. selling price data resulted in comparisons between domestic and import prices for each of the four products sold to this class of purchasers in each of the 13 quarters of the subject time period (table 28). These price comparisons indicate underselling by the imported product in each quarter, for each product.

Comparisons of selling prices for product 1 (keyed-entrance lock) show the imported entry door locks from Taiwan undersold the domestic entry lock in each quarter. The margins of underselling ranged from \$1.73 to \$3.89 per entry lock. In percentage terms, the imported locks were priced below the domestic product by margins of 26 to 47 percent. Margins narrowed in successive quarters of the period January 1988-March 1989.

Comparisons of selling prices for product 2 (privacy lock) indicate that the imported privacy locks from Taiwan were priced below the domestic locks in each instance. The margins of underselling ranged from \$0.83 to \$1.91 per lock, or from 18 to 40 percent. Margins of underselling were broader during the period April 1986-December 1988 and narrower by roughly 10 percentage points during the balance of the subject period.

Comparisons of domestic and import selling prices for product 3 (passage lock) again reveal a pattern of underselling by the imported passage locks in every quarter. Margins of underselling ranged from \$0.59 to \$1.40 per lock, or from 14 to 34 percent. Margins narrowed from an average of 31 percent in 1986 to 26 percent in 1987 and 19 percent in 1988. During January-March 1989, the underselling margin was 17 percent.

Price comparisons for product 4 (deadbolt lock) show that the imported locks were priced below the domestic product in each instance by margins that ranged from \$2.82 to \$5.27 per deadbolt lock. In percentage terms, the imported lock prices were from 39 to 59 percent under the domestic prices. Again, the margins narrowed in successive years.

Table 28

Residential door locks: Margins of under/over selling ^{1/} based on comparisons made between net U.S. f.o.b. selling prices of products 1, 2, 3, and 4 produced in the United States and of those same products imported from Taiwan and sold to home centers/mass merchandisers, by quarters, January 1986-March 1989

Period	Product 1		Product 2		Product 3		Product 4	
	(\$/unit)	(%)	(\$/unit)	(%)	(\$/unit)	(%)	(\$/unit)	(%)
1986:								
Jan.-Mar.....	\$2.53	38	\$0.83	18	\$1.15	27	\$4.42	53
Apr.-June.....	2.98	45	1.62	36	1.40	34	4.19	53
July-Sept.....	2.96	44	1.91	40	1.34	32	5.27	59
Oct.-Dec.....	3.89	47	1.47	32	1.30	30	5.10	58
1987:								
Jan.-Mar.....	3.00	42	1.41	31	1.13	28	3.45	47
Apr.-June.....	3.23	44	1.49	32	1.11	26	3.24	45
July-Sept.....	2.55	39	1.18	27	.94	22	3.75	49
Oct.-Dec.....	3.13	43	1.39	30	1.17	27	4.27	50
1988:								
Jan.-Mar.....	2.30	35	.95	21	.59	14	3.77	47
Apr.-June.....	2.15	33	1.04	23	.75	17	3.16	43
July-Sept.....	2.18	33	1.15	24	.77	18	3.52	45
Oct.-Dec.....	2.02	30	1.72	34	1.10	24	3.63	45
1989:								
Jan.-Mar.....	1.73	26	1.16	24	.78	17	2.82	39

^{1/} Any figures in parenthesis indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported Taiwan products were calculated as ratios of the U.S. producers' prices.

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

Sales to purchasers serving the builder/developer market.--

Based on questionnaire responses of U.S. producers and importers, the reported net U.S. f.o.b. selling price data resulted in comparisons of domestic and import prices for 3 of the 4 representative products sold to this class of purchasers in each of the 13 quarters of the subject time period. Comparisons of keyed-entrance locks were possible for all quarters except January-March 1986. The price comparisons reveal underselling by the imported Taiwanese products in each quarter except one (table 29).

Price comparisons for product 1 (keyed-entrance lock) indicate that the imported locks were priced below the domestic product in every quarter. Underselling margins ranged from \$1.42 to \$3.46, or from 20 to 42 percent. During the period April 1986-December 1987 margins were broadest, averaging

Table 29

Residential door locks: Margins of under/over selling 1/ based on comparisons made between net U.S. f.o.b. selling prices of products 1, 2, 3, and 4 produced in the United States and of those same products imported from Taiwan and sold to purchasers serving the builder/developer market, by quarters, January 1986-March 1989

Period	Product 1		Product 2		Product 3		Product 4	
	(\$/unit)	(%)	(\$/unit)	(%)	(\$/unit)	(%)	(\$/unit)	(%)
1986:								
Jan.-Mar.....	-	-	\$1.68	37	\$1.43	34	\$5.49	59
Apr.-June.....	\$3.20	41	.51	13	.96	25	4.99	56
July-Sept.....	3.26	41	.72	17	.39	9	4.48	53
Oct.-Dec.....	3.07	39	.85	19	.31	8	4.44	53
1987:								
Jan.-Mar.....	2.70	35	.77	17	.44	11	2.88	40
Apr.-June.....	2.96	39	.29	6	.61	15	3.51	45
July-Sept.....	2.80	37	.30	6	.57	14	3.91	48
Oct.-Dec.....	3.46	42	.36	8	.45	11	3.51	43
1988:								
Jan.-Mar.....	2.53	34	.17	4	.27	7	4.79	52
Apr.-June.....	2.00	28	.35	7	.33	8	4.40	49
July-Sept.....	2.89	37	.32	7	.51	12	3.49	43
Oct.-Dec.....	2.13	28	.40	8	.33	7	3.44	38
1989:								
Jan.-Mar.....	1.42	20	.13	3	(-.16)	(-4)	1.98	25

1/ Any figures in parenthesis indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported Taiwan products were calculated as ratios of the U.S. producers' prices.

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

39 percent, but narrowed to 29 percent during the remainder of the subject period.

Comparisons of domestic and import prices for product 2 (privacy lock) revealed a pattern of underselling by the imported privacy lock in every quarter, by margins that ranged from \$0.13 to \$1.68 per lock. In percentage terms, the margins of underselling were highest in 1986, averaging 26 percent, but narrowed to the single-digit level beginning in April-June 1987 and fell to a low of 3 percent in January-March 1989.

Comparisons of selling prices for product 3 (passage lock) show the locks imported from Taiwan undersold domestic locks in each quarter except one. The margins of underselling ranged from \$0.27 to \$1.43 per lock, or from 7 to 34 percent. Again, margins generally narrowed to the single-digit level in the latter part of the period. During January-March 1989, the import price

was above the domestic price by a margin of \$0.16, or 4 percent. Price comparisons for product 4 (deadbolt lock) reflect underselling by the imported product in each comparison. Margins ranged from \$1.98 to \$5.49 per lock, or from 25 to 59 percent. Although margins narrowed appreciably beginning in January-March 1987, they did not generally fall below the 1987-88 average of 45 percent until October-December 1988. The margin dropped to 25 percent in the first quarter of 1989.

Home centers/mass merchandisers importing direct from Taiwan for their own account.--Based on questionnaire responses of U.S. producers and importers, the reported net U.S. f.o.b. price data resulted in comparisons between domestic and import prices for each of the 4 products sold to this class of purchasers in each of the 13 quarters of the subject time period. The price data show underselling by the imported product in each quarterly comparison (table 30).

Comparisons of domestic and import prices for product 1 (keyed-entrance lock) show underselling by the imported entry locks from Taiwan in every quarter. Margins ranged from \$2.56 to \$3.44 per lock, or from 39 to 48 percent. The average margin fell from 46 percent during 1986-87 to 40 percent during the balance of the subject period.

Price comparisons for product 2 (privacy lock) reveal that the imported locks were priced below the domestic product in every quarter. The margins by which the Taiwan locks undersold the domestic locks ranged from \$1.08 to \$1.81, or from 24 to 38 percent. Although the margins narrowed to the mid-20-percent range in April-September 1987, they increased to an average of 30 percent during the balance of the subject period.

Comparisons of domestic and imported prices for product 3 (passage lock) again show the imported locks from Taiwan were priced below the domestic locks in every quarter. The margins of underselling varied from \$0.99 to \$1.32, or from 24 to 31 percent. With few exceptions, the margins held in the mid- to high-20-percent range throughout the subject period.

Price comparisons for domestic and Taiwan product 4 (deadbolt lock) sold to this class of purchasers reveal a pattern of underselling that covered every quarter. The margins by which the imported product undersold the domestic deadbolt locks ranged from \$3.13 to \$5.34, or from 44 to 59 percent.

Table 30

Residential door locks: Margins of under/over selling 1/ based on comparisons made between net U.S. f.o.b. selling prices of products 1, 2, 3, and 4 produced in the United States and of those same products imported from Taiwan and purchased by home centers/mass merchandisers importing direct from Taiwan for their own account, by quarters, January 1986-March 1989

Period	Product 1		Product 2		Product 3		Product 4	
	(\$/unit)	(%)	(\$/unit)	(%)	(\$/unit)	(%)	(\$/unit)	(%)
1986:								
Jan.-Mar.....	\$2.91	44	\$1.36	30	\$1.06	25	\$4.42	53
Apr.-June.....	2.82	42	1.45	32	1.08	26	3.98	51
July-Sept.....	3.16	47	1.81	38	1.32	31	5.34	59
Oct.-Dec.....	3.44	48	1.45	32	1.27	29	5.06	58
1987:								
Jan.-Mar.....	3.36	48	1.48	33	1.21	30	3.69	50
Apr.-June	3.44	47	1.13	25	1.00	24	3.13	44
July-Sept.....	2.80	43	1.08	24	.99	24	3.76	49
Oct.-Dec.....	3.42	47	1.52	33	1.23	29	4.62	55
1988:								
Jan.-Mar.....	2.64	40	1.26	28	.99	24	4.00	50
Apr.-June.....	2.59	40	1.26	27	1.09	25	3.35	45
July-Sept.....	2.56	39	1.50	31	1.21	28	3.80	48
Oct.-Dec.....	2.71	40	1.50	30	1.06	23	3.98	49
1989:								
Jan.-Mar.....	2.61	39	1.59	33	1.26	28	3.27	45

1/ Any figures in parenthesis indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported Taiwan products were calculated as ratios of the U.S. producers' prices.

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

Lost sales

* * * * *

Lost revenue

* * * * *

Exchange rates

The nominal value of the new Taiwan dollar appreciated relative to the U.S. dollar during January 1986-December 1988, the latest period that comparable data were available, by about 38 percent (table 31). An approximately 5 percent deflation rate in Taiwan compared with a 7 percent U.S. inflation rate resulted in less appreciation of the new Taiwan dollar in real terms than in nominal terms. In real terms, the new Taiwan dollar appreciated against the U.S. dollar by about 24 percent during the same period.

Table 31

Exchange rates: 1/ Indexes of the nominal and real exchange rates between the U.S. dollar and the Taiwan dollar, and indexes of producer prices in Taiwan and the United States, 2/ by quarters, January 1986-March 1989

Period	Taiwan		Real exchange rate index 3/	U.S. producer price index
	Nominal exchange rate index	Producer price index		
1986:				
Jan. -Mar...	100.0	100.0	100.0	100.0
Apr. -June..	102.3	99.8	104.1	98.1
July -Sept..	104.9	98.9	106.3	97.6
Oct. -Dec...	108.1	98.2	108.4	98.0
1987:				
Jan. -Mar...	112.3	97.2	110.2	99.1
Apr. -June..	121.1	96.4	116.0	100.7
July -Sept..	128.8	95.7	121.0	101.9
Oct. -Dec...	132.9	94.7	122.9	102.3
1988:				
Jan. -Mar...	137.2	93.3	124.5	102.8
Apr. -June..	137.0	94.5	123.7	104.7
July -Sept..	136.6	95.5	122.9	106.1
Oct. -Dec...	138.4	95.4	123.8	106.6
1989:				
Jan. -Mar...	4/	4/	4/	109.0

1/ Based on exchange rates expressed in U.S. dollars per unit of foreign currency.

2/ The producer price indexes are aggregate measures of inflation at the wholesale level in the United States and Taiwan. Quarterly producer prices in the United States rose by 9.0 percent during January 1986-March 1989. Figures for Taiwan were unavailable for the first quarter of 1989. However, producer prices fell by 4.6 percent from the first quarter of 1986 through the end of 1988.

3/ The real value of the Taiwan dollar is the nominal value adjusted for the difference in inflation rates in the United States and Taiwan, as measured by the producer price indexes in those countries.

4/ Data not available.

Source: International Monetary Fund, International Financial Statistics, April 1989.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

(Investigation No. 731-TA-433 (Preliminary))

Certain Residential Door Locks From Taiwan

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-433 (Preliminary) under section 733(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Taiwan of certain residential door locks, provided for in subheading 8301.40.60 of the Harmonized Tariff Schedule of the United States (previously reported under item 648.9210 of the Tariff Schedules of the United States), that are alleged to be sold in the United States at less than fair value (LTFV). As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by June 8, 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 C (19 CFR Part 207, as amended by Commission interim rules published in 53 FR 33039 (August 29, 1988), 54 FR 5220 (February 2, 1989)), and Part 201, subparts A through E (19 CFR Part 201, as amended by Commission interim rules published in 54 FR 13672, 13677 (April 5, 1989)).

EFFECTIVE DATE: April 24, 1989.

FOR FURTHER INFORMATION CONTACT: Olympia Hand (202-252-1182), 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 24, 1989, by counsel on behalf of the Ad Hoc Committee of Door Lock Manufacturers.

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

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

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 beginning at 9:30 a.m. on May 15, 1989, at the U.S. International Trade Commission

Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Olympia Hand (202-252-1182) not later than May 11, 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 17, 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 Commission's rules (19 CFR 201.8). All written submissions except for business proprietary information 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 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 22, 1989. Such additional comments must be limited to comments on business proprietary information received in or after the posthearing briefs.

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.
Kenneth R. Mason,
Secretary.

Issued: April 26, 1989.

[FR Doc. 89-10633 Filed 5-1-89; 8:45 am]
BILLING CODE 7020-02-M

DEPARTMENT OF COMMERCE**International Trade Administration****[A-583-807]****Initiation of Antidumping Duty Investigation; Certain Residential Door Locks and Parts Thereof From Taiwan****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 certain residential door locks and parts thereof (hereinafter referred to as door locks) from Taiwan 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 door locks from Taiwan are materially injuring, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before June 8, 1989. If that determination is affirmative, we will make a preliminary determination on or before October 2, 1989.

EFFECTIVE DATE: May 22, 1989.

FOR FURTHER INFORMATION CONTACT: Eleanor Shea, 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) 377-0184.

SUPPLEMENTARY INFORMATION:**The Petition**

On April 24, 1989, we received a petition filed in proper form by the Ad Hoc Committee of Door Lock Manufacturers on behalf of the domestic door lock industry. In compliance with the filing requirements of 19 CFR 353.12, petitioner alleges that imports of door locks from Taiwan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

Petitioner has alleged it has standing to file the petition. Specifically, petitioner has alleged 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 a 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.

United States Price and Foreign Market Value

Petitioner's estimate of United States Price is based on f.o.b. Taiwan prices to wholesalers, exclusive of U.S. customs and brokerage fees, ocean freight and insurance. These prices were adjusted for: (1) A credit expense and (2) foreign inland freight.

Petitioner's estimate of foreign market value (FMV) is based on gross prices at the manufacturer's facility in Taiwan to unrelated wholesalers, exclusive of any taxes, duties or freight. These prices were adjusted for: (1) Standard discounting and (2) packing expenses.

Based on a comparison of United States Price and FMV, petitioner alleges dumping margins ranging from 32 percent to 72 percent.

However, because certain adjustments to United States Price and FMV were inadequately substantiated, the Department has made the following adjustments:

In the calculation of United States Price, we have eliminated the credit expense and foreign inland freight adjustments.

In the calculation of Foreign Market Value, we have eliminated the packing expense adjustment.

Based on a comparison of United States Price and FMV, the Department estimates dumping margins ranging from 28 percent to 67 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 certain residential door locks from Taiwan 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 certain residential door locks from Taiwan 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 a preliminary determination by October 2, 1989.

Scope of Investigation

The United States has 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 products covered by this investigation include the following three categories of residential door locks: (1) Tubular or cylindrical, knob-operated locksets with spring latches or dead latches, whether face-plated or drive-in type, including entry-handled sets; (2) dead locks, whether face-plated or drive-in type; and (3) lever-operated locksets, whether face-plated or drive-in type. All three categories are imported from Taiwan and sold in any of the following forms: Fully assembled, partially assembled, unassembled, or parts relating thereto. These locks are used in the United States residential door lock market. This petition does not cover door locks suitable for use with garage, overhead or sliding doors, or those suitable for use in the commercial market.

This merchandise is currently classifiable under HTS item 8301.40.6030. The HTS item number is provided for convenience and Customs purposes. The written description remains dispositive.

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 June 8, 1989, whether there is a reasonable indication that imports of certain residential door locks from Taiwan are

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materially injuring, 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 statutory and regulatory procedures.

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

Eric L. Garfinkel,

Assistant Secretary for Import Administration.

May 15, 1989.

[FR Doc. 89-12115 Filed 5-19-89; 8:45 am]

BILLING CODE 3510-DS-M



UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D. C. 20230

Lynn Featherstone
Director
Office of Investigations
U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

JUN 7 1989

**Re: Antidumping Duty Investigation of Certain Residential Door
Locks and Parts Thereof from Taiwan (A-583-807)**

Dear Mr. Featherstone:

The purpose of this letter is to notify you that the Department of Commerce has clarified the scope of investigation, as published in our notice of initiation (54 FR 21999, May 22, 1989) in the above-referenced investigation. The clarified scope, which we intend to include in our questionnaires to be issued next week, contains the same language as that published in the ITC's notice of initiation. The language is as follows:

The products covered by this investigation include the following three categories of residential door locks: (1) tubular or cylindrical knob-operated locksets with spring latches or dead latches, whether face-plated or drive-in type, including entry-handled sets; (2) dead locks, whether face-plated or drive-in type; and (3) lever-operated locksets, whether face-plated or drive-in type. All three categories are imported from Taiwan and sold in any of the following forms: fully assembled, partially assembled, unassembled, or parts relating thereto.

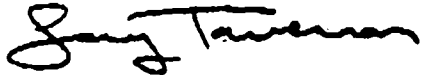
Residential door locks are differentiated from other door locks (i.e., those for commercial or other uses) by the size of the face-plate or housing assembly, as follows: (1) with a face-plated spring lock/latch, dead latch or dead bolt, the unit has (a) a face-plate size of 1 inch or less (plus a tolerance of +1/16 inch) in width, regardless of length; or (b) an outside diameter of the latch or dead bolt housing assembly of 7/8 inch or less (plus a tolerance of +1/16 inch) in outside diameter; or (2) if a drive-in type spring lock/latch, dead latch or dead bolt, the unit has a housing assembly (including the sleeve retaining device) of 1 inch or less (plus a tolerance of +1/16 inch) in outside diameter. These door locks are typically used in the construction of new one- and two-family dwellings, apartment buildings, condominiums, and mobile and prefabricated homes and in the replacement or retrofitting of existing locks in these dwellings. This merchandise is currently classifiable under HTS item 8301.40.6030. This category does not include door locks suitable for use with garage, overhead, or sliding doors. The written description remains dispositive.



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If you have any questions regarding this clarification of the scope, please contact Eleanor Shea at 377-0184 or me at 377-0161.

Sincerely,



Gary Taverman
Acting Division Director
Office of Antidumping Investigations

APPENDIX B
LIST OF WITNESSES

LIST OF WITNESSES

Investigation No. 731-TA-433 (Preliminary)

RESIDENTIAL DOOR LOCKS FROM TAIWAN

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigation on May 15, 1989, in the main Hearing Room 101 of the USITC Building, 500 E Street SW, Washington, D.C.

In support of the imposition of antidumping duties:

Steptoe & Johnson
Washington D.C.
on behalf of

Ad Hoc Committee of Door Lock Manufacturers
New York, NY

David Hersh, Chairman of the Ad Hoc Committee of
Door Lock Manufacturers

David Lasier, President of Schlage Lock Company
San Francisco, CA

Richard Hudnut, Product Standards Coordination
Builders Hardware Manufacturers Association
New York, NY

Robert Marotto, Vice President for Engineering
Dexter Lock Company, Auburn, AL

James Connors, President of Weiser Lock
Huntington Beach, CA

Arthur Leva, President of National Lock Corporation
Sikeston, MO

Jack Wood, Vice President for Business Development
Kwikset Corporation, Anaheim, CA

Bruce Malashevich, President of Economic Consulting Services
Washington, D.C.

Olin L. Wethington)
Anthony J. LaRocca)--OF COUNSEL
Deborah A. Lamb)

In opposition to the imposition of antidumping duties:

runfeld, Desiderio, Lebowitz & Silverman
Washington, D.C. & New York, NY
on behalf of

Taiwanese producers:

Tong Lung Metal Industry Co.
Taiwan Fu-Hsing Industry Co.
Posse Lock Manufacturing Co., Ltd.

George Paicurich, Principal, Meadow Creek Hardware Inc.
Albuquerque, NM

Wes Koser, Vice-President for Systems and Finance
Butter Company, Germantown, WI

Max F. Schutzman)--OF COUNSEL

Brownstein, Zeidman & Schomer
Washington, D.C.
on behalf of

Home Depot Inc., Atlanta, GA

Bruce Berg, Senior Vice President of Merchandising

Robert Haimsohn, Director of Imports

Susan L. Saparow, In-house Corporate Counsel

Steven Kersner)--OF COUNSEL

APPENDIX C

IMPACT OF IMPORTS ON U.S. PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS (INCLUDING EFFORTS TO DEVELOP A DERIVATIVE OR MORE ADVANCED VERSION OF THE LIKE PRODUCT), GROWTH, INVESTMENTS, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of residential doors from Taiwan on their existing development and production efforts, growth, investments, and ability to raise capital. Responses by seven of the eight major producers (Harloc did not respond) are shown below:

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