

CERTAIN RESIDENTIAL DOOR LOCKS AND PARTS THEREOF FROM TAIWAN

Determination of the Commission
in Investigation No. 731-TA-433
(Final) 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Note.--Information that would reveal confidential operations of individual concerns may not be published and thereof has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-433 (Final)

CERTAIN RESIDENTIAL DOOR LOCKS AND PARTS THEREOF FROM TAIWAN

Determination

On the basis of the record ¹ developed in the subject investigation, the Commission determines, ² pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the act), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from Taiwan of residential door locks and parts thereof, provided for in subheading 8301.40.60 ³ of the Harmonized Tariff Schedule of the United States (previously reported under item 646.9210 of the Tariff Schedules of the United States), that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective October 6, 1989, following a preliminary determination by the Department of Commerce that imports of residential door locks and parts thereof from Taiwan were being sold at LTFV within the meaning of section 735(a) of the act (19 U.S.C. § 1673d(a)). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting

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

² Commissioner Lodwick dissenting.

³ Parts of door locks are provided for in subheading 8301.60.00 of the HTS.

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 October 25, 1989 (54 F.R. 43504). The hearing was held in Washington, DC, on December 21, 1989, and all persons who requested the opportunity were permitted to appear in person or by counsel. ⁴

The Commission transmitted its determination in this investigation to the Secretary of Commerce on February 2, 1990. The views of the Commission are contained in USITC Publication 2253 (January 1990), entitled "Certain Residential Door Locks and Parts Thereof from Taiwan: Determination of the Commission in Investigation No. 731-TA-433 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation."

⁴ A portion of the hearing was conducted in camera (54 F.R. 53379 (Dec. 28, 1989)).

VIEWS OF THE COMMISSION 1/

On the basis of the record developed in this investigation, we find that an industry in the United States is not materially injured, or threatened with material injury, by reason of imports of residential door locks and parts thereof from Taiwan that are sold at less than fair value (LTFV). 2/ 3/

Like Product

In order to determine whether there is "material injury" or "threat of material injury" to a domestic industry, the Commission must first determine the like product corresponding to the imported merchandise under investigation. Section 771(10) of the Trade Act of 1930, as amended, defines the term "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" 4/

In its final determination, the Department of Commerce (Commerce) defined the class or kind of merchandise subject to 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-

1/ Commissioner Lodwick joins in the discussion of like product and domestic industry but does not join in the remainder of this opinion. See Dissenting Views of Commissioner Lodwick, infra.

2/ On December 27, 1989, the Department of Commerce issued a final determination finding that imports of residential door locks and parts thereof from Taiwan were being sold at LTFV. 54 Fed. Reg. 53153 (1989).

3/ Material retardation was not an issue in this investigation and will not be discussed further.

4/ 19 U.S.C. § 1677(10).

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.

Commerce differentiated residential door locks from commercial door locks by the size of two components of residential door locks -- face-plates and housing assemblies. 5/

Like product determinations are essentially factual and are based on the record, including the arguments of the parties, in each case. 6/ The Commission generally considers a number of factors when analyzing like product issues. These factors include: (1) physical characteristics, (2) end uses, (3) interchangeability of products, (4) channels of distribution, (5) production processes, (6) customer or producer perceptions of the product, (7) use of common manufacturing facilities and production employees, and (8) price. No single factor is dispositive and the Commission may consider other factors. 7/ The Commission looks for clear dividing lines among products in terms of distinct characteristics and

5/ 54 Fed. Reg. 53153-53154 (1989).

6/ Asociacion Colombiana de Exportadores de Flores v. United States, 12 CIT ___, 693 F. Supp. 1165, 1169 n.5 (1988) (Asocoflores).

7/ See, e.g., Certain Telephone Systems and Subassemblies Thereof from Japan and Taiwan, Inv. Nos. 731-TA-426 and 428 (Final), USITC Pub. 2237 (Nov. 1989) at 4 n.6 ("Telephone Systems (Final)"); Sewn Cloth Headwear From the People's Republic of China, Inv. No. 731-TA-405 (Final), USITC Pub. 2183 (May 1989) at 4; Electrolytic Manganese Dioxide From Greece and Japan, Inv. Nos. 731-TA-406 and 408 (Final), USITC Pub. 2177 (April 1989) at 4-5. See also Asocoflores, 693 F. Supp. at 1167-71.

uses. Minor variations in products have been insufficient to find separate like products. 8/

In the preliminary investigation, the Commission considered two questions relating to the definition of the like product: (1) whether domestically-produced commercial door locks are "like" imported residential door locks, and (2) whether all types of residential locks performing different functions (e.g., passage, entrance, privacy) should be included in the same like product. The Commission unanimously concluded that commercial door locks are not "like" residential door locks. 9/ The

8/ See, e.g., 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, Inv. Nos. 303-TA-19 and 20 (Final), 731-TA-391-399 (Final), USITC Pub. 2185 (May 1989) at 27 ("Antifriction Bearings"); Thermostatically Controlled Appliance Plugs and Internal Probe Thermostats Therefor From Canada, Japan, Malaysia, and Taiwan, Inv. Nos. 731-TA-400 and 402-404 (Final), USITC Pub. 2152 (Jan. 1989) at 4-5. See also S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979) ("[t]he requirement that a product be 'like' the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other"); Asocoflores, 693 F. Supp. at 1169.

9/ Certain Residential Door Locks from Taiwan, Inv. No. 731-TA-433 (Preliminary), USITC Pub. 2198 (June 1989) at 9-13 (Views of Chairman Brunsdale and Vice Chairman Cass), at 32-35 (Views of Commissioner Lodwick and Commissioner Newquist), at 47-48 (Dissenting Views of Commissioner Eckes and Commissioner Rohr). While noting that no sharp dividing lines exist between the markets for residential and commercial locks, the Commission concluded that the like product did not include commercial locks. In reaching this conclusion, the Commission noted that residential and commercial locks: (1) often have many different physical characteristics; (2) differ in performance characteristics; (3) are used principally in different structures; (4) have limited interchangeability; (5) are manufactured by different production processes and, to some extent, with different equipment; (6) are usually produced by different manufacturers and in different facilities; and (7) are marketed at different prices. Id. at 9-12 (Views of Chairman Brunsdale and Vice Chairman Cass), at 32-34 (Views of Commissioner Lodwick and Commissioner Newquist).

Commission also unanimously found that all residential door locks are part of the same like product. 10/

In this final investigation, none of the parties argued that the Commission should revisit the two like product issues discussed by the Commission in its preliminary determination, i.e., whether commercial locks are "like" residential locks and whether all residential locks are "like" each other. Instead, parties expressed views in support of these like product findings. 11/ Nor has Commerce changed the class or kind of merchandise under investigation in its final affirmative determination in a manner that would require examination of these like product issues. 12/ In addition, the information gathered in this final investigation supports our preliminary like product findings. Accordingly, we adopt our earlier analysis and conclusions with respect to these two like product issues.

Although we adopt the two like product findings addressed in the Commission's preliminary determination, we have examined an additional like

10/ Id. at 12-13 (Views of Chairman Brunsdale and Vice Chairman Cass), at 34-35 (Views of Commissioner Lodwick and Commissioner Newquist), at 47-48 (Dissenting Views of Commissioner Eckes and Commissioner Rohr). Although different residential door locks perform different functions, e.g., passage, entrance, privacy, and therefore have limited interchangeability, the Commission found one like product. In support of this finding, the Commission discussed the absence of evidence in the record identifying clear dividing lines based on the functions served by different residential locks, and noted that limited interchangeability of products does not necessarily compel a finding of multiple like products. Commissioner Lodwick and Commissioner Newquist further noted the Congressional admonition that like product determinations should not differentiate between products on the basis of "minor" variations. Id. at 34-35.

11/ Prehearing Brief of Home Depot U.S.A., Inc. at 5; Prehearing Brief on Behalf of Respondents Tong Lung Metal Industry Co., Ltd., Taiwan Fu Hsing Industry Co., Ltd., and Posse Lock Manufacturing Co., Ltd. at 4-5; Prehearing Brief of Petitioner Ad Hoc Committee of Door Lock Manufacturers at 3-15. See also Post Hearing Submission of Majestic Brass, Inc.

12/ 54 Fed. Reg. 53153-53154 (1989).

product issue in this final investigation. As noted above, Commerce determined that the articles subject to this investigation include imports from Taiwan of residential door locks in the following forms: "fully assembled, partially assembled, unassembled, or parts relating thereto." ^{13/} The Federal Register notice regarding Commerce's final determination also included a citation to the tariff classification provision relating to the importation of components of residential door locks. ^{14/} The Commission is instructed by statute to determine which domestic products are like the imported articles that are subject to investigation. Therefore, we have examined whether components of residential door locks should be included within the definition of the like product encompassing fully and partially assembled residential door locks or whether these components constitute a separate like product. ^{15/}

In prior investigations, the Commission has examined whether components or "semi-finished" products should be included in the same like product as finished products. In such an analysis, the Commission has

^{13/} 54 Fed. Reg. 53153-53154 (1989).

^{14/} Id. ("Parts of the subject merchandise are classifiable under HTS [Harmonized Tariff Schedule] item 8301.60.0000. The HTS item for parts was inadvertently omitted from the preliminary determination.")

^{15/} 19 U.S.C. § 1677(10). Although the Commission must accept Commerce's determination as to which articles are within the class of merchandise under investigation, the Commission determines which domestic products are like the ones in the class defined by Commerce. See Sony Corporation of America v. United States, 13 CIT ___, 712 F. Supp. 978, 981 (1989); Algoma Steel Corp., Ltd. v. United States, 12 CIT ___, 688 F. Supp. 639, 644 (1988), aff'd, 865 F.2d 240 (Fed. Cir. 1989), cert. denied, 109 S.Ct 3244 (1989). The Court of International Trade has affirmed the Commission's authority to subdivide a single class of merchandise into several domestic industries producing different like products. See, e.g., Badger-Powhatan v. United States, 9 CIT 213, 608 F. Supp. 653, 656-657 (1985); Asocoflores, 693 F. Supp. at 1168-1171.

looked at: (1) the necessity for, and costs of, further processing; (2) the degree of interchangeability of articles at different stages of production; (3) whether the article at an earlier stage of production is dedicated to use in the finished article; (4) whether there are significant independent uses or markets for the finished and unfinished articles; and (5) whether the article at an earlier stage of production embodies or imparts to the finished article an essential characteristic or function. 16/ By definition, a "part" is not a finished product and, therefore, a part does not need to be identical to a finished product in order to be considered with a finished product as a single like product. 17/

In this case, we conclude that components are part of the same like product as partially and fully assembled residential door locks. In support of this conclusion, we note that many components of residential door locks are dedicated for use in finished residential door locks and

16/ Telephone Systems (Final) at 5 n.9; Antifriction Bearings at 12 n.10; 64K Dynamic Random Access Memory Components from Japan, Inv. No. 731-TA-270 (Final), USITC Pub. 1862 (June 1986) at 8-11. The Commission has placed greater emphasis on the essential characteristics and interchangeability factors when considering semifinished products that merely go through additional processing stages than when considering groups of components that must be combined together to form the finished product. See Certain Telephone Systems and Subassemblies Thereof from Japan, Korea, and Taiwan, Inv. Nos. 731-TA-426-428 (Preliminary), USITC Pub. 2156 (Feb. 1989) at 15 n.26 (Telephone Systems (Preliminary)). When a finished product is comprised of many components, none of which contain the essential characteristics of the finished product, these two factors are less significant.

17/ Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil, Inv. No. 731-TA-421 (Preliminary), USITC Pub. 2128 (Sept. 1988) at 12.

that there is no alternative market or use for many of these components. 18/ Many parts may be used only in residential door locks. For example, smaller face plates and smaller housing assemblies are predominantly used in door locks that are destined for residential structures. 19/ Similarly, smaller latches are used principally in residential door locks. 20/ In addition, domestic manufacturers of residential door locks produce most of their own parts. 21/ Although components are not interchangeable with finished door locks and do not independently contain the essential attributes of finished locksets, we do not believe that those facts justify the creation of a separate like product for components, particularly in light of their dedication for use in finished residential door locks. 22/ We also find no clear dividing lines differentiating among components, subassemblies, and finished door locks. Accordingly, we find that all components of residential door locks

18/ Report to the Commission, Certain Residential Door Locks and Parts Thereof from Taiwan, Inv. No. 731-TA-433 (Final) (Report) at A-9 ("parts are used principally as components of completed locksets.")

19/ Id. at A-4/5.

20/ Id. at A-5 (see discussion of backsets).

21/ Id. at A-15.

22/ See, e.g., Drafting Machines and Parts Thereof from Japan, Inv. No. 731-TA-432 (Final), USITC Pub. 2247 (Dec. 1989) at 5-7; Telephone Systems (Preliminary) at 13-19.

are within the same like product as finished residential door locks. 23/ 24/

Thus in this investigation, we define the like product to be all residential door locks and components thereof.

Domestic Industry

We also must define the domestic industry that is the subject of the Commission's investigation. Section 771(4)(A) of the Tariff Act of 1930, as amended, defines "industry" as "the 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

23/ Commerce's scope determination refers to parts "relating" to residential door locks. This language suggests that miscellaneous parts of general use, such as screws, have been excluded from the class or kind of merchandise subject to investigation. Accordingly, those generic parts are not included within the like product defined by the Commission. See Digital Readout Systems and Subassemblies thereof from Japan, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (Jan. 1989) at 9 n.23.

Commissioner Rohr further states that his determination on the merits would not differ if such generic parts had been included in his like product definition.

24/ We do not agree with the arguments advanced by petitioner and Majestic Brass, Inc. that the Commission should "exclude" components from the Commission's like product definition and should "exclude" the domestic producers of components from the domestic industry. Transcript of Hearing on December 21, 1989, Certain Residential Door Locks and Parts Thereof from Taiwan, Inv. No. 731-TA-433 (Final) at 96-97 (Transcript) (Statement of petitioner); Post Hearing Brief of Majestic Brass at 2, 4-8. These arguments confuse the Commission's "like product" analysis with Commerce's scope determination by suggesting that the Commission should exclude domestic producers of components from the domestic industry even though components are within the class or kind of merchandise identified by Commerce in its scope determination. We do not believe that the Commission can "exclude" components from its determination or can exclude domestic producers of components from the domestic industry or industries. The Commission and the courts previously have rejected exclusion arguments. Antifriction Bearings at 37; Sony Corp. of America v. United States, 712 F. Supp. 978, 983-985 (1989).

product." 25/ There are two domestic industry issues in this final investigation.

The first issue relates to importation of the subject merchandise by one domestic manufacturer of residential door locks. Under the "related parties" provision of section 1677(4)(B), the Commission may, "in appropriate circumstances," exclude producers from a domestic industry if those producers are also importers of the article under investigation. Application of the related parties provision is within the Commission's discretion based on the facts presented in each case. 26/ The provision enables the Commission to minimize distortions in aggregate industry data that might result from the inclusion of data concerning related parties whose operations are shielded from the effects of LTFV imports. 27/

The Commission has stated that domestic producers who substantially benefit from their relation to importers may be properly excluded as related parties. 28/ Factors the Commission has examined include:

- (1) the percentage of domestic production attributable to the related producers;
- (2) whether the primary interests of the related producers lie in domestic production or in importation;
- (3) the position of the related producers vis-a-vis the rest of the domestic industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry; and

25/ 19 U.S.C. § 1677(4)(A).

26/ Empire Plow Co. v. United States, 11 CIT 847, 852, 675 F. Supp. 1348, 1352 (1987).

27/ Electrolytic Manganese Dioxide from Greece and Japan, Inv. Nos. 731-TA-406 and 408 (Final), USITC Pub. 2177 at 8 (April 1989).

28/ See, e.g., Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 (1986).

(4) the reasons why the domestic producers have chosen to import the product under investigation--to benefit from the unfair trade practice, or to enable them to continue production and compete in the domestic market. 29/

In this case, Weiser Lock Co. has imported components of residential door locks from Taiwan during the period of investigation. Thus, Weiser is a "related party" and we consider whether "appropriate circumstances" exist for the exclusion of Weiser. An examination of the confidential record in this case causes us to conclude that exclusion of Weiser would not be appropriate. Weiser's primary interests appear to align with the domestic industry, rather than with importers of the subject merchandise. We note that Weiser is a member of the committee that filed the petition in this case and that Weiser appeared at the hearing asking for import relief for the domestic industry. Consequently, we do not find that appropriate circumstances exist for exclusion of Weiser from the domestic industry. 30/

The second domestic industry issue relates to the offshore production activities of several U.S. producers of residential door locks. Several parties have relied upon data relating to these offshore activities when discussing the condition of the domestic industry. 31/ Inclusion of offshore production in the Commission's analysis of injury to the domestic

29/ See, e.g., Telephone Systems (Final) at 15-16; Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Final), USITC Pub. 2163 at 17-18 (March 1989).

30/ See, e.g., Questionnaire Response from Weiser; Transcript at 29-34, 14-16. We cannot discuss all of the facts that we have relied upon in reaching this conclusion because they are confidential. We have examined the import practices of Weiser, including the volumes imported from Taiwan and the frequency of such imports, and have compared the relative size and importance of those import activities to Weiser's domestic activities.

31/ See, e.g., Prehearing Brief of Home Depot at 23-26, 40; Prehearing Brief on Behalf of Respondents Tong Lung Metal Industry Co., Ltd., Taiwan Fu Hsing Industry Co., Ltd. and Posse Lock Manufacturing Co., Ltd. at 22.

industry would be inconsistent with the Tariff Act of 1930, as amended by the Omnibus Trade and Competitiveness Act of 1988 (the 1988 Act).

In the 1988 Act, Congress added a provision stating 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." 32/ 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 analysis of injury to the domestic industry. For example, the Senate report stated: "If a domestic producer also has offshore production facilities, those operations should not be considered part of the domestic industry for injury purposes." 33/ This statutory language and legislative history preclude the Commission from considering offshore production in its injury analysis.

Therefore, we define the domestic industry as all domestic producers of residential door locks and components thereof, including Weiser and excluding the offshore production activities of domestic producers.

32/ 19 U.S.C.A. § 1677(7)(B)(i) (Supp. 1989) (emphasis added). The emphasized language was added by the 1988 Act to the statutory section defining "material injury." H.R. 4848, Pub. L. 100-418, 102 Stat. 1107, 1205.

33/ S. Rep. No. 71, 100th Cong., 1st Sess. 115 (1987). See also H.R. Rep. No. 40, 100th Cong., 1st Sess., Pt. I, 128-29 (1987).

Condition of the Domestic Industry 34/ 35/

In determining the condition of the domestic industry, we considered, among other factors, U.S. consumption, capacity, shipments, production, capacity utilization, inventories, employment, productivity, 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. 36/ As required by statute, we assessed the condition of the domestic industry as a whole. 37/ As the Court of International Trade (CIT) stated in Copperweld Corp. v. United States, 38/ Congress intends the Commission to determine whether:

34/ Chairman Brunsdale joins in this discussion of the condition of the domestic industry. However, she does not reach a separate legal conclusion regarding the presence or absence of material injury based on this information. While she does not believe an independent determination is either required by the statute or useful, she finds the discussion of the condition of the domestic industry helpful in determining whether any injury resulting from dumped imports is material. See Certain Light-Walled Rectangular Pipes and Tubes from Taiwan, Inv. No. 731-TA-410 (Final), USITC Pub. 2169 (March 1989) at 10-15 (Views of Chairman Brunsdale and Vice Chairman Cass). See Additional Views of Chairman Brunsdale, infra.

35/ Vice Chairman Cass joins in the discussion of the condition of the domestic industry only to the extent that the information provided is germane to his analysis of material injury. He believes that the statute under which the Commission conducts title VII investigations does not contemplate any decision based solely on the condition of the industry. While he believes that the condition of the domestic industry is relevant to assessing whether the effect of LTFV imports has been "material," that information has statutory relevance only in assessing material injury by reason of the LTFV imports. See Telephone Systems (Final), (Dissenting views of Vice Chairman Ronald A. Cass) at 143; Digital Readout Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (Jan. 1989) at 95-113 (Concurring and Dissenting Views of Commissioner Cass). See Additional Views of Vice Chairman Cass, infra.

36/ 19 U.S.C. § 1677(7).

37/ See 19 U.S.C. § 1677(4) (statute defines the term "industry" as "the domestic producers as a whole of a like product.") (emphasis added).

38/ Copperweld, 12 CIT ___, 682 F. Supp. 552 (1988).

the domestic industry (as a whole) has experienced material injury due to imports. This language defies the suggestion that the ITC must make a disaggregated analysis of material injury. 39/

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

From the information collected during this investigation, we find that the domestic industry is highly competitive and has been proceeding through a stage of rationalization. Acquisitions, expansion and contractions affected some domestic producers during the period of investigation. It is not unexpected to find some incidental decline in performance trends during the period as individual companies pursue various scenarios of acquiring and/or relocating productive resources both within and outside the United States. Despite these circumstances, most performance indicators for the industry as a whole over the period of investigation have remained relatively static. Data on the industry's profitability, return on assets, and other financial indicators remain resoundingly favorable and further demonstrate that there is no material injury to the industry.

Apparent consumption of residential door locks increased during the three years investigated and then declined by a lesser amount from interim 1988 to interim 1989. The quantity of residential door locks consumed increased by 7.1 percent from 1986 to 1988 and then decreased by 4.7 percent from interim 1988 to interim 1989. In terms of value, total apparent consumption of these locks increased by 13.1 percent from 1986 to

39/ Copperweld, 682 F. Supp. at 569. See also Sandvik AB v. United States, 13 CIT ___, 721 F. Supp. 1322, 1330 (1989); Metallwerken Nederland B.V. v. United States, 13 CIT ___, Slip Op. 89-179 (Dec. 18, 1989) at 13-14; National Ass'n of Mirror Manufacturers v. United States, 12 CIT ___, 696 F. Supp. 642, 647-48 (1988).

1988, and decreased by 3.6 percent from interim 1988 to interim 1989. 40/

As might be expected during a period of rationalization, overall domestic capacity decreased by 3.7 percent from 1986 to 1988, with a larger drop between interim 1988 and interim 1989. 41/ This decline from interim 1988 to interim 1989 only provides a partial year comparison and, therefore, is less representative of industry performance than full year data. The confidential record demonstrates that certain domestic producers are in the process of expanding their U.S. production capacity during 1990. 42/ The interim 1989 data reflect a temporary decline in domestic capacity due to the closure of some U.S. facilities. Because new facilities are about to open in the United States, this interim 1989 data, viewed in isolation, would create an incomplete picture of the industry's overall capacity to produce residential door locks. Accordingly, we place less weight on such data.

The value of total shipments (including exports) increased by 2.1 percent overall from 1986 to 1988 after dropping in 1987 and remained stable between the interim period 1988 and interim period 1989. This overall increase in total shipments is partially attributable to a significant rise in exports of components during the period of

40/ Report at Table 3.

41/ Id. at Table 5.

42/ See, e.g., Staff Notes with Company Officials; Memorandum to the Commission from International Economist, INV-N-006, Jan. 19, 1990 at 8-9. Although some firms are reducing their capacity, others are expanding and the net effect of these activities is likely to be increased capacity. Id.; Transcript at 32-33, 43, 50.

investigation. 43/ Some of these components are subsequently shipped back into the United States for consumption. 44/ Because a significant and increasing percentage of exported components have been shipped on a cost and/or cost-plus basis to offshore facilities owned by the domestic producers of residential door locks, these estimates of total shipments likely understate the actual, i.e., arms-length, value of total shipments and the magnitude of the upward trend in total shipments over the period of investigation. 45/ 46/

Although the value of total shipments of U.S. residential locks and components increased, the value of domestic shipments (excluding exports) declined by 3.5 percent from 1986 to 1988, and the quantity of domestic shipments declined by a greater percentage during the same period. The difference between quantity and value data can be explained by the rising average unit value of domestic shipments and by the inclusion of components in the value data. More specifically, average unit values were 5.2 percent higher in 1988 than in 1986 and 2.8 percent higher in interim 1989 than in

43/ Id. at Table 9. Only value data fully reflect these shipments for export because shipments of components were only reported in value terms. Id.

44/ Economic Memorandum, INV-N-006, Jan. 19, 1990, at 7-8, 13 n.15; Questionnaire responses of domestic producers.

45/ Id. at A-27, A-34.

46/ The statute instructs the Commission to examine "sales" when determining the state of the domestic industry. 19 U.S.C. § 1677(7)(C)(iii). The Commission may also examine other relevant economic factors that bear on the state of the industry. Id. It is particularly relevant to examine exports in this case because of evidence establishing that some exports are re-imported into the United States for consumption.

interim 1988. 47/ In this case, we rely more heavily on the value data for shipments because such data report more completely all shipments of domestically-produced residential door locks and parts thereof.

Production data show declines from 49.9 million units in 1986 to 45.6 million units in 1988, an 8.7 percent drop, and a decline of 7.8 percent between interim 1988 and interim 1989. 48/ However, these production figures likely understate U.S. production and do not accurately reflect production trends over the period of investigation because such data do not include domestic production of all components. More specifically, the production data do not report the production of components that are not shipped by U.S. producers as complete door locks (whether in assembled or unassembled form). Thus, exported U.S. components are not reflected in the production data. Accordingly, because the Commission's shipments data in value terms are more comprehensive, we view those data as more representative of the industry's performance than available production data. 49/

Capacity utilization data are mixed, fluctuating from 72.4 percent in 1986 to 68.7 percent in 1988 and increasing to 70.9 percent in interim 1989 from 65.6 percent in interim 1988. 50/

Inventories fluctuated during the period of investigation but decreased overall from 1986 to 1988 by 17 percent and dropped by 19 percent

47/ Report at Table 7.

48/ Id. at Table 5.

49/ In value terms, U.S. producers' market share of apparent U.S. consumption declined from 83.4 percent in 1986 to 71.2 percent in 1988 and remained stable between the two interim periods. Id. at Table 23.

50/ Report at Table 5.

from interim 1988 to interim 1989. 51/ Inventories as a share of U.S. shipments followed a similar pattern, declining overall from 4.9 percent in 1986 to 4.4 percent in 1988 and dropping from 4.6 percent in interim 1988 to 4.1 percent in interim 1989. 52/ Thus, a portion of the decline in U.S. production is offset by increased liquidation of domestic inventories.

As domestic firms restructured, increased automation of their production facilities, and enhanced productivity during the period of investigation, employment of production and related workers producing residential door locks declined by 14.5 percent from 1986 to 1988 and dropped slightly between interim 1988 and interim 1989. 53/ Productivity increased overall from 1986 to 1988 (by 9.1 percent) but then decreased from interim 1988 to interim 1989. 54/ The number of hours worked declined from 1986 to 1988 but remained stable from interim 1988 to interim 1989. Total wages paid increased from 1986 to 1987, declined by a greater amount in 1988, and increased between the two interim periods. However, hourly wages increased steadily, rising by 8.8 percent from 1986 to 1988 and by 6.6 percent from interim 1988 to interim 1989.

While the general performance data for the industry appear mixed, the financial indicators dispel any possibility that the domestic industry is suffering material injury. Even though individual companies were in the

51/ Id. at Table 10.

52/ Id.

53/ Id. at Table 11; Transcript at 49-50; Staff Notes with Company Officials; Questionnaire Responses of Domestic Producers. These data understate overall domestic employment because incomplete employment data regarding certain producers of components have not been included, e.g., employment data of Tubing Seal Cap. Id. at A-15 n.19.

54/ Id. at Table 11.

midst of acquisitions, expansion and contractions, the overall industry's financial condition remained strong and stable. Of the seven firms providing financial data for residential door lock operations, none experienced operating losses in 1986 or 1987 and only one small producer experienced minor operating losses in 1988. 55/ None of the firms reported operating losses in interim 1988. Three firms, accounting for only a modest percentage of U.S. production, reported minor losses in interim 1989. However, the industry as a whole reported operating income totalling \$50.0 million in 1986, \$49.0 million in 1987, and \$49.2 million in 1988. Operating income margins followed a similar pattern, fluctuating slightly in each of the three years, and then dropping between interim 1988 and interim 1989. 56/ Significantly, operating margins were in the double-digits each year and in both interim periods. 57/

55/ Id. at Table 14.

56/ Although we have examined data relating to both operating income and net income, we do not agree with petitioner's argument that the Commission should focus its analysis of financial condition principally upon net income. Posthearing Brief of Petitioner Ad Hoc Committee of Door Lock Manufacturers at 1-10; Prehearing Brief of Petitioner Ad Hoc Committee of Door Lock Manufacturers at 33-38. In this case, we do not rely principally upon net income data precisely because such data may report more fully the temporary costs of restructuring the domestic industry. Because net income data report such momentary and incidental costs, net income figures convey an unrepresentative picture of the industry's financial condition. Evidence in the record establishes that certain costs of restructuring incurred in 1988 and interim 1989 have already been reflected in net income figures for particular companies but that some of the anticipated financial benefits of restructuring have not yet been reflected in those figures. See, e.g., Staff Notes with Company Officials; Report at A-36/37; Transcript at 32-33, 43, 50. Thus, net income data for interim 1989 in particular convey an incomplete picture of the industry's financial condition. Nonetheless, we note that the industry as a whole reported net income, rather than net losses, throughout the period of investigation and that net income fluctuated during the period, increasing in 1987, decreasing in 1988, and dropping from interim 1988 to interim 1989. Report at Table 13.

57/ Commissioner Eckes notes that the industry's decline in operating income margins between interim 1988 and interim 1989 is attributable in large part to the restructuring of one particular company in 1989. As the
(continued...)

Net sales remained relatively stable from 1986 to 1988 and then declined between interim 1988 and interim 1989 by 4.6 percent. Gross profits remained high and stable overall from 1986 to 1988 before dropping by 9.5 percent from interim 1988 to interim 1989. As a share of net sales, gross profit increased from 30.8 percent in 1986 to 31.7 in 1987, dropped slightly in 1988 to 31.1 percent, and then declined by 5.2 percent between interim 1988 and interim 1989. Thus, the industry sustained a high level of profitability throughout the period of investigation. Interim results showing slight or modest declines in net sales and gross profits do not warrant much significance in the face of three years of exceptionally strong financial performance by the industry. 58/

Other financial data also demonstrate the stable and high profitability of this industry. The operating return on fixed assets is substantial, growing from 55.6 percent in 1986 to 57.4 percent in 1988, before dropping from interim 1988 to interim 1989. 59/ Capital expenditures increased overall from 1986 to 1988 by 10.1 percent. Between interim 1988 and interim 1989, the industry increased its capital

57/(...continued)

confidential record shows, this restructuring caused the firm to absorb additional overhead costs unrelated to operational costs during 1989. Report at Table 14; Questionnaire response of domestic producer; Staff Notes with Company Officials.

58/ These data on the domestic industry's profitability are consistent with evidence in the record establishing that prices of certain domestically-produced residential door locks increased over the period of investigation despite relatively stable cost of goods sold. Id. at Tables 13, 25 and 26. See also Discussion of Price Data in Threat Section, infra. As noted above, unit values of domestic door locks also increased. Similarly, there is little evidence in the record confirming lost revenues. With respect to lost sales, evidence is also limited. Id. at A-83/86.

59/ Id. at Table 17.

expenditures by 185 percent due to the relocation of some domestic facilities in the United States. 60/ Research and development expenses remained constant throughout the period of 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. 61/ For this industry, despite some signs of marginal declines in some performance indicators, the condition of the industry as a whole warrants a finding of no material injury.

Threat of Material Injury 62/

In examining whether the domestic industry is threatened with material² injury by reason of LTFV imports, we are directed by the statute to consider, among other factors, any increases in foreign production capacity and existing unused capacity, increases in imports into the United States, any rapid increase in U.S. market penetration, the likelihood that such penetration will increase to an 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

60/ Id. at Table 18.

61/ Petitioner argued that the Commission should place less weight on the financial data of the dominant firm in the domestic industry. Prehearing Brief of Petitioner Ad Hoc Committee of Door Lock Manufacturers at 33-38. Although we recognize the unique position of this company, we do not find it is appropriate in this case to disregard or place little weight on data relating to this company simply because of its market position. We must examine the industry as a whole and this company comprises a significant portion of the industry.

For further elaboration of Chairman Brunsdale's views on this issue, see her Additional Views, infra.

62/ Vice Chairman Cass joins this discussion of threat, but sets forth additional views on the appropriate approach to the threat analysis. See Additional Views of Vice Chairman Cass, infra.

inventories in the United States, and the potential for product-shifting. 63/

As reported by the three major producers of the subject merchandise in Taiwan, capacity fluctuated during the period of investigation, increasing from 1986 to 1987, decreasing in 1988, and increasing from interim 1988 to interim 1989. 64/ Production increased by 11.1 percent from 1986 to 1988 and increased between interim 1988 and interim 1989. However, we note evidence that a labor shortage in Taiwan is preventing door lock firms in Taiwan from further expanding their production. 65/ Capacity utilization figures have remained very high, further suggesting that expansion of current production levels is unlikely. 66/ The share of production being exported fluctuated during the three years investigated, increasing from 1986 to 1987, decreasing in 1988, and increasing between the two interim periods. Export levels to the United States dropped slightly overall from 1986 to 1988, but then increased between interim 1988 and interim 1989. 67/ However, as a share of total exports, exports to the United States dropped

63/ 19 U.S.C. § 1677(7)(F). 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). 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). Report at A-48.

64/ Report at Table 21. The report explains more fully which foreign producers provided complete data on each of the indicators discussed in this section.

65/ See, e.g., Transcript at 104-105.

66/ Report at Table 21.

67/ Id. As footnote 5 to this table explains, data relating to exports as a share of production are likely overstated.

steadily throughout the period from 83.8 percent in 1986 to 71.5 percent in 1988, and from 72.4 percent in interim 1988 to 68.8 percent in interim 1989. 68/ Exports to other markets continue to be of growing significance to Taiwan producers, increasing by 106 percent from 1986 to 1988, and increasing between interim 1988 and interim 1989. 69/ Thus, any increases in production are not likely to be directed to the United States.

Import data show that in terms of quantity, imports from Taiwan increased in 1987, decreased in 1988 to levels slightly higher than 1986 levels, and then increased from interim 1988 to interim 1989. 70/ In value terms, imports followed a similar pattern, but showed a larger increase from 1986 to 1988. 71/ As a share of apparent U.S. consumption by value, imports from Taiwan equalled 7.7 percent of the total in 1986, 8.7 percent in 1987, 7.9 percent in 1988 and interim 1988, and 10.1 percent in interim 1989. In quantity terms, the market share of imports from Taiwan increased from 14.6 percent in 1986 to 15.5 percent in 1987, dropped to 14.1 percent in 1988, and then increased from 13.8 percent in interim 1988 to 17.2 percent in interim 1989. 72/ In short, imports from Taiwan have remained

68/ Id.

69/ Changes in the exchange rates between the new Taiwan dollar and the U.S. dollar over the period of investigation further suggest that alternative markets for residential door locks from Taiwan may be more attractive than the U.S. market. Id. at Table 32.

70/ Id. at Table 22.

71/ Id.

72/ Id. at Table 23.

relatively stable and no rapid increase in U.S. market penetration has occurred or is likely to occur. 73/

Except for a slight increase in 1987, inventories of residential door locks from Taiwan held in the United States generally declined over the period of investigation. 74/ There is limited information in the record regarding the potential for product-shifting by foreign manufacturers. No parties presented evidence that other products manufactured by the foreign producers of residential door locks are presently governed by a final order or are the subject of an ongoing investigation. 75/ In the absence of arguments by the parties on this issue and the limited information on the record, we do not place great weight on this factor.

Given the condition of the domestic industry and the information discussed above, including data concerning Taiwan producers' production,

73/ We note arguments by the three major producers of residential door locks in Taiwan that data concerning exports of the subject merchandise to the United States in interim 1989 cannot reliably be compared to export data for interim 1988 because the presence of this antidumping investigation may have caused exporters to accelerate shipments in the third quarter of 1989. Prehearing Brief on Behalf of Respondents Tong Lung Metal Industry Co., Ltd., Taiwan Fu Hsing Industry Co., Ltd., and Posse Lock Manufacturing Co., Ltd. at 18-19. In accordance with the statutory time period governing Commerce's preliminary determination in this investigation, liquidation of the subject merchandise was suspended on October 6, 1989. 54 Fed. Reg. 41318, 41321 (Oct. 6, 1989). Cf. Rhone Poulenc, S.A. v. United States, 8 CIT 47, 53, 592 F. Supp. 1318, 1324 (1984); USX Corp. v. United States, 11 CIT ___, 655 F. Supp. 487, 492 (1987).

74/ Id. at Table 20.

75/ Respondents maintain that product-shifting is not possible because equipment used to manufacture door locks may not be used to manufacture other products. Prehearing Brief on Behalf of Respondents Tong Lung Metal Industry Co., Ltd., Taiwan Fu Hsing Industry Co., Ltd., and Posse Lock Manufacturing Co., Ltd. at 42-43. Limited evidence in the record suggests that some equipment used to manufacture residential door locks may be used to produce commercial door locks and other products. See, e.g., Report at A-9; Transcript at 103.

capacity, capacity utilization, and past export trends, as well as stable market penetration figures and declining U.S. inventories of locks from Taiwan, we conclude that the domestic industry is not threatened with material injury.

Although price data gathered in this investigation show underselling by the Taiwan product, 76/ there is no indication of imports entering at prices and in volumes sufficient to establish threat of material injury to the domestic industry. We note that for six of the eight product price series for domestic locks developed in the report, first quarter 1989 prices were higher than during the same quarter in 1986. 77/ Similarly, all twelve prices series for imported locks from Taiwan showed higher prices in the first quarter of 1989 than in the first quarter of 1986 and additional increases occurred in the second and third quarters of 1989. The price increases for imported locks from Taiwan were considerable, ranging up to 95 percent over the entire period. 78/ The margins of underselling decreased over the period with respect to all product price series. By the end of the period of investigation, the price of certain imported locks were higher than domestic locks. 79/ These rising prices

76/ Vice Chairman Cass does not join this paragraph's statements respecting underselling. He does not believe that the evidence of record, respecting only gross price differences for certain selected sales, demonstrates underselling within the meaning of the statute. See Telephone Systems (Final), at 260 n.183 (Dissenting Views of Vice Chairman Cass).

77/ Report at Tables 25 and 26.

78/ Id. at Tables 27-29. For one of these price series, data for the first quarter of 1986 were unavailable and we examined data for the second quarter of that year.

79/ Id. at Tables 30 and 31 (two price series showed overselling at the end of the period). We note arguments by respondents that locks from
(continued...)

and declining margins of underselling do not suggest any likelihood of significant price depression and suppression in the near future.

In summary, our analysis of the statutory criteria causes us to conclude that there is no real and imminent threat of material injury to the domestic industry.

79/(...continued)

Taiwan differ from U.S.-made locks and, therefore, that the price comparisons in the Report may overstate the incidence and magnitude of underselling. See, e.g., Posthearing Brief of The Home Depot at 12, 22, 31; Transcript at 147-151.

ADDITIONAL VIEWS OF CHAIRMAN ANNE E. BRUNSDALE

**Certain Residential Door Locks and Parts Thereof From Taiwan
Investigation Number 731-TA-433 (Final)**

I concur in the conclusion of my colleagues in the majority that an industry in the United States is neither materially injured nor threatened with such injury by reason of unfair imports. I join my colleagues in their discussion on like product, domestic industry, and threat of material injury. I also join in the description of the condition of the industry contained in the Commission opinion. However, I do not join in the determination that, based on this information, there is no material injury. I differ from my colleagues in that I do not believe that an analysis of the condition of the domestic industry is sufficient to establish that a domestic industry is, or is not, injured by reason of dumped imports -- the latter being the issue the statute requires us to address.¹ Further, I do not believe that an independent legal determination based on the condition of the industry is either required by the statute or useful.²

¹ 19 U.S.C. 1673(2).

² See Certain Light-Walled Rectangular Pipes and Tubes from Taiwan, Inv. No. 731-TA-410 (Final), USITC Pub. 2169 (March 1989) at 10-15 (Views of Chairman Brunsdale and Vice Chairman Cass). I do, however, find the discussion of the condition of the domestic industry helpful in determining whether any injury resulting from dumped imports is material.

These additional views set forth my analysis of causation -- in the words of the statute, the "by reason of" issue -- in this case.

Dumping as a Cause of Industry Rationalization

Before turning to that analysis, one issue raised by petitioner deserves special comment. During the period of the investigation, the residential door lock industry was undergoing substantial adjustment and rationalization of its production facilities. Three firms -- Schlage, Weiser, and Weslock -- established assembly operations in Mexico, and Weiser also began to produce locks at a plant in Thailand.³ In addition, production facilities were moved from high wage areas of the United States to areas with lower wages. The industry leader, Kwikset Corp., is currently building a plant in Denison, Texas, and will close its operations in Anaheim, California. In June 1989, Harloc Products closed its facility in West Haven, Connecticut, and moved to Taylorsville, Kentucky. Weiser opened a plant in Tucson, Arizona, and closed one in Huntington Beach, California.⁴

According to petitioner, these dislocations are the direct result of the dumping of door locks imported from Taiwan. Absent

³ Staff Report at A-13.

⁴ Id. at A-13, A-15.

the dumping, they contend that they would have continued to produce in their old locations.⁵

I find this argument wholly unpersuasive. Substantial cost savings are being realized as a result of these relocations. The petitioner provided evidence in their posthearing submission that relocation of production facilities will lower costs by at least 10 percent.⁶ In addition, the witness for Schlage Lock testified at the hearing that labor costs at Schlage's San Francisco plant were about \$23 per hour and costs in its now-closed North Carolina plant had been about \$11 per hour. In contrast, Schlage was paying \$1.10 per hour at their Mexican plant.⁷ Since direct labor amounts to about 15 percent of the total cost of manufacturing residential door locks, while indirect labor adds another 15 percent,⁸ the cost savings associated with these lower labor costs are certainly substantial.⁹

⁵ See Prehearing Brief of Petitioner Ad Hoc Committee of Door Lock Manufacturers, December 18, 1989, at 27-29; Posthearing Brief of Petitioner Ad Hoc Committee of Door Lock Manufacturers, January 5, 1990, at 5 and exhibit 5. See also Hearing Transcript at 55-56.

⁶ Posthearing Brief of Petitioner at exhibit 12, p. 2.

⁷ Hearing Transcript at 48.

⁸ Memorandum to the Commission from the Applied Economics Division, Office of Investigations, entitled "Economic Memorandum, Investigation No. 731-TA-433 (F), Certain Residential Door Locks from Taiwan," January 19, 1990 (INV-N-006) at 6 ("Economics Memorandum").

⁹ One cannot simply multiply the percent savings in labor cost times the share of total cost accounted for by labor to arrive at the cost saving associated with relocation. Other factors, such as labor productivity and the efficiency of communications and
(continued...)

It is implausible to me that the domestic manufacturers of residential door locks would have passed up such substantial cost savings if they had not faced competition from dumped imports from Taiwan. A 10-percent decrease in the cost of producing door locks in 1988 would have increased operating income by more than 50 percent.¹⁰ Any firm passing up such a substantial increase in profits is clearly not maximizing value for its stockholders and is likely to become a target of a take-over effort by a firm more interested in doing so.

If existing firms fail to keep costs as low as possible, additional competition is also likely to be attracted to the residential door lock market. This competition could take the form of new domestic firms entering the lock business and locating their plants in the low-cost areas, possibly including Mexico. Alternatively, additional competition could come from imports from countries other than Taiwan. Many countries in addition to Taiwan have been identified as actual or potential sources of residential door locks. These include Korea, Thailand, Hong Kong, the Peoples Republic of China, Spain, and Portugal.¹¹ Failure of the domestic lock industry to keep costs

⁹(...continued)

transportation networks, may vary between Mexican and U.S. operations and thereby affect the overall cost savings. (See Hearing Transcript at 72, 75-76.)

¹⁰ The financial data for the residential door lock operations of U.S. producers shows that total Cost of Goods Sold amounted to \$253 million in 1988 and that Operating Income was \$49.2 million. (Staff Report at Table 13, p. A-33)

¹¹ Hearing Transcript at 115, 120, 138, 153.

as low as possible is likely to bring forth added competition from these sources.

I am persuaded that the domestic industry producing residential door locks has rationalized its production in recent years because of the substantial cost savings and greater profitability that could be realized thereby. These gains would have been available whether or not imports from Taiwan were being dumped. Dumping may suppress the price the industry receives for its products and thereby lower profitability levels. However, if dumping has an effect, it will occur whether the industry is operating with the old, inefficient structure or with a more efficient, rationalized structure. Dumping is unlikely to affect, to any significant degree, the extent to which profits would be increased as a result of rationalization. In light of this, it is inappropriate to consider any costs associated with this adjustment to be costs resulting from dumping.

Material Injury by Reason of Dumped Imports

As in other Title VII cases that have come before the Commission, I have used simple tools of economic analysis in arriving at my decision that no industry in the United States has been materially injured by reason of dumped imports. I have examined the information in the record on changes in the performance of the domestic industry over the period of the investigation in my consideration of the condition of the domestic industry. However, an analysis of changes in the industry's condition does

not permit me to separate the effect of dumped imports from the many other factors that may have had a positive or negative effect on the domestic industry.¹²

On the other hand, economic analysis does allow me to gauge with reasonable certainty, using the information gathered during the Commission's investigation, how producers and consumers have reacted to the changing conditions in the marketplace brought about by the dumped or subsidized imports. This type of analysis, now known as elasticity analysis, presents a framework within which one can assess the causal (as opposed to coincidental) relationship between the subject imports and the condition of the industry.¹³ By using economic analysis, one can

¹² The Commission has often noted the legislative history of the 1979 Act, which states that when determining whether there is material injury "by reason of" the imports subject to investigation, the Commission may consider factors other than imports, but does not weigh causes. See S. Rep. No. 249, 96th Cong., 1st Sess. 74-75 (1979). My understanding of this language is that it differentiates between causation analysis in Title VII, in which the imports must cause material injury before there can be an affirmative determination, and Section 201 analysis, in which imports must be a "substantial" cause -- more than any other cause -- of serious injury. Under the language of the statute, we still must find a causal connection between the imports and material injury -- i.e., the imports must cause material injury -- notwithstanding what other factors may be contributing to the state of the domestic industry. The language of the statute and the standard rules of English grammar permit no other reading.

¹³ In analyzing the effects of unfair imports on the domestic industry in the current case, I include both the effect on locks wholly produced in the United States and the effect on the production of parts produced in the United States and then exported to a foreign country, notably Mexico, for final assembly. The statute directs us to consider "the impact of imports . . . on domestic producers of like products, but only in the context of production operations within the United States."

(continued...)

determine directly -- as our governing statute requires -- whether the imports in question affected the domestic industry; if so, how they affected the industry; and finally whether that effect constitutes material injury.¹⁴

Application of the tools of economics involves little more than organizing and evaluating the evidence in the record in a manner that permits me to assess the impact of dumped imports in a rigorous fashion. These tools are not surrogates for the statutory factors. Rather, they permit me to analyze in a direct fashion the volume effect, the price effect, and the overall impact of the dumped imports on the domestic industry as required by law.

¹³ (...continued)

19 U.S.C. 1677(7)(B)(i)(III). While this language directs us not to include the effect on the foreign assembly operations in our analysis, production of parts in the United States clearly constitutes "production operations within the United States". Therefore, if dumping causes a decline in such production, that decline is properly included in our analysis of the effects of the unfair imports.

¹⁴ A more thorough discussion of the economic analysis I use in my approach to causation analysis is contained in Internal Combustion Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final), USITC Pub. 2082, at 66-83 (May 1988) (Additional Views of Vice Chairman Anne E. Brunsdale); see also Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Inv. Nos. 731-TA-367-370 (Final), USITC Pub. 2046, at 23-32 (December 1987) (Additional Views of Vice Chairman Anne E. Brunsdale); Cold-Rolled Carbon Steel Plates and Sheets from Argentina, Inv. No. 731-TA-175 (Final) (Second Remand), USITC Pub. 2089, at 31-51 (June 1988) (Additional Views of Vice Chairman Anne E. Brunsdale). The Court of International Trade has also discussed with approval the use of elasticities. See Copperweld Corp. v. United States, No. 86-03-00338, slip op. 88-23, at 45-48 (Ct. of Int'l Trade February 24, 1988); USX Corp. v. United States, 12 CIT _____, slip op. 88-30, at 19 (March 15, 1988); Alberta Pork Producers' Marketing Board v. United States, 11 CIT _____, 669 F.Supp. 445, 461-65 (1987).

In analyzing the effect of dumped imports, I must determine how the dumping has affected demand for the domestic like product. I know from economic theory that the imports will tend to reduce demand for the domestic product. However, I must determine how large the reduction is. Having done that, I can then ascertain how the reduction affects the price of the domestic like product and the quantity of the domestic product that is sold.

Import Penetration by Unfair Imports and the Dumping Margin. Two important factors in determining the effect of any dumping are the share of the domestic market accounted for by the unfairly traded imports and the size of the dumping margin. The larger the share of unfairly traded imports in the U.S. market, the greater will be the effect any change in the price of these imports will have on the demand for the offerings of other producers -- including both domestic producers and other sources of imports. Thus, it is more likely that domestic producers have been materially injured when the penetration level of the unfairly traded imports is high.

The dumping margin is important because it provides information about the extent to which the price of the unfair imports is reduced by the dumping. If the dumping margin is small, the unfair importation of the subject imports is likely to have had relatively less effect on the domestic industry.

In the current case, both the dumping margin and the import penetration by the unfairly traded imports are small. The Department of Commerce determined that the average dumping margin was only 8.24 percent.¹⁵ This low margin suggests that material injury by reason of dumped imports is unlikely to be found.

Similarly, the penetration of the U.S. market by residential door locks imported from Taiwan is not great. In quantity terms, the imports accounted for between 14.1 and 15.6 percent of total door lock consumption between 1986 and 1988, and 17.2 percent in the first nine months of 1989. In value terms, imports from Taiwan ranged from 7.7 percent of total consumption to 8.7 percent between 1986 and 1988 and amounted to 10.1 percent during the first nine months of 1989.¹⁶ The low import penetration figures are another indicator that material injury is unlikely to exist in the present case.

Effect on Prices and Volumes Sold by the Domestic Industry. In addition to the dumping margins and import penetration figures, my analysis requires me to consider how the quantities of the

¹⁵ Staff Report at A-2. I am aware that petitioners have filed a request for reconsideration of the dumping margins in this case. See Letter to Kenneth R. Mason, Secretary, United States International Trade Commission, from Steptoe & Johnson, January 3, 1990. However, the issue of proper determination of dumping margins is one that belongs to the Department of Commerce and the Commission must defer to the Department on issues related to margin determination. I follow that practice in this case and adopt the reported margin as the best information currently available.

¹⁶ Staff Report at Table 23, p. A-51.

domestic product purchased by consumers and the quantities manufactured by domestic producers and by importers who are not accused of dumping would respond to changes in the prices of the imported and domestically-produced goods. These effects can be measured by a series of variables known as elasticities.¹⁷

Substitutability between Domestic and Imported Locks. One of the key factors affecting the degree of injury from dumped imports is the extent to which an increase in the price of the unfairly traded imported product would lead U.S. purchasers of door locks to substitute the products of domestic manufacturers for the unfairly traded imports. If the domestic and imported products are believed to be very similar, material injury as a result of the dumping is more likely. With a high level of substitutability, a small decrease in the price of the imported door locks may lead a large fraction of purchasers to shift from the domestic product to the unfairly traded import. If, on the other hand, purchasers do not perceive the unfairly traded Taiwanese locks to be good substitutes for those produced domestically, fewer purchasers will switch to the imported product in response to the price decline occasioned by dumping; and therefore it is less likely that the domestic industry has been materially injured.

¹⁷ In general an elasticity is the percentage change in some quantity resulting from a 1 percent change in some price.

In addition to the substitutability between the unfairly traded imports and the domestic product, the effect of dumping will depend on the substitutability between the unfairly traded imports and imports from other sources. If other sources of imports are good substitutes for the unfairly traded ones, dumping will manifest itself more as reduced sales of the fairly traded imports and less as reduced domestic sales.

The degree of substitutability between products of different producers can be quantified by using a concept that economists call the elasticity of substitution.¹⁸ A large value of the elasticity of substitution indicates that products are good substitutes while a small value indicates the obverse, meaning that purchasers are less likely to change their purchasing patterns in response to a change in relative prices.

Considerable attention was focused on the issue of substitutability between the domestic and imported products in this investigation. Respondents and witnesses representing large home-center stores that sell residential door locks argued that imported door locks are not very substitutable for domestic locks. These witnesses pointed out that door locks are sold at different price levels and that the sales of locks from Taiwan are concentrated in the lower-priced segment of the market.¹⁹

¹⁸ The elasticity of substitution is defined as the percentage change in the relative quantities of two goods resulting from a 1 percent change in their relative prices.

¹⁹ Testimony from petitioners is also consistent with locks being sold in different price ranges. See, e.g., Hearing Transcript, at (continued...)

For example, the Hechinger Company, a chain of large home-center stores headquartered in the Washington, D.C., area, testified that it sells door locks in three price ranges: "good", for locks priced at less than \$10; "better", for locks priced between \$10 and \$20; and "best", where prices are more than \$20.

Hechinger further stated that more than 95 percent of the locks it sells in the middle or "better" price range are manufactured domestically, while all of the locks sold in the "best" range are domestic.²⁰ Similar testimony was offered by Michael Sigmund of The Butter Company, a large distributor of door locks, who stated that "Door locks from Taiwan and other import sources compete in the low price [segment of the market]" ²¹ In addition, witnesses for both companies said there was virtually no substitution across price groupings.²²

Petitioner, on the other hand, argued that there is a high degree of substitutability between imported and domestic door locks because the Taiwanese produce locks that appear similar to and indeed are copies of popular domestic models. For example, Mr. Lasier of Schlage Lock testified as follows:

¹⁹(...continued)

30 (Testimony of James J. Connors, President of Weiser Lock Company) and 35-36 (Testimony of Art Leva, President of National Lock Corp.).

²⁰ Post-Hearing Brief of the Hechinger Company in Opposition to the Petition, January 5, 1990, at 3. While Hechinger does not state what share of its low priced locks are imported from Taiwan, it appears it is considerable.

²¹ Hearing Transcript at 109.

²² Id. at 109 and 162.

When Taiwan targeted the U.S. residential market, first they identified the best-selling and the most popular U.S. locks and then they copied them. The styles, as you can tell from looking at their marketing brochures, are the same styles offered by U.S. manufacturers.²³

Commission staff similarly points to the fact that the Taiwan locks are copies of domestic locks in arguing that the Taiwan locks are reasonably substitutable for the domestic locks.²⁴

Evidence is further presented that the Taiwan firms copy domestic locks selling in both the low-price range and the mid-price range.²⁵

In resolving the apparent inconsistency of the parties' testimony on this issue, it is important to realize that one product may not be identical to another even though the one is a copy of the other and the two look alike. The copy may be made with less expensive and lighter, less durable materials,²⁶ with less attention to detail, and/or with inferior quality control.²⁷ While such differences would be revealed by detailed testing of the two products, such testing has apparently not been conducted

²³ Id. at 20. See also Id. at 24 (Testimony of Mr. Wood of Kwikset) and 28-29 (Testimony of Mr. Marotto of Dexter Lock).

²⁴ Economics Memorandum at 20-21.

²⁵ Id. at 22, note 30.

²⁶ See Hearing Transcript at 149-150 (Testimony of Gerald Brase, Vice President and Divisional Merchandise Manager of Hechinger).

²⁷ See Id. at 141 (Testimony of Bruce Berg, Senior Executive, Home Depot, U.S.A.) and 156 (Testimony of Gerald Brase, Vice President and Divisional Merchandise Manager of Hechinger).

in this case.²⁸ I therefore find that evidence of the perceptions of consumers, including evidence deduced from the performance of the market, provides a better picture of substitutability than does simple reference to imports being copies of domestic locks.

Substitutability depends on how purchasers act in response to a change in price. If consumers perceive differences among products, they will base their actions on those perceived differences. Even if there are no physical differences between two products, if consumers believe there is a quality difference, the market response to an event such as dumping will reflect these perceptions, rather than the "fact" of no physical difference. The presence of physical similarities is likely of course to influence consumers perceptions. However, ultimately it is the perceptions that matter in the market place.

The statements of The Butters Company and Hechinger speak to consumer perceptions as reflected in the prices for which products can be sold. There is other evidence in the record that consumers perceive the Taiwanese locks to be of lower quality than the domestic products. One mass merchandiser reported that while specific models were comparable, consumers perceived the domestic models to be of higher quality.²⁹ In addition, in

²⁸ Id. at 87 (Testimony of Richard A. Hudnut). Of course, merely establishing that both products satisfy some industry standard does not establish that both are of the same quality. One product may just meet the standard while the other exceeds the standard by a substantial amount.

²⁹ Economics Memorandum at 22.

responses to questions about quality on the Commission's questionnaire, slightly more than half of the door lock purchasers -- wholesalers, retailers, and door manufacturers -- indicated that the Taiwan imports were of lower quality than domestic products.³⁰

Further evidence that consumers do not view the imported product as being a good substitute for the higher priced domestic products is found in a statement by one of the petitioner's witnesses. Jack Wood, Vice President for Business Development with Kwikset, the largest domestic producer of residential door locks, testified that

the perceived quality [of the Taiwan product] from the consumer standpoint is really no different from that of a domestic. As a matter of fact, as I have indicated, you walk into a home center mass merchandiser and the [imported and domestic locks] are displayed all in the same area giving the perception of the same quality. The only differential is the dramatic difference in price.³¹

While Mr. Wood clearly believed he was providing evidence of the similarity of the quality of the domestic and Taiwan products, I am persuaded that this observation provides evidence to the contrary. If consumers did not perceive quality differences among the various locks, all sales would be of the low-priced, imported lock. No consumer will buy a lock that he

³⁰ Id. at 22. Care must be taken not to draw too much from this as only 15 firms responded to the relevant question. Of the 7 firms that did not report that the Taiwan product was of lower quality, 6 found the domestic product of similar quality to that from Taiwan.

³¹ Hearing Transcript at 87.

perceives to be no better than another lock that could be bought for less. And, if consumers do not buy the more expensive locks, retailers will not find it profitable to carry them in their stores. Thus, retailers will only carry locks with different prices if consumers perceive there to be quality differences among them.

An additional issue that must be addressed in assessing the substitutability between domestic locks and those imported from Taiwan is the degree to which purchasers of mid- or upper-range locks will shift to the lower-priced products if the price of the low-priced lock declines. As noted above, witnesses for both the Hechinger Company and the Butter Company stated that there was virtually no substitution across price groupings.³² I find this position to be somewhat extreme. One would expect that some potential purchasers of mid-priced locks would be willing to switch to a low-priced lock if the price was low enough. On the other hand, the significant price differences between the various classes of locks suggest that the amount of substitution is small.³³ I am thus persuaded that the low-priced Taiwan locks are not very close substitutes for more expensive domestic models.

In terms of specific numeric values for the elasticity of substitution between domestic locks and those imported from Taiwan, staff of the Commission's Applied Economics Division

³² Id. at 109 and 162.

³³ See Staff Report at A-81 - A-82.

places the elasticity in the range of 3 to 5.³⁴ Petitioner adopts the upper end of this range -- i.e., a value of 5.³⁵ Respondents do not propose a specific value of the elasticity.

Locks from Taiwan may be good substitutes for domestic locks in the low-priced segment of the market. However, this segment accounts for only 30 percent of lock sales in the U.S. market. Another 50 percent of sales are in the mid-priced range, where the vast majority of sales are of domestic products, and the remaining 20 percent is in the upper-price range where only the domestic producers compete.³⁶ Because of this, I am persuaded that the elasticity of substitution between domestic locks and those imported from Taiwan is unlikely to be in the upper end of the range proposed by staff. Rather, I think it unlikely to be above the range of 3 to 4.³⁷

In addition to considering the substitutability between domestic locks and those from Taiwan, consideration must also be given to the substitutability between imports from Taiwan and those from other countries. Petitioner argues that this elasticity is smaller than that between domestic locks and those

³⁴ Economics Memorandum at 24.

³⁵ Prehearing Brief of Petitioner at 46.

³⁶ Hearing Transcript at 149.

³⁷ While I believe that an elasticity of 3 to 4 is likely to be correct, I note that my decision does not turn critically on this value. I would have reached the same decision had I assumed a value of 5.

from Taiwan and suggests a value of 2.³⁸ I find this suggestion surprising. Most imported locks -- not just those from Taiwan -- appear to compete in the lower-priced segment of the market.³⁹ Indeed, domestic manufacturers stated that they had begun to import locks in order to compete in this segment of the market.⁴⁰ As a result, it appears to me that the elasticity of substitution between imports from Taiwan and those from other countries is more likely to be in the upper end of the range suggested by staff.

Responsiveness of Aggregate Demand to Changes in Price. Another factor that will influence the amount of injury a domestic industry suffers as a result of dumped imports is the responsiveness of the aggregate demand for that product to a change in price. If demand is highly responsive, a lowering of price as a result of dumping will generate a large increase in total sales of the product. In such a case, a relatively large portion of the increased sales received by the firms engaging in dumping will be sales that would not have been made had the price been higher; and a relatively small portion of the increase in sales of the unfair import will be sales lost by domestic

³⁸ Prehearing Brief of Petitioner at 46.

³⁹ Hearing Transcript at 109 (Testimony of Michael Sigmund, The Butter Company). See also, Staff Report at A-83.

⁴⁰ Hearing Transcript at 28-29 (Testimony of Robert Marotto, Vice President of Engineering, Dexter Lock) and 68-69 (Testimony of David Hirsch). See also Staff Report, p. A-79.

producers. By contrast, if the total quantity demanded does not increase significantly with the decrease in price, most of the sales gained by importers engaging in dumping will come from the domestic producers or from other sources of imports. Thus, the greater the price responsiveness of total demand, the less likely it is that the domestic industry is materially injured.

The economic concept used in measuring this responsiveness is the elasticity of aggregate demand -- the percentage change in the quantity of a product sold resulting from a 1 percent change in the average price of the product. The higher this elasticity the more responsive demand is to a change in price.

Both staff of the Commission's Applied Economics Division and petitioner suggest that aggregate demand for residential door locks is quite unresponsive to changes in price, placing it in the range of -0.1 to -0.3.⁴¹ While respondents do not present a specific value for this parameter, they suggest that this elasticity is somewhat greater.⁴²

The Commission's staff identifies four segments in the market for door locks: locks used in newly constructed homes, locks used in remodeling existing homes, locks purchased to improve home security, and locks purchased to upgrade the fashion

⁴¹ Economics Memorandum at 26, and Prehearing Brief of Petitioner at 46-47. Because demand for most goods decreases as price rises, the elasticity of demand is a negative number.

⁴² Prehearing Brief on Behalf of Respondents Tong Lung Metal Industry Co., Ltd., Taiwan Fu Hsing Industry Co., Ltd., and Posse Lock Manufacturing Co., Ltd., December 18, 1989, at 35-38.

appearance of the home.⁴³ The largest segment is new construction, which accounts for about one-third of all door locks purchased.⁴⁴ All parties appear to agree that changes in the price of door locks will have virtually no effect on this segment of the market. The demand for door locks for new construction is derived from the demand for new housing; and the cost of the locks that go into a house is an extremely small percentage of the total cost of a new home.⁴⁵

Door locks used in remodeling projects account for slightly less than 30 percent of the total sales of door locks.⁴⁶ Petitioner and staff of the Applied Economics Division argue that demand for door locks used in remodeling is much like that in new construction: the number of locks needed depends on the design of the remodeling project, and locks are only a very small percentage of the total cost of a remodeling project. Therefore, the price of door locks is unlikely to affect either whether a project is undertaken or the number of locks included in the project.⁴⁷ Respondents point out that in some circumstances it may be possible to design the project so that door locks are not needed. For example, closets can use sliding doors that do not

⁴³ Economics Memorandum at 24-26.

⁴⁴ Posthearing Brief of Petitioner at exhibit 12, p. 5.

⁴⁵ Prehearing Brief of Petitioner at 46-47, Economics Memorandum at 24.

⁴⁶ Posthearing Brief of Petitioner at exhibit 12, p. 5.

⁴⁷ Id. at exhibit 12, p. 5, and Economics Memorandum at 25.

require door locks.⁴⁸ While respondents' argument is theoretically correct, I am unpersuaded that the possibility of avoiding the use of door locks leads to a significant increase in the price responsiveness of demand for door locks in remodeling projects.

Purchases of new door locks related to security concerns also account for almost 30 percent of the door lock sales.⁴⁹ Again petitioner and Commission staff argue that demand in this segment is very inelastic.⁵⁰ In this case, respondents suggest a number of alternatives to replacing door locks that might be chosen by a consumer concerned about home security. These include an electronic home security system, window door locks, or an exterior lighting system.⁵¹ I am not persuaded by these arguments. While a security-conscious homeowner might consider any or all of these measures, given the relative costs of the alternatives -- particularly electronic security and outdoor lighting systems -- I doubt that many consumers would respond to an increase of a dollar or two in the price of door locks by substituting one of these alternatives.

The one segment of the market for residential door locks in which demand may be somewhat elastic is the fashion upgrade segment. These door locks are sold to match other hardware in

⁴⁸ Prehearing Brief on Behalf of Respondents at 36.

⁴⁹ Posthearing Brief of Petitioner at exhibit 12, p. 5.

⁵⁰ Id. at exhibit 12, p. 5-6, and Economics Memorandum at 25.

⁵¹ Prehearing Brief on Behalf of Respondents at 36.

the house such as kitchen or bathroom hardware.⁵² The fact that demand for such purposes may be more elastic than for other uses is discussed by staff.⁵³ However, this segment is relatively small, accounting for less than 10 percent of sales of residential door locks.⁵⁴

I am persuaded that demand is likely to be quite inelastic -- probably within the -0.1 to -0.3 range assumed by the Applied Economics staff.

Responsiveness of Domestic Supply to Changes in Price. Another variable that will influence the effect of dumping on the domestic industry is the responsiveness of domestic supply to a change in price. If domestic supply is highly responsive -- that is, if a slight change in price will cause domestic firms to increase the quantity they produce by a relatively large amount -- any effect of dumping is likely to be found primarily in decreased quantities sold by the domestic firms. In such a case, dumping is unlikely to cause much of a decline in the price at which the domestic good is sold. On the other hand, if a price increase results in only a small increase in domestic production, dumping may result in a smaller effect on the quantity produced by the domestic industry and a bigger effect on the price of the domestic good. The price responsiveness of domestic supply is

⁵² Economics Memorandum at 25-26.

⁵³ Id. at 26.

⁵⁴ Posthearing Brief of Petitioner at exhibit 12, p. 5.

measured by the elasticity of domestic supply -- the percentage change in the quantity of domestic production resulting from a one percent change in the price of the domestic good.

There has been virtually no debate about the price responsiveness of domestic supply in this proceeding. The Applied Economics Division places this parameter in the moderate range of 2 to 4.⁵⁵ Petitioner utilizes a value of 2 in estimating the effects of dumping.⁵⁶ Respondents have not commented on this issue.

The supply elasticity estimate offered by the Applied Economics Division is based on evidence in the record. Given the absence of any evidence to refute that estimate, I adopt the suggested moderately elastic range.

Price Responsiveness of Supply of Non-Subject Imports. The final factor that must be examined in order to determine the effect of dumping on the domestic industry is the responsiveness of the supply of fairly traded imports -- imports that are not being sold at dumped prices -- to a change in price. A large increase in the supply of fairly traded imports as a result of a slight price increase reduces the likelihood that the domestic industry is materially injured as a result of unfairly traded imports. The higher the elasticity of supply of fairly traded imports --

⁵⁵ Economics Memorandum at 14.

⁵⁶ Prehearing Brief of Petitioner at exhibits 12 through 21; Posthearing Brief of Petitioner at exhibit 2. There is no discussion of why this value was selected.

the technical economic concept used in measuring this response⁵⁷ -- the more the effect of any dumping falls on other sources of imports and the less the effect is borne by the domestic industry.

There has been virtually no direct discussion of the elasticity of supply of fair imports in this case. The Applied Economics Division employs an infinite value in its analysis, but supplies no rationale for doing so.⁵⁸ Petitioner uses a value of 5, again without elaboration as to why.⁵⁹

Evidence on the record supports the view that the correct value for this elasticity is no less than 5, and, I have no reason to believe otherwise. Numerous other countries, including Korea, Thailand, Hong Kong, the Peoples Republic of China, Spain, and Portugal, have been identified as possible sources for imports of door locks.⁶⁰ Assigning a value greater than 5 to this parameter results in a slight decrease in the effect of dumping. I, therefore, assume the correct value is 5, in order

⁵⁷ Like its counter-part the elasticity of domestic supply, the elasticity of supply of fair-valued imports measures the percentage increase in the supply of fair-valued imports that would result from a 1 percent increase in the price of those imports.

⁵⁸ Memorandum to Chairman Brunsdale and Vice Chairman Cass from the Applied Economics Division, Office of Investigations, entitled "Estimation of the Effects of Dumping on Price and Volume of the Like Product in Certain Residential Door Locks from Taiwan, Inv. No. 731-TA-433 (Final)," January 19, 1990 (INV-N-009).

⁵⁹ Prehearing Brief of Petitioner at exhibits 12 through 21; Posthearing Brief of Petitioner at exhibit 2.

⁶⁰ Hearing Transcript at 115, 120, 138, 153.

to ensure that I am not unfairly biasing the case against finding material injury. This evidence suggests that, to a certain extent, it is the imports (either actual or potential) not subject to investigation that are being affected by the dumping. This further mitigates any impact the dumped imports have had on the domestic industry.

The Effect of Dumping on the Domestic Industry. On the basis of the factors discussed above, I find that any decrease in the price or quantity of domestically produced residential door locks resulting from dumping of residential door locks from Taiwan does not rise to a level that would constitute material injury.⁶¹ The

⁶¹ I concur with the discussion in the Commission opinion regarding the requirement that we evaluate the condition of the domestic industry as a whole. In my evaluation of material injury and threat, I accordingly examine the effect on the entire domestic industry. I note, however, the argument of petitioners that we should consider separately the performance of the dominant domestic producer and the performance of smaller domestic producers. Petitioners appear to want us to place added weight on the relatively weaker performance of the smaller firms. (Prehearing Brief of Petitioner at 33-36. See also Hearing Transcript at 172-178.)

I find the argument that extra attention should be paid to the small, inefficient firms to be totally backward. The statute charges us with the task of determining whether an industry in the United States is materially injured by reason of dumped imports (19 U.S.C. 1673(2)). The smaller firms in this industry are unable to achieve the efficiencies that can be realized by the largest firm in the industry as a result of economies of scale. (Hearing Transcript, pp. 75-76). If some of the firms in an industry are not performing well because they are inefficient, their weaker performance compared to their more efficient competitors is due to their inefficiency, not to any dumped imports. Thus, to the extent one chooses, in addition to examining the performance of an industry as a whole, to analyze separately the performance of different firms in an industry, it is the performance of the more efficient firms that should be the
(continued...)

dumping margins and import penetration figures in this case are quite low. As a result, the dumping had only limited effect. Further, although aggregate demand is inelastic, the relatively low degree of substitutability between domestic locks and the subject imports limits the degree to which the domestic industry would benefit (or would have benefitted in the past) from fair pricing. This evidence, in conjunction with the evidence regarding the supply elasticities, also suggests that any price underselling did not materially suppress domestic prices. Indeed, strong competition between the subject imports and fairly traded imports from other countries suggests that much of the impact of the dumping was concentrated on other imports and not on the domestic industry.

In addition to considering the impact of dumping on the volume of sales made by the domestic industry and the price at which those sales occurred, the statute directs us to examine "the impact of such merchandise on domestic producers of like products. . . ." ⁶² In conducting this examination, we are instructed to consider such factors as industry employment, investment, and utilization of capacity. ⁶³

⁶¹(...continued)
focus of attention. In this case, that would be the largest firm, which is able to achieve the efficiencies associated with economies of scale.

⁶² 16 U.S.C. 1677(7)(B)(i)(III).

⁶³ 19 U.S.C. 1677(7)(C)(iii).

The effect of dumping on these parameters follows from the effect on industry volume and price. For example, the effect on industry employment is directly related to the effect on volume since the employment level in an industry will rise or fall with changes in the demand for its product. In the current case, I do not believe the dumping had a material impact on employment because there was not a material effect on industry output.

Investment levels depend on the expected future profitability of the industry. If dumping causes significant declines in industry prices or sales, and if these declines are expected to persist into the future, firms may not find it profitable to engage in as much investment as they would absent the dumping. Again, in the present case I find no material impact on investment given the slight impact dumping had on volume and price. Finally, since dumping had no material impact on either industry volume or future investment, it had no material impact on capacity utilization.

Conclusion

I find that dumping of residential door locks from Taiwan did not cause material injury to an industry in the United States. The dumping margin is small, as is the market share of the locks being imported from Taiwan. These facts, combined with my economic analysis of this industry and the ways in which consumers and producers respond to changes in the price of the imports from Taiwan, demonstrate that there was no material

effect on domestic output or price. And, because there was no material effect on output or price, there was no material effect on the other indicators of the impact on the domestic industry -- such as employment, investment, and capacity utilization.

ADDITIONAL VIEWS OF VICE CHAIRMAN RONALD A. CASS
Residential Door Locks from Taiwan
Inv. No. 731-TA-433 (Final)

I concur with the Commission's determination in this investigation that the domestic industry is not suffering material injury or threat of material injury by reason of less than fair value ("LTFV") imports of residential door locks from Taiwan. I join the Commission's discussion of like product and domestic industry, and its evaluation of the threat of injury to the domestic industry. I further concur with the Commission's description of the domestic industry's condition to the extent that it accurately summarizes information relevant to my disposition of this investigation. I do not, however, believe that the Commission's description of the condition of the domestic industry obviates the need for consideration of material injury by reason of unfairly traded imports and I offer these Additional Views in order to explain my approach, which differs from that of my colleagues, to the analysis of material injury.

I. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

In our Views on the preliminary determination in this investigation, Chairman Brunsdale and I discussed at length our reasons for concluding that residential door locks are not like commercial door locks and that all types of residential locks (e.g., passage, entrance, privacy) constitute a single like

product.¹ I will not revisit these issues here, but refer to the discussion contained in our preliminary Views, and note that the arguments of the parties and the evidence adduced in this final investigation support our conclusions regarding the appropriate like product and domestic industry. I therefore concur in this final investigation that residential door locks, without regard to differing functions, and the producers of these locks, comprise the like product and domestic industry with regard to which the Commission must evaluate the impact of the LTFV imports. For the reasons set out in the Views of the Commission, I further concur with the Commission's determination to include components of residential door locks in the like product and to include Weiser Lock Co., which imports door-lock components from Taiwan, in the domestic industry.

II. MATERIAL INJURY BY REASON OF LTFV IMPORTS

Title VII of the Tariff Act of 1930, as amended, requires the Commission to determine from the evidence whether a domestic industry is materially injured by reason of the LTFV imports under investigation. To do this, we must evaluate how the LTFV sales of subject imports altered the condition of the domestic

¹ See Views of Chairman Anne E. Brunsdale and Vice Chairman Ronald A. Cass, Certain Residential Door Locks from Taiwan, Inv. No. 731-TA-433 (Preliminary), USITC Pub. 2198 (June 1989) at 5-12.

industry.²

The statute suggests a three-part inquiry to guide this determination.³ First, the statute directs us to consider the volume of allegedly dumped and subsidized imports. In the context of our inquiry into the effects of unfairly traded imports, this entails not only consideration of the absolute volume of such imports and volumes relative to U.S. consumption and production, but also an evaluation of the extent to which the volumes, and correlatively the prices, of the subject imports have been affected by the unfair trade practices.

Second, we must examine the effects of the unfairly traded imports on the prices, and concomitantly the sales, of the domestic like product. We examine the prices at which the domestic and imported products were sold, and we assess whether there has been significant price underselling by LTFV imports or significant suppression or depression of the domestic products'

² My views on the legal standard applicable to this and other Title VII cases are set out at length in other decisions. See, e.g., Certain Telephone Systems and Subassemblies Thereof From Japan and Taiwan, Inv. Nos. 731-TA-426 and 428 (Final), USITC Pub. 2237 (November 1989) (Dissenting Views of Vice Chairman Ronald A. Cass) ("Telephone Systems Final") at 143-241; New Steel Rails from Canada, Inv. Nos. 701-TA-297 and 731-TA-422 (Final), USITC Pub. 2217 (Sept. 1989) (Dissenting Views of Vice Chairman Cass) ("New Steel Rails Final") at 125-159; Digital Readout Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (Jan. 1989) (Concurring and Dissenting Views of Commissioner Cass) ("Digital Readout Systems") at 98-108; 3.5" Microdisks and Media Therefor from Japan, Inv. No. 731-TA-389 (Preliminary), USITC Pub. 2076 (Views of Commissioner Cass).

³ 19 U.S.C. § 1677(7).

prices by the LTFV imports.⁴ Evidence relevant to the effect of the LTFV imports on domestic prices and sales includes the share of the domestic market held by the imported product, the role price plays in consumers' decisions respecting the imports and the domestic like product, and the degree to which consumers see the foreign and domestic products as substitutes, leading them to purchase one or the other of these products in response to changes in their relative prices.

Finally, we must examine the impact of these changes in the prices and sales of the domestic product on the domestic industry as reflected in employment and investment in that industry. Although we may consider all economic factors relevant to our assessment of the impact of imports on the domestic industry, we are constrained by the statute to evaluate these factors within the context of the business cycle and conditions of competition unique to that industry.⁵

A. Volumes and Prices of LTFV Imports

The absolute volume of imports from Taiwan in 1988 was 9.6 million units valued at \$39 million.⁶ There was some increase in interim 1989 over interim 1988, with imports in interim 1989 at 8.3 million units valued at \$36 million.⁷ The share of domestic

⁴ 19 U.S.C. § 1677(7)(C)(ii). See Telephone Systems Final (Dissenting Views of Vice Chairman Ronald A. Cass) at 260, n. 183.

⁵ 19 U.S.C. § 1677(7)(C)(iii).

⁶ Report at A-51, Table 23.

⁷ Id.

consumption held by these imports in 1988 was 14.1 percent by volume and 7.9 percent by value, with an increase to 17.2 percent by volume and 10.1 percent by value in interim 1989.⁸ These figures include the six-month period, November 1988 through April 1989, for which Commerce calculated the dumping margins.⁹ The period for which dumping margins have been calculated plainly is the relevant period for which to examine the value and volume of imports. I note, however, that the absolute volume and domestic market share of door locks from Taiwan essentially remained stable over the Commission's period of investigation from 1986 through interim 1989.

Closely related to import volumes is the price change for imports consequent to LTFV pricing. The Department of Commerce does not calculate this price change, but it does calculate the proportional difference between prices charged for the imported product offered for sale to the United States and the price for that product in the exporters' home country. This "dumping margin" is evidence that we may consider in drawing inferences respecting the effects of LTFV sales on import prices and volumes and, consequently, on domestic products' prices and sales.¹⁰ In this investigation, the dumping margin calculated for Tong Lung, who shipped *** percent of the Taiwanese exports to the United

⁸ Id.

⁹ See Report at B-7, Final Determination of Sales at Less Than Fair Value: Certain Residential Door Locks and Parts Thereof From Taiwan, A-583-807, 54 Fed. Reg. 53153 (Dec. 27, 1989).

¹⁰ 19 U.S.C. § 1677(7). New Steel Rails Final at 127-137.

States in 1988, is only 1.27 percent ad valorem, but higher for Fu Hsing and Posse at 17.75 percent ad valorem.¹¹

In cases in which dumping margins reflect a finding by Commerce that the foreign exporter has charged a lower price for its product in sales to the United States market than it has in sales to its home market, the actual decrease in the U.S. price of the subject imports (compared to what that price would have been absent dumping) will not be equivalent to the full percentage of the dumping margin. The extent to which the dumping margin results in decreased prices for sales to the U.S. is in large measure a function of the importance of each market (home and U.S.) to the foreign producer; an accessible indicator of relative importance is the proportion of its total sales in both of these markets that the producer makes in its home market.¹² In this case, the foreign market value of the imports from Taiwan was based on actual sales, as opposed to a

¹¹ Id.

¹² See, e.g., Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Final), USITC Pub. 2163 (March 1989), (Additional Views of Commissioner Cass) at 58-60.

In reality, an estimate of the decrease in the price of the dumped product that is derived in this fashion will be somewhat overstated as it represents an approximate upper bound of that decrease. For a thorough explication of this subject, see R. Boltuck, Office of Economics, Assessing the Effects on the Domestic Industry of Price Dumping, USITC Memorandum EC-L-149 at 1, n. 1, 13, 19-21 (May 10, 1988). A more accurate statement of the effects of dumping on import prices also may require some adjustment to reflect the fact that dumping margins are calculated on an ex-factory, rather than final sales price, basis. This adjustment almost inevitably will reflect a reduced effect from that calculated here.

constructed value, and therefore the U.S. prices of these imports probably reflect only a portion of the full dumping margin.

Foreign market value, however, was determined using sales in third countries as well as in the home market. We do not have detailed data on the proportion of sales in each of the relevant markets, and therefore have no basis for estimates regarding the extent to which the U.S. prices of the imports from Taiwan reflect the dumping margins. In my analysis of the impact of imports on the domestic industry in this investigation, I therefore assume that the U.S. prices of the imports have been decreased consequent to dumping by the full percentage of the dumping margin.

Even assuming that the U.S. price of the imports reflects the full amount of the dumping margin, the maximum decrease in the price of half of these imports would have been only slightly over one percent. The amount of the decrease reflected in the prices of the other half of the subject imports, at nearly 18 percent, would have been more significant. The impact of these decreases in price on the volumes of imports sold in the U.S. depends on other information, including the effect of changes in the price of goods such as these on consumers' purchasing decisions and the degree of substitutability between the imports and the domestic products. Although the dumping did have significant effects on prices of some of the imports, in light of the negligible price decreases on much of the subject imports taken together with other information discussed below, notably

the limits on the degree of substitution between imported and domestic locks, the evidence strongly suggests that dumping did not significantly increase the volumes of the subject imports sold in the United States. The evidence that import levels have been stable over the last few years, while not itself indicative of the impact of dumping on import volumes and prices, is facially consistent with this conclusion.

B. Prices and Sales of the Domestic Like Product

The record indicates that the subject imports did not materially affect either the prices or the sales of the domestic like product. Two factors are normally of special importance in the inquiry into the impact of unfairly traded imports on domestic sales and revenues. These are the extent to which consumers view the domestic and imported product as similar (the substitutability of the subject imports and the domestic like product), and the degree to which consumers change their purchasing decisions with respect to these products (as a class) based on variations in these products' prices. Generally, imports have the greatest impact on domestic like product sales and revenues when consumers are reluctant to purchase significantly more of the category of goods to which imports and the domestic like product belong as the prices of these goods go down, and when, in addition, consumers view the imported and like products as close substitutes. In this situation a decrease in the price of the import will most likely result in direct substitution of the import for the domestic like product, rather

than increased overall purchases of the product.

In the investigation before us, we have evidence that consumers are largely unresponsive to changes in the price of door locks, indicating that, while consumers might choose among closely competing products on the basis of price, they would not appreciably increase their purchases of door locks in response to lower prices.¹³ Although there are many similarities between domestic and imported locks, the evidence suggests that consumers view these products as quite imperfect substitutes. The Commission heard testimony from large home-center and mass merchandiser chains, which import and sell the largest volumes of these locks for retail purchase,¹⁴ that domestic retail purchasers do not consider imports from Taiwan to be of the same quality as domestic locks and that these purchasers will pay a premium for certain domestic brands with a reputation for quality. In addition to sporting recognized brand-names, domestic product lines are structured to span various price points from a low-end, standard door lock to a deluxe, high-end model, offering purchasers a range of choices with respect to style, finish and special options.¹⁵ In that segment of the

¹³ Memorandum to the Commission from the International Economist, INV-N-006, dated January 19, 1990 ("Economic Memorandum") at 26.

¹⁴ Report at A-15, 18, 53-56. Large retail chains directly imported almost 30 percent of the door locks from Taiwan, while an additional 53 percent were sold by importers to unrelated retail outlets. The remainder were sold by importers to wholesalers and distributors serving the new construction market, including locksmith distributors and mobile home manufacturers.

¹⁵ Report at A-56.

market purchasing new locks in order to up-grade or redecorate personal residences, these considerations appear to play an important role in the consumers' choice of locks.

Imported Taiwanese product lines have entered the market largely at the low end, offering fewer styles and finishes, and fewer deluxe-type models.¹⁶ The home center/mass merchandiser chains claim that they have imported locks from Taiwan specifically in order to service the low end of the market, and that these chains still sell substantial numbers of domestic locks at the higher price points.¹⁷ They claim further that, for them, domestic locks are not a good substitute for the low-end imports because domestic producers have been unresponsive to the needs of this market segment, refusing to develop new products and distribution practices that would better suit customers seeking lower-priced door locks and placing different value on various product features than other customers.

The evidence does not suggest a complete absence of competition between locks aimed at different market segments, nor does the evidence suggest complete segregation of the subject imports within a single market segment. There is evidence that the actual quality with respect to function of the domestic and imported locks is comparable at least at some of the mid-range

¹⁶ Id.

¹⁷ Report at A-82, n. 54. Post-Hearing Brief of Hechinger Company, submitted January 5, 1990 at 6-7. Hechinger claims to sell twice as many domestic as Taiwanese locks by volume, and four times as many by value.

price points. Given differences in weight and finish, however, neither the end-users of the locks nor the retail chains that sell them view domestic and Taiwanese locks as very close substitutes. In the context of the other evidence of record, the relatively low degree of substitutability between these products indicates that the unfairly traded imports from Taiwan did not have a significant impact on the prices and sales volumes of domestic door locks. This inference from the record takes account of the likelihood that dumping had a small impact on the prices and volumes of the majority of these imports and of the moderate market share held by the imports during the period over which dumping occurred.

Overall, I believe that LTFV imports from Taiwan have reduced the sales volumes, prices and revenues of the domestic like product over the period of investigation by amounts well below those ordinarily consistent with an affirmative determination. The parties have raised two additional arguments, however, regarding the manner in which the Commission should evaluate the record evidence, which I believe merit comment.

Petitioner has urged the Commission in this investigation to undertake a "company-specific analysis" of the impact of imports because, in their view, industry profitability is characterized by economies of scale and only one firm in the industry, Kwikset, produces sufficient quantities of door locks to achieve these

economies.¹⁸ Petitioner argues that this fact "requires that the Commission arrive at its determination only after considering the performance of Kwikset separately" from the performance of the other domestic producers.¹⁹ Respondents urge us to reject this proposal on the basis that the statute does not authorize the Commission to conduct a firm-by firm analysis.²⁰ I agree, for several reasons, with Respondents that the type of disaggregated industry analysis proposed by Petitioner is not appropriate.

When dealing with arguments that the Commission should examine the domestic industry on a disaggregated basis, we must recognize two possibilities. The first possible use of a disaggregated analysis is that by treating the domestic industry on a disaggregated basis, the Commission would give special weight to the performance data of one or a group of firms. The extreme form of this approach would, in essence, isolate the firm or group of firms within the relevant domestic industry most likely to be injured by unfairly traded imports, analyze injury with respect only to that firm or group, and then base an affirmative determination on the effect of LTFV imports on this subpart of the domestic industry rather than on the injury to the domestic industry overall.

¹⁸ Prehearing Brief of Petitioner Ad Hoc Committee of Door Lock Manufacturers, submitted December 18, 1989 ("Petitioner's Prehearing Brief") at 33-36.

¹⁹ Id. at 35.

²⁰ Posthearing Brief of Home Depot U.S.A. Inc., submitted January 5, 1990, at 2.

This is the general type of analysis for which Petitioner appears to be arguing here. Avoidance of exactly this kind of selective examination of the impact of dumping or subsidization is surely the reason that our governing statute directs the Commission to examine the impact of unfairly traded imports on the domestic industry "as a whole."²¹ We are advised in one special circumstance to look at a subgroup of producers of a like product and to evaluate only the effect of the unfairly traded imports on them. That involves a regional industry, and in assessing injury to such an industry we look at harm to particular firms.²² This is a limited statutory provision, and even our reviewing courts have cautioned us not to sculpt the relevant region with an eye to collecting those producers most likely to show evidence of injury from unfairly traded imports.

A second possible use of disaggregated analysis, however, does not conflict with our governing mandate, but instead can provide the Commission with valuable information regarding the

²¹ As noted in the Views of the Commission, in final investigations under the antidumping laws the Commission is directed by our governing statute to assess the effects of LTFV imports on the industry in the United States comprised of "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." (emphasis added). Tariff Act of 1930, ch. 497, title VII, § 735, as added by the Trade Agreements Act of 1979, Pub. L. No. 96-39, title I, § 101, 93 Stat. 150, 169 (codified as amended at 19 U.S.C. § 1673d(b)); 19 U.S.C. § 1677(4)..

²² 19 U.S.C. § 1677(4)(C). See Gray Portland Cement and Cement Clinker From Mexico, Inv. No. 731-TA-451 (Preliminary), USITC Pub. 2235 (November 1989) (Additional Views of Vice Chairman Ronald A. Cass) at 33-39.

impact of imports on the domestic industry as we must evaluate it in our final analysis -- as a whole. Even within a single like product category, enough differentiation may exist between products, or in firm structures, that the firms making up the domestic industry may be quite disparately affected by competition with the unfairly traded imports. To asses the effect of imports on the industry as a whole, the Commission may have to consider the effect of imports on one firm or group of firms producing the domestic like product, then the effect on other firms.²³ Ultimately, however, we must combine these assessments; we must decide whether, in the context of overall industry production, the larger and smaller effects produce an aggregate effect on the whole industry that is consistent with material injury, or that in this context does not rise to that level.²⁴

In this case, the evidence before us does not support the essential predicate for engaging in such analysis: that the subject LTFV Taiwanese imports affect members of the domestic industry in such different manners as to require analysis of those effects separately before considering the aggregate effect on the domestic industry. Petitioner in this case has argued that because one industry member may enjoy economies of scale, it is likely to be insulated substantially from the effects of

²³ Telephone Systems Final at 298.

²⁴ Id. See also Certain Telephone Systems and Subassemblies Thereof From The Republic of Korea, Inv. No. 731-TA-427 (Final) at 15-19.

unfairly traded imports that are felt more directly by the other industry members. I am prepared to credit the claim that one domestic company enjoys greater economies of scale than do others. The possibility of such economies in this firm's production, however, does not necessarily distinguish the impact of LTFV imports on that firm from the effects of those goods on other firms. To determine what the effect of LTFV imports was on this firm and how that differed from the imports' effects on other U.S. producers, we also must examine information respecting the region over which such scale economies exist, the magnitude of such economies, and, critically, any product differences that may cause consumers to react to this firm's product (as the market for all of the related products changes consequent to dumping) in a manner different from their reaction to the other domestic like products. The evidence before us on the first two points does not enable us to identify the relation between scale economies and the effects of dumping on that firm as opposed to other members of the domestic industry, and the evidence before us on the third point is adverse to the argument advanced by Petitioner.

The Commission currently collects some types of firm specific data, but we do not have information about each firm's internal production parameters that would enable us to determine the optimal (cost-minimizing) production point for any particular producer, the extent to which production at any firm departs from that point, or the manner in which production decisions at any

individual firm have changed in response to import competition. The best that we can do in assessing the impact of imports on these factors is to measure, as precisely as possible, the effect of dumping on the prices and sales of the domestic like products produced by the industry. Changes in revenues to the industry will of course, be spread unevenly across the various firms, as numerous firm-specific factors unrelated to the LTFV imports determine optimal production levels, firm profitability and so on. Seldom will we be able to trace effects of LTFV imports at the firm level, but by assessing effects on industry revenues (the sum of price effects and sales effects) we can evaluate the change in the domestic industry that in turn will cause changes in firms' production decisions, return to investors, employment, and reinvestment.

Moreover, evidence respecting the factor most likely to distinguish the impact of the LTFV imports on the prices and sales of one firm's products from those of other domestic companies' products does not support Petitioner's argument that Kwikset has been less affected by the dumped imports. This type of differential impact is most likely to occur when the imports are not as close a substitute for the domestic like product produced by a particular firm as for the products produced by other members of the domestic industry. Petitioner has not presented evidence here that Kwikset produces a product that is less substitutable with the imports than other domestically produced locks. Indeed, the record indicates that because

Kwikset produces its own line of locks designed for sale at a low-price point, it is more likely than the other firms in the domestic industry to compete directly with the subject Taiwanese imports, and thus to experience declines in its sales and revenues in these markets as a result of dumping.

If we looked only at the gross indicators of the condition of the industry to determine injury, of course we could, as Petitioner fears, be misled by the profitability of a dominant firm and conclude that the industry was not materially injured by the dumped imports. The dominant firm could be doing well despite the fact that LTFV imports were seriously injuring all other members of the domestic industry. It is even possible that, over some period of time, the dumped imports' effects on the highest-cost domestic producers would so reduce their effectiveness as competitors in the relevant market that the benefit to the low-cost domestic producer from that change would exceed the harm to that firm from the imports. Plainly, we should be careful not to mistake such situations for evidence that dumping has not effected the domestic industry. That however, is not an argument relevant only where the dominant firm is performing relatively well. Rather, the argument is a special case of the more general point that gross measures of industry condition tell us little about the effects of dumped imports. As I have observed on more than one occasion, the law clearly delegates to us assessment of the effects of LTFV imports, not assessment of industry condition without regard to those effects.

The second focus of the arguments raised by the parties regarding the Commission's injury analysis concerns the Commission's treatment of offshore production by the domestic industry. Petitioner points to the recent restructuring undertaken by the domestic industry, as part of which three of the nine residential door lock producers (accounting for roughly 20 percent of U.S. production in 1988) have set up off-shore production in Mexico and Thailand, as evidence that imports have caused material injury to the domestic industry.²⁵ The Taiwanese producers respond that, through restructuring, the U.S. industry is successfully competing in the market created by mass merchandisers for low-priced locks, and that the movement offshore is an effort by the smaller companies to overcome the economies of scale enjoyed by Kwikset.²⁶ The Taiwanese producers argue further that imports from Taiwan could not have caused this restructuring in light of the low dumping margins and stable market shares held by these imports during the period of restructuring, a period in which the market share held by imports from U.S.-owned foreign companies has been increasing.²⁷ Home Depot goes a step further and argues that any decline in the performance of the domestic industry has been caused by the

²⁵ Petitioner's Prehearing Brief at 28.

²⁶ Prehearing Brief on Behalf of Respondents Tong Lung Metal Industry Co., LTD., Taiwan Fu Hsing Industry Co., LTD., and Posse Lock Manufacturing Co., LTD., submitted December 18, 1989 ("Taiwanese Producers' Prehearing Brief") at 23.

²⁷ Id.

decision of certain producers to substitute offshore production for domestic production.²⁸

All of these arguments urge the Commission to draw inferences about the influence of offshore production on the impact of imports on the domestic industry. The inferences we can draw from the move to offshore production are constrained by the instruction added by the Omnibus Trade and Competitiveness Act of 1988 to our governing statute that limits the Commission's consideration of the impact of imports on the domestic industry to effects on "production operations within the United States."²⁹ The legislative history makes clear that offshore facilities owned by U.S. firms are not to be included in the domestic industry for the purpose of assessing material injury by reason of unfairly traded imports.³⁰ The Commission cannot, therefore, aggregate the operating and financial data of domestic firms and their foreign affiliates in assessing the impact of unfairly traded imports on the sales and revenues of the domestic industry. Although the existence of offshore operations may influence domestic firms' responses to imports, that is not the issue we are given by law to address. Our charge is to determine the effect of dumping on the domestic industry's domestic production. Moreover, we are presented with no evidence that

²⁸ Home Depot Prehearing Brief at 4-5, 12, 22-31.

²⁹ 19 U.S.C. § 1677(7)(B)(i).

³⁰ S. Rep. No. 71, 100th Cong., 1st Sess. 115 (1987). See also H.R. Rep. No. 40, 100th Cong., 1st Sess., Pt. I, 128-29 (1987).

allows us to draw inferences about that effect from the related operation of U.S. offshore facilities.

By the same token, the Commission cannot conclude from the mere existence of such affiliates that unfairly traded imports have at some time in the past displaced domestic production, forcing the domestic industry to relocate overseas in order to compete in the domestic market. The evidence respecting the existence of LTFV sales during the period examined by Commerce certainly provides no basis for inference that earlier decisions to set up offshore operations were the consequence of pre-existing dumping. The Commerce Department calculates dumping margins for the named firms based on a six-month period. The only reliable evidence we have that imports have been dumped are these margins. We cannot infer from Commerce's calculations that dumping has taken place at any time other than this six-month period of investigation. We cannot, therefore, assume even that imports were dumped at some time in the past, much less draw conclusions about the impact of this dumping on the production decisions of domestic firms.

C. Investment and Employment

The evidence of record discussed in the Views of the Commission indicates that although some industry indicators such as employment have declined since 1986, probably as a result of industry restructuring, overall industry performance and financial indicators generally support the conclusion that the domestic industry is not experiencing material injury by reason

of LTFV imports from Taiwan.

III. THREAT OF MATERIAL INJURY

I join the Commission's discussion of threat. In doing so, I want to underscore my view that the threat factors contained in the statute require the same sort of integrated analysis as is appropriate to analysis of the actual injury from allegedly LTFV imports experienced by the domestic industry. The statutory factors respecting threat analysis are not a checklist of criteria that should be evaluated on a disaggregated basis, with a negative threat finding ensuing if a majority of statutory factors do not indicate a threat. Rather, the factors suggest where we should look to see whether probable events over the near term will produce the sorts of effects on the domestic industry's prices and sales, and ultimately on its financial returns and employment, that would constitute material injury. Where, as here, the factors almost uniformly move in a single direction, any analysis that refers to them -- even on a factor-by-factor basis -- should produce a sensible result. Where, however, the factors produce a less consistent picture, careful inspection of that information becomes critical.

CONCLUSION

For the reasons stated above, I conclude that the domestic industry is not materially injured by reason of LTFV imports of residential door locks from Taiwan. For reasons substantially

given in the Views of the Commission, I also conclude that the domestic industry is not threatened with such injury.

Dissenting Views of Commissioner Lodwick

Based on the information obtained in this final investigation, I determine that an industry in the United States is materially injured by reason of imports of certain residential door locks from Taiwan that are being sold at less than fair value (LTFV).

Appropriate Definition of the Domestic Industry

As stated in the majority opinion, the domestic industry is defined as domestic producers of the like product, but only in the context of production operations within the United States. The statutory and legislative history preclude the Commission from considering offshore production by domestic producers in its injury analysis.¹ This distinction is important in understanding the dynamics of this industry and the impact that imports have had on the United States residential door lock industry.

¹ 19 U.S.C.A. 1677(7)(B)(i) (supp. 1989); H.R. 4848, Pub. L. 100-418, 102 Stat. 1107, 1205.

Conditions of Competition in the Residential Door lock Industry

Counsel representing three of the respondents has characterized the structure of the U.S. industry and the conditions of competition in the door lock marketplace as follows²:

"Before the early 1980s, when foreign competition was negligible, the domestic industry was oligopolistic. As imports began to enter the market in the 1980s, the oligopoly broke down, and success for a domestic producer became dependent on raw ability to compete. Those firms that lacked the requisite economies of scale turned to offshore sourcing - not because of the LTFV imports, but because of the breakdown of the oligopolistic market structure."

The respondents appeared to be stating that the conditions of competition in the residential door lock industry in the early 1980s are different from the conditions of competition in that industry during the period of investigation and that economies of scale are important to compete successfully in this market.³ Petitioner, representing several U.S. companies, also notes this set of events. Petitioner notes that the increase of imports of residential door locks from Taiwan from 1980 to 1989 occurred prior to and during a period of time when a number of U.S. producers decided to relocate within the U.S. or abroad, starting in 1985 and lasting until the present.⁴

In considering whether residential door lock imports from Taiwan had an impact on the domestic residential door lock industry in the United States, the conditions of competition in that industry can be evaluated. If the conditions of competition in the early 1980s were that

² Tong Lung Metal, Taiwan Fu Hsing and Posse Posthearing Brief at 6.

³ I assume this means economies of scale in production and/or marketing.

⁴ Posthearing Brief of Petitioner at Exhibit 5.

characteristic of an oligopoly,⁵ in which door lock producers were pricing above a purely competitive market price due to the interdependence among the firms, the entry of a new producer, such as the Taiwanese, pricing aggressively below the original oligopoly prices would cause prices in the industry to fall and dynamics within the industry to occur as all firms search to find new price and output combinations to accommodate and compete with the newcomer's

⁵ An oligopoly is defined: "A market structure within which firms are aware of the mutual interdependence of sales, production, investment and advertising plans. Hence manipulation by any firm of variables under its control is likely to evoke retaliation from competing firms. These features are commonly ascribed to markets in which the number of sellers is few." Pearce, David W., The MIT Dictionary of Modern Economics, Third Edition, (Cambridge : MIT Press, 1986).

Assumptions about oligopolists' behavior range from each oligopolist acting independently -- basing its price and output decisions on possible reactions by rival firms -- to assumptions regarding cooperation or collusion among oligopolistic rivals. The setting of prices and firm output levels in this type of market structure can be accomplished in a variety of ways.

- 1) Price leadership: A dominant firm, such as Kwikset, may set a price above a purely competitive price. Smaller firms can follow suit and match prices of the dominant firm. A small firm seeking to gain market share by dropping prices risks a price war with the dominant firm and possible exit by the small firm if it can not match the production or marketing advantages of the dominant firm.
- 2) Kinked demand curve: If an oligopoly's prices and output shares are well established, the perceived interdependence by oligopolistic firms leads firms to believe that if they cut prices to gain market share, these price reductions will be matched by their rivals and every firm's total revenue will be reduced. If a firm seeks to increase prices to increase its total revenue, other firms will not follow suit and the price increasing firm will simply lose market share to other firms and may suffer reduced total revenue.
- 3) Coalitions: Firms synchronize their strategies as to yield a more favorable outcome than if they had approached the market individually.

Affecting the possible behaviors of the firms in an oligopoly is the degree of market concentration, price and output feedback mechanisms, the importance of nonprice methods of competition such as product differentiation and advertising, and the barriers to entry into the industry such as distribution and brand name recognition.

price and output decisions.

Some of the characteristics of an oligopoly exist in the residential door lock industry.⁶ The industry has a dominant firm, Kwikset, which accounts for a significant share of domestic shipments.⁷ Kwikset was also named most frequently as the price leader among domestic producers.⁸ The industry is relatively concentrated with four domestic firms accounting for about 85% of domestic shipments.⁹ Door lock manufacturers also offer differentiated products over a range of prices. Brand name recognition is also an important marketing consideration. Wholesale purchasing agents and direct buyers provide a good flow of price and output information to door lock producers. However, some price discrimination may exist due to product differentiation and the diversity of door lock consumers. These characteristics can

⁶ This is in contrast to a perfectly competitive market structure that assumes a large number of firms holding an insubstantial share of the market each, assumes that these firms produce a homogenous product using identical production processes and possess perfect information about the market and assumes that there are no barriers to entry for new firms. The U.S. wheat and swine industries have some characteristics of pure competition.

⁷ Final Staff Report, Table 1.

⁸ Final Staff Report, page 82.

⁹ A measure used to assess the size distribution of firms in an industry and the state of competitive conditions in the industry is the concentration ratio. This is the percentage of total industry size accounted for by the few largest firms in the industry. One of the most common measures is the four firm sales concentration ratio or the percentage of total industry sales accounted for by the four largest firms. Studies of profitability indices and U.S. industries all showed a distinct upsurge in profit rates as the four firm concentration ratio passes through a range somewhere between 45 and 59 percent. This lends support to Chamberlin's hypothesis that respect for mutual oligopolistic interdependence tends to coalesce at some critical level of seller concentration. Scherer, F.M., Industrial Market Structure and Economic Performance, (Chicago: Rand McNally, 1980), pages 57 and 280.

The residential doorlock industry's four firm domestic sales concentration ratio was about 85% in 1988 (this could serve as proxy of concentration of the domestic industry for earlier periods) and is considerably higher than the 45 to 59 percent ratio suggested in Scherer as critical levels of oligopolistic interdependence start to develop and for profit rates to rise as a result of the concentration levels increase. This would appear to support the respondent's hypothesis that an oligopoly did exist in this industry and that the advent of the imports broke down oligopolistic practices of pricing above purely competitive levels.

allow door lock producers to price above a perfectly competitive market price but still react to the price and output signals of their competitors. Entry into the door lock industry is limited by manufacturing and marketing economies of scale plus brand name and retail shelf space considerations.

The shift in the conditions of competition in the residential door lock industry from the early 1980s to the interim 1989 could be characterized as changing from a "cooperative" oligopoly to a "competitive" oligopoly.¹⁰¹¹ Some productive resources employed at the original "cooperative" oligopoly price may no longer be profitably employed at a lower more competitive price. As a result, some productive resources will exit the industry or lower costs for those resources must be achieved to allow them to stay employed in the industry. This is what appears to have happened with the entry of low priced door locks imported from Taiwan into the U.S. door lock market. In reaction, some U.S. firms have moved to lower labor cost areas in the United States in an effort to maintain their level of productive resources and output while other firms have moved offshore to take advantage of lower productive resource costs abroad, namely labor as adjustment in the U.S. industry continues. Some domestic products were priced out of the low-end door lock market and out of the mobile home and construction industries.

Economies of Scale

As noted earlier, economies of scale have been alleged to be part of the conditions of competition in this industry. Given the apparent desirability of maintaining a full product line

¹⁰ The terms "cooperative" and "competitive" refer to the type of price and output competition within this market. The competitive behavior in the industry has changed.

¹¹ Even including imports, the four firm concentration ratio is still relatively high.

and providing timely service to distributors, economies of scale in production appears to be relevant in this industry. Achieving economies of scale allows a dominant firm to have cost, service and marketing advantages over its smaller rivals. Smaller firms can achieve some economies of scale by concentrating on a few high volume items in a narrower product line and selling to a few high volume purchasers such as home marketing centers.

Dynamics in the U.S. Industry¹²

As was stated previously, the relevant portion of the statute asks the Commission to "consider . . . the impact of imports of such merchandise on domestic producers of like products, but only in context of production operations within the United States." Dynamics in the U.S. industry which involved a change in the production operations within the United States may very well have a different impact on the relevant economic factors which have a bearing on the state of the industry in the United States than dynamics which involved a shifting of some production activities abroad. Adjustments in the production activities of the residential door lock industry within the United States would affect economic factors such as profits, productivity and the ability to raise capital and investment as the door lock industry consolidated and became more efficient. However, a shifting of part of the production activities of the domestic door lock industry abroad would probably affect economic factors such as output, sales, utilization of capacity, market share and employment if the door lock industry in the United

¹² Dynamic economics is defined: "The intertemporal analysis of the economic system. The economy may be passing from one equilibrium point to another or it may be continuing through time without reaching a state of static equilibrium." The MIT Dictionary of Modern Economics.

Dynamics is defined: "The consideration of the effect of the time dimension on economic situations." Rosenberg, Jerry M., Dictionary of Banking and Financial Services, Second Edition, (New York: John Wiley & Sons, 1985).

States has downsized as a result of the dynamics. Therefore, in considering the affect of any dynamics of the United States door lock industry which may have taken place during the period of investigation, the impact of imports on the production operations within the United States is the relevant consideration.¹³

If a "cooperative" oligopoly is more or less desireable than a more competitive oligopoly is open to debate.¹⁴ The legislation guiding these proceeding asks the Commission to "evaluate all relevant economic factors within the context of the business cycle and the conditions of competition that are distinctive to the industry" but does not ask the Commission to place more emphasis on one type of competition in the marketplace over another.¹⁵ However, the Commission can consider the changing state of the industry as it moves from one condition of competition to another.¹⁶ The statute does ask the Commission to consider "relevant economic factors which have a bearing on the state of the industry in the United States."¹⁷

¹³ To consider the production operations of U.S. companies in the United States and their controlled operations in foreign countries is not appropriate.

¹⁴ This issue does not appear to be addressed in the statute or legislative history guiding these proceedings.

¹⁵ 19 U.S.C 1677(7)(C)

¹⁶ "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., . . . competition between the foreign and domestic producers . . .) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong. 1st Sess. 57, 74 (1979). It could be argued that all that has happened is a change in conditions of competition between foreign and domestic producers and has resulted in an adjustment among producers. This justification, however, minimizes the significance of the downsizing of the domestic industry in the face of rising demand.

¹⁷ These factors include:

- (I) actual and potential declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,
- (II) factors affecting domestic prices,
- (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and
- (IV) actual and potential negative effects on existing development and production efforts

Condition of the Domestic Industry

In analyzing the condition of the domestic industry, I have considered, among other factors, apparent domestic consumption, U.S. production, capacity and capacity utilization, shipments, market share, inventories, employment, financial performance, and the 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.¹⁸ "Material injury" is defined in section 771(7)(A) of the Act as "harm which is not inconsequential, immaterial or unimportant."¹⁹ The definition of "material injury" is the same in both preliminary and final investigations. However, 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.

Apparent domestic consumption of residential door locks in terms of volume and value rose from 1986 to 1988 but fell slightly in the interim period.²⁰

U.S. producer'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.²² These declines, which occurred during a period of rising domestic consumption of residential

of the domestic industry, including efforts to develop a derivative or more advanced product.

¹⁹ U.S.C. 1677(7)(C)

¹⁸ See, Shock Absorbers, Inv. No. 731-TA-421, (Preliminary) USITC Pub. No. 2128 at 18.

¹⁹ 19 U.S.C. 1677(7)(A)

²⁰ The interim period is defined as Jan. - Sept. 1988 to Jan. - Sept. 1989.

²¹ Final Staff Report, Table 3.

²² Final Staff Report, Tables 5 & 7.

door locks, reduced the domestic industry's share of apparent U.S. consumption by volume and value, which fell sharply from 1986 to 1988; the domestic industry's share by volume and value also deteriorated further during the interim period.²³ There were also acquisitions, expansions and contractions in this industry over the period of investigation. The net change in the residential door lock industry has been a significant contraction in the domestic industry in the United States.

The reductions in U.S. production and shipments are also reflected in declines in capacity utilization from 1986 to 1988; productive capacity also generally declined from 1986 to 1988 and dropped sharply in the interim period.²⁴ Some of the shrinkage in productive capacity can be explained by the recent closing of certain domestic facilities; this has 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 15% from 1986 to 1988 and by 6% between the interim periods.²⁵ Total hours worked declined by over 13% from 1986 to 1988 but rose slightly in the interim period.²⁶ Additionally, total compensation paid declined from 1986 to 1988.²⁷ However, hourly compensation and productivity both rose from 1986 to 1988.

The financial performance of the domestic industry is mixed.²⁸ U.S. net sales fell by slightly

²³ Final Staff Report, Table 23.

²⁴ Final Staff Report, Table 5.

²⁵ Although respondents argue that the Commission should discount the declines in employment because of concurrent increases in productivity, I note that the percentage decline in employment exceeded the percentage increase in productivity.

²⁶ Final Staff Report, Table 11.

²⁷ Ibid.

²⁸ Final Staff Report, Table 13.

more than 1% from 1986 to 1988 but then dropped by 5% in the interim period. Operating income margins have been stable and strong, at about 13 percent of net sales from 1986 to 1988, but declined slightly during the interim period. However, operating losses were reported by one of the seven reporting firms in 1988; 3 of 7 firms reported operating losses during the 1989 interim period. The distribution of profits within the industry is skewed as some firms had high profit levels and other firms had low profits but with few firms had average profits.²⁹ Net income, as urged to be considered by petitioner, has dropped sharply in interim 1989, primarily due to startup and shutdown expenses and to interest expenses as firms shifted their operations. This a deterioration from the industry's net income position in the preliminary investigation³⁰. The financial position of the industry has also deteriorated since the preliminary investigation.

The value of fixed assets generally declined from 1986 to 1988 reflecting the contraction in the industry. However, total assets rose during the same period, reflecting the industry's financial position.³¹ Capital expenditures rose slightly from 1986 to 1988 and then jumped in the interim period. The levels of capital expenditures also suggest that firms were replacing aging assets but not making much new investment except during the 1989 interim period.³² Research and development expenditures remained relatively stable over the period of

²⁹ The Final Staff Report at page 34 notes, "Although aggregate industry profitability was stable between 1986 and 1988, there was a wide variation in income and losses among 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." Despite the move of some firms to shift a portion of their operations abroad to improve profitability, their operating profits have not improved and in fact have deteriorated in some cases. Final Staff Report at Table 14.

³⁰ Compare net income in interim 1989 on table 13 in the Final Staff Report to the operating income minus startup or shutdown expenses in interim 1989 in Table 12 of the Preliminary Staff Report.

³¹ Defined as the book value of fixed assets plus current and noncurrent assets. Final Staff Report, Table 17.

³² Final Staff Report, Table 18.

investigation.³³

Despite its positive financial position during a period of rising consumption, the U.S. industry's significant loss of U.S. market share and attendant declines in production, shipments, capacity utilization and employment in the United States leads me to conclude that the U.S. residential door lock industry is materially injured.

Evaluating the Impact of Taiwanese Imports

Interpretation of the various statutory factors as they relate to the dynamics of the residential door lock industry over the last few years involves a weighing of the factors involved.

A domestic industry can react in one of two ways to import competition.

1) Compete on the basis of price to retain domestic market share.

If this were the case, one would expect to see lower domestic profit levels and cash flows, an impaired ability to invest or develop derivative products or result in depressed or suppressed product prices. However, the domestic industry may be able to maintain its market share, output, capacity utilization and employment levels. The Commission has found injury by reason of the imports in cases when this was the situation.³⁴

2) Compete by reducing product offerings in order to maintain profit levels.

If this were the case, one would expect to see reduced domestic market share, output, capacity or capacity utilization or employment as the U.S. industry trims its marginal products or customers to concentrate on its more profitable product areas. However, the domestic industry may be able to maintain its profit levels and cash flows, retain its ability to invest or develop derivative products and sustain some product price levels in the face of import competition. The Commission has found injury in cases when this was

³³ Final Staff Report, Table 19.

³⁴ Internal Combustion Engine Forklift Trucks from Japan, Inv. No. 731-TA-377, USITC Publication 2082 (May 1988); Certain Stainless Steel Butt-Weld Pipe Fittings from Japan, Inv. No. 731-TA-376, USITC Publication 2067 (March 1988).

the situation.³⁵

And, of course, the U.S. industry can choose to compete in a combination of these two ways. The nature of the product and the competition may also make one way of competing more desirable than another. If the product, such as carnation flowers, is relatively homogenous and its market is characterized by many suppliers and buyers, price competition with imports may be the more appropriate strategy.³⁶ In contrast, products such as telephone systems, with some degree of imperfect market competition and differentiated products may lend themselves to pursuing a strategy of reducing product offerings in order to maintain industry profit levels.³⁷

Position of Taiwanese Imports in the Door lock Industry

I reject respondents' arguments that Taiwanese door lock imports compete in or influence only the low end price point of the market.³⁸ As Jesse Lin, President of Taiwan Fu Hsing Industrial Company testified, his company is efficient, modern and flexible, working to improve

³⁵ The ball bearing industry to some degree in 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, Invs. Nos. 303-TA-19 and 20 and Invs. Nos. 731-TA-391 to 399, USITC Publication 2185 (May 1989).

³⁶ Certain Fresh Cut Flowers from Canada, Chile, Columbia, Costa Rica, Ecuador, Israel, and the Netherlands, Invs. Nos. 701-TA-275 through 278 and Invs. Nos. 731-TA-327 through 331. USITC Publication 1956 (May 1987).

³⁷ Certain Telephone Systems and Subassemblies Thereof from Japan and Taiwan, Invs. Nos. 731-TA-426 and 428, USITC Publication 2237 (Nov. 1989).

³⁸ Mr. Sigmund, Merchandise Manager of The Butter Company, states, "The door lock market is stratified according to price points. Door locks from Taiwan and other import sources compete in the low price point, where their only domestic competition is Kwikset's Tylor line." Hearing Transcript, page 109.

its efficiency and "received an award as 1 of the 10 most outstanding companies for our R & D efforts."³⁹ He also noted his company's efforts to improve their products and engineering efficiency by installing an U.S. made computer aided design system and their efforts to develop new lock products. In the face of an increase of Fu Hsing's landed cost by 7% due to the loss of GSP treatment and the 40% appreciation of the Taiwanese dollar⁴⁰ since 1986, it most certainly appears that Fu Hsing has competed, has incentive to compete and intends to continue to compete in the higher price point markets by producing higher value and better quality locks rather than competing solely in the low end price points and dumping at margins of over 17%.⁴²

Taiwanese imports compete on a full product line in the United States.⁴⁴ Testimony at both the conference and the hearing indicated that the imported locks were copied from Kwikset,

³⁹ Hearing Testimony, page 100.

⁴⁰ Hearing Report, page 104.

⁴¹ Mr. Sigmund of the Butter Company, testifying on behalf of respondents, states, "As a result of my landed costs, for my 1990 prices, I have had to reduce my margins on imported locksets to a level below my company standards in order to remain competitive with Tylo." Hearing Testimony, page 112.

⁴² Mr. Lin also addresses his responsiveness to customers. "We are flexible in meeting our customers' needs for private label programs, special packaging requirements, product specifications, continuous quality improvement [emphasis added], and the like." Hearing Transcript, page 107.

⁴³ Mr. Brase, the Vice President and Divisional Merchandise Manager in the buying office at Hechinger, testifying on behalf of respondents stated, "Hechinger sells three categories of door locks at three distinct price points, which we will call out good, better and best categories. . . . In our better category, which we define as those lock sets which sell for between \$10 and \$20 at retail, we sell a small percentage of imports from Taiwan and the higher-quality Kwikset locksets. Hearing Transcript, page 149.

⁴⁴ Home Depot's Director of Imports, Mr. Robert Haimsohn, testified that the firm does not buy only low end locks from Taiwan but imports a full range of Taiwan door locks. He also stated that they carry a full line of residential locks that are almost interchangeable in design. Conference Transcript at 103-104.

Schlage, and Weiser models produced in the United States. They were in fact "exact replicas of the domestic product" and that an imported residential door lock from Taiwan could replace domestic locks "with the same key compatibility."⁴⁵ Not only were Taiwan products "copies" of the domestic products, but domestic products themselves are essentially interchangeable.⁴⁶ Conference and hearing testimony also indicated that in quality terms, the imported door locks from Taiwan were competitive not just at the low price points of the domestic product lines but across higher price points that reflected superior performance and broader style selection.⁴⁷ Purchasers generally found no significant differences between domestic and imported door locks from Taiwan. Most purchasers said imported door locks from Taiwan had a competitive advantage at price points from low to midrange; purchasers preferred Taiwanese door locks in the low to mid range price points⁴⁸. The shift of sourcing by mass merchandisers, home centers and master distributors from domestic to imported door locks also indicates the high degree of competition and substitutability between domestic and imported locks and the attractive price difference in favor of the imported product.⁴⁹

⁴⁵ Conference transcript, pages 17-18, 28-30, 32 and 45; Hearing transcript, page 24.

⁴⁶ Respondents in Conference transcript, pages 117 & 144.

⁴⁷ Conference transcript, pages 17-18; Hearing transcript, pages 19-20, 24-26, 28, 31-33, 87, 98 and 117-118.

⁴⁸ Final Staff Report, page 55.

⁴⁹ Economic Memorandum INV-N-006.

Competition in the Residential Door lock Market

The domestic market for residential door locks consists of a replacement market segment and a new construction segment.⁵⁰ Conference testimony indicates that the replacement market may account for a large segment, estimated at 60 to 70 percent of the overall market for residential door locks.⁵¹ Door locks sold in the replacement market can be sold within a price point as a matching set of locks for a home or be sold individually as door lock replacements.⁵² This set of door locks can be standard models sold at a low prices under \$10 each ranging to sets of deluxe models sold at prices over \$25 each. Competition within price points consists of price and brand name competition between similar styles of sets of keyed entrance, passage and privacy locks. Competition between price points consists of price premium and brand name competition between differing styles of sets of keyed entrance, passage and privacy locks. The price points for the whole product line are structured to reflect the differences in styles, finishes and quality of the sets of door locks.⁵³ Door locks with decorative trim or heavy duty door locks command a price premium over standard styles of door locks. In other words, there is a rough price ratio consisting of the price points of deluxe and standard door lock sets. Attempts by producers or retailers to change that price premium or price ratio of the price points results in some substitution between the price points.⁵⁴ Raising the price ratio or price premium

⁵⁰ Final Staff Report, page 53.

⁵¹ Conference transcript, page 62, and hearing transcript at pages 53-56 and 80.

⁵² Keyed entrance locks (door entry), passage locks (room to room) and privacy locks (bathroom).

⁵³ For example, "The price points of mass merchandisers ranged from lows of \$3.72 to \$3.99 to highs of \$24.99 to \$43.20". Final Staff Report, page 82.

⁵⁴ This substitutability may be less than the substitutability of doorlock products within a price point.

results in decreased sales of high price point deluxe locks and increased sales of lower end price point standard door locks. The offering of lower prices by a producer within a price point in an attempt to increase sales of the producer's door lock product reduces sales of other door locks within that price point and reduces sales of door locks in other price points if other producers within the price range and in other price ranges do not adjust their prices downward to maintain sales and market share.

There appears to be both complementarity and substitutability within the marketing of door locks. A set of door locks can be "bundled" as a single product to builders or homeowners seeking to furnish an entire house with complementary or coordinated locksets.⁵⁵ The desirability, be it style or price, of one of these door locks can promote the sales of other matching door locks within the same product line.^{56,57}

⁵⁵ The total "value" of a complementary set of doorlocks is greater than "value" of the sum of a mixed set of doorlocks. Even a closely matched set of "substitute" doorlocks may differ slightly by style, color or keyway and involve consumer search time to "match" doorlocks. This would imply that consumers would be willing to pay a higher price for a "matching" replacement than a "substitute" replacement. Consumers walking into a Hechinger mass merchandise store clutching an old lockset are doing precisely that and seek to match style, color and brand name. A "substitute" doorlock will only be purchased instead of a "match" doorlock if the substitute is priced lower than the "match" or perceived to be of better quality at the same price as the "match" or if the "match" is not available.

⁵⁶ This effect is the strongest for a set of matching entrance, passage and privacy locks within a price point. However, there are also complimentary effects across price points as consumers seek to match color and keyways for doorlocks with different features, i.e. a deluxe privacy doorlock for the master bathroom and a standard privacy lock for the children's bathroom of the same brand with the same keyway and color.

⁵⁷ Mr. Sigmund, Merchandise, Manager of The Butter Company, testifies, "From our research, we have established that stores that sell multiple lines of locks at appropriate price points earn consistently higher overall profits than stores that sell only one line. In fact, the most successful departments are those that sell locks at multiple price points, good, better and best. The retailer's first challenge is to bring the customer into his store. Once the customer is in the store, the retailer has the best chance of making a sale if he can offer a customer a full range of prices." Hearing Transcript, page 111.

Door lock manufacturers can adopt one of three strategies in marketing their complementary door lock products: 1) Full product line - offer a full range of complementary door locks rather than having some of the product line supplied by other competitors; 2) Bundling - sell a group of distinct but complementary door locks together, only as a bundle, at a single price; or 3) Cross subsidization - sell one door lock at terms that deliberately promotes the sales of other complementary door locks.⁵⁸⁵⁹ These three strategies are used to some degree by most of the door lock producers and retailers. Builders or homeowners, buying a set of door locks to furnish a home, also compare the cost of the entire product line of complementary locksets to another product line or to a product line including some low priced close substitutes. In the replacement market, customers seek to find a replacement door lock which matches the style, color or brand of their existing set of door locks so the initial choice of locksets in furnishing a home has complementary affects on the important replacement door lock market.

The strength of this complementary affect depends on customer preferences and the price and availability of close substitutes. Competitors, such as the Taiwanese in this case, who offer low priced door locks which are knockoffs of the most popular domestic door locks, can have a devastating affect on the sales and entire price structure of a firm's product line. Therefore optimal pricing and product offering strategies which maximize profits of a complementary product line must take into account competitor price and product offerings. A producer's

⁵⁸ Mr. Brase, Vice President and Divisional Merchandise Manager in the buying office at Hechinger, states, "In the terms of the way we position our program at Hechinger, we basically position the import locksets at the opening low-end price points of our program, and force the customer to step up, and when they step, they step up into the domestic manufacturer's products. As you step up the features, in terms of price point, with the lockset programs, you get different styles." Hearing Transcript, page 156.

⁵⁹ A "loss leader" promoted through advertising brings customers to the store to then be "stepped up" to other higher value doorlocks or purchase other items in the store.

inability to sustain losses in cross subsidization due to the presence of a low priced competitor⁶⁰ may mean giving up some of the complementary advantages⁶¹ of a product line offering.⁶² However, offering less than a full product line puts a producer at a competitive disadvantage by having to serve certain segments of the door lock market and offering substitutes to other producers' complementary product lines at prices lower than that of the other producer's complementary product. Herein lies the devastating affect of the dumped Taiwanese imports, being sold side by side with domestic door locks in the lower price points, on the whole residential door lock pricing structure. The low price imports affect both the price ratios or premiums between price points and the ability to make complementary sales. Kwikset notes that Taiwan's unfair prices disrupted the entire price structure in the industry.⁶³

If the imports have the same features as the domestic products but at a much lower cost, U.S. domestic producers must cut prices to match the import prices or risk losing sales in that

⁶⁰ Petitioners testifying on behalf of Amerock's defunct National Lock Division describe how Amerock's strategy to take a very low margin on the low end in order to, on the balance, have their product mix give them acceptable profit levels, had met with disaster. Their effort to maintain a hold in the replacement market by selling a low price lock to compete with imported Taiwanese door locks resulted in their losing money on each sale. Their money losing low end lock then came to dominate their entire product line. Hearing Transcript, page 35 This may have been due to the price ratio between their higher end and low end lock becoming too high so customers increasingly choose the "underpriced" low end lock in Amerock's product line of door locks.

⁶¹ Offering complimentary product lines also leads to economies of scale in marketing by advertising a whole product line of locks both across price points and for sales within a price point. An established product line of doorlocks also forms a barrier to new entrants in both the builder and replacement market. Competitors would have to offer low priced replacements at individual price points or have to offer low priced, differentiated, or technologically improved complementary product lines to profitably enter the market.

⁶² How long cross subsidization can take place and losses be sustained in one segment of the doorlock market will depend on the price sensitivity of the higher end doorlock products, the strength of the cross price point complementarity and the strategic considerations of the firm to maintain a presence in the subsidized segment.

⁶³ Hearing Transcript, page 25. Kwikset states that this lowers the perception of what a lock should cost and impacts the products in the middle and higher price ranges.

price point.⁶⁴ As the term price point refers to a set of features characteristic of the types of door locks sold in a particular price range, the affect of a door lock having "midrange" features but being sold at a low-end price would have a devastating suppressing affect on the sales and prices of other "midrange" locks. Evidently this is what has been happening given the margins of underselling of comparable door locks shown in the staff report.⁶⁵ The continued improvement of the Taiwanese product, thereby affecting any perceived quality advantage the domestic producers have,⁶⁶ and the crucial shift of builders' door lock purchases from mass merchandisers and sales of Taiwanese imports to home builder distributors⁶⁷ will continue to erode any competitive advantage domestic producers do have.⁶⁸

⁶⁴ Kwikset testifies, "That is not because the Taiwan product is of lower quality or different in any other significant respect. Indeed, Taiwan's products are basically copies of U.S. products. When Taiwan targeted the U.S. residential market, first they identified the best-selling and the most popular U.S. locks and then copied them. The styles, as you can tell from looking at their marketing brochures, are the same styles offered by U.S. manufacturers. . . . When the Taiwan manufacturers entered the U.S. market, they targeted the high volume mass merchandise segment of that market. With their low prices, Taiwan captured every large share of this distribution channel. . . . More recently, we have begun to see builders and developers purchase supplies from these mass merchandisers. And those prices are much lower than the prices we can offer." Transcript hearing at 19, 20.

⁶⁵ Final Staff Report, pages 57 to 77.

⁶⁶ An improvement of a producer's doorlock quality can also raise its price premium or increase the firm's sales if they offer an improved doorlock at the preimprovement prices. Other firms must adjust prices or quality or stand to lose sales.

⁶⁷ A reduction in the existing "stock" of houses and buildings in the United States equipped with sets of domestically branded doorlocks hurts the ability of domestic doorlock manufacturers to maintain sales in the replacement market due to the complimentary effects of a product line.

⁶⁸ Mr. Brase, Vice President and Divisional Merchandise Manger in the buying office at Hechinger, states, "In most purchasing decisions, the customer will want to buy the brand of lock that is presently on his door. Therefore, repeat business is extremely important in the doorlock market." Hearing Transcript, page 150.

Comparative Strengths of the Competitors in the Door Lock Market

"Kwikset's dominant firm position provides a volume base that creates cost benefits not available to other domestic firms, because of long production runs and efficiencies from increasingly automated, state-of-the-art machinery and technology."⁶⁹ Kwikset has production advantages and economies of scale through the volume of its production and marketing of door locks. Longer production runs and the marketing of full product lines of door locks in volume lowers Kwikset's production, inventory, shipping and marketing costs per door lock. This gives Kwikset an advantage in the door lock market as a low cost supplier.

The Taiwanese imports have focused on producing door locks in a narrower product line at dumped low prices to high volume wholesale purchasers such as home centers and builders.⁷⁰ This allows Taiwanese door lock producers to have longer production runs, ship by container loads and bypass distributor channels and be a low cost supplier to the U.S. market.

Caught between Kwikset and the Taiwanese importers are the smaller domestic producers. They must contend with competitively priced full product lines by Kwikset at all price points and with the high volume low priced imports predominantly at the lower price ranges. Smaller producers have shorter production runs⁷¹ and incur higher marketing costs⁷² and are higher

⁶⁹ Economic Memorandum INV-N-006.

⁷⁰ In the hearing testimony of David W. Lasier, President of the Door Hardware Group, Ingersoll-Rand Company, he states, "When the Taiwan manufacturers entered the U.S. market, they targeted the high volume mass merchandise segment of that market. With their low prices, Taiwan captured a very large segment of this distribution channel, possibly as much as 50%. Traditionally, mass merchandisers sold only to the replacement market. But more recently, we have begun to see builders and developers purchase supplies from these mass merchandisers. And those prices are much lower than we can offer." Hearing transcript, page 19.

⁷¹ Smaller producers have a choice between shorter production runs or carrying large inventories of fabricated parts to meet customer orders. Switching dies in punch presses and setting up a production line for different types of door lock components takes time and costs money. However, if a firm has a longer production run for a particular component, inventory

cost suppliers. Smaller door lock producers also face downward price pressure from their distributors selling to retailers who in turn compete with the low priced home centers.⁷⁴

Smaller firms could attempt to niche market their products, concentrate on fewer products or lower their costs in an effort to compete.⁷⁵

In the short run, smaller producers could attempt to lower costs by having longer production runs for or shipping available inventory to their favored customers. However, this could result in back orders, shipments or long lead times for marginal customers unwilling to pay higher prices, provide prompt payment or accept the producer's conditions.⁷⁶ Home centers

costs will rise if customer orders are not of a sufficient volume to absorb the additional production. Larger firms with higher sales volumes can run more production lines and at a longer time per run thereby gaining production efficiencies.

⁷² Bruce Berg, Senior Vice President for Merchandising of the Home Depot noted, "A large part of the problem with the domestic industry is they attempt to manufacture every conceivable type of lock in finish, color, and function possible. Because of the wide variation in styles and colors, it is impossible to maintain sufficient finished goods inventory." Hearing Transcript, page 131.

Mr. Brase, Vice President and Divisional Manager in the buying office at Hechinger, said, "... the domestic suppliers, they tend to try to be all things to all people. They cater to the residential replacement market, the builder, market, the contractor segment of the market place. As a result, their product offerings, when you put it all together, is extremely lengthy and up to hundreds of SKUs in terms of potential offerings. That is one of the reason why they don't build a lot of inventory on that product offering." Hearing Transcript, page 167.

⁷³ Due to filling and shipping smaller purchase orders.

⁷⁴ The effect of low priced imports extends beyond the doors of the store carrying imported door locks. Home centers offering low priced imported locks will affect retail prices at hardware stores and other retail outlets.

⁷⁵ "U.S. doorlock manufacturers, for the most part, are vertically integrated, producing within their establishment most of those component parts which, when assembled, constitute a complete lock set". Final Staff Report, page 15. A move of assembly operations abroad or to another location in the United States represents a loss of some of productive efficiency as shipping costs and some duplication in management and capital costs may occur.

⁷⁶ In the testimony at the conference and hearing, respondents stated that some of the smaller U.S. companies were losing business to other domestic producers and to imports from Taiwan because of poor response to customer orders. Conference transcript, pages 90 and 116; hearing transcript, pages 130-131.

insisting on low prices or promotional allowances from smaller domestic producers may very well suffer breaks in vendor service. Continued attempts by the producer to cut customer service costs may eventually result in the customers going to another vendor with better service.

Reaction of Domestic Producers to Low Priced Taiwanese Imports

With the entry of Taiwanese door locks initially targeting the high volume mass merchandising market and then expanding to the builder market thereby affecting the pricing structure and door lock offerings of the domestic industry, the domestic industry has attempted a variety of competitive strategies. Kwikset has used its dominant position to compete vigorously and adjust by offering the low price "Tylo" lock and lowered production costs by moving to low labor cost areas within the United States. Taiwanese imports have continued to dump low priced door locks and while their share of the domestic market has remained stable from 1986 to 1988, it jumped sharply in the interim period as smaller and weaker U.S. firms are no longer able to compete in particular market segments.⁷⁷ The product package of low dumped prices, reliable service and large volumes of door locks by the Taiwanese offers a powerful negotiating chip for home centers and other purchasers in their purchasing discussions

⁷⁷ A cost leadership strategy focusing on a target market seeks to eventually preempt other rivals by weakening their competitive position by forcing them to incur continuous losses and eventually deciding to abandon the market. Defensive strategies by other firms against cost leadership involve achieving lower costs of production through increased efficiency or technological change in order to match the low prices of the cost leader and eventually force the cost leader to settle for less than the hoped for share of the market. Kwikset's Tylo lock appears to be able to do this but other U.S. products are not able to compete and have left the market.

with domestic door lock producers.⁷⁸⁷⁹ Failure to match the Taiwanese offers effectively and systematically excludes domestic door lock producers from winning contracts with the home centers or other purchasers or causes the domestic company to lose money.⁸⁰ Only Kwikset, with the Tylo lock, has been able to match Taiwanese marketing practices⁸¹ despite repeated attempts by other domestic manufacturers to market door locks in the low price points.⁸²

The smaller U.S. firms, caught between the dominant position of Kwikset and the sales of the

⁷⁸ Competition among mass merchandisers and home center chains makes this market perhaps a more price sensitive market than the retail hardware store market. Planned promotional programs by mass merchandisers and home centers are frequent, center on price and are supported by domestic promotion allowances.

⁷⁹ Kwikset notes, "Mass merchandisers, home centers sell primarily on the basis of price. Their growth was due to their ability to purchase large volumes, eliminate intermediate levels of distribution and offer the consumer the lowest possible price." Hearing Transcript at 25.

⁸⁰ Mr. Conners, the President of the Weiser Lock Company related his company's efforts to compete with the low priced Taiwanese imports. "Taiwan's penetration of the market began in the early 1980s. In the period of 1985 and 1986, we had our first crisis, when we lost our \$5 million to \$6 million business with mobile-home door manufacturers to the low-priced Taiwan imports. We responded to this loss of business in two ways: First, we drastically cut prices, hoping to win back some of the business, but despite these deep price discounts, by 1988, our mobile-home business declined again. We also found it impossible to sustain these price cuts, because the company was losing money on the mobile-home business. We were forced to increase our prices to maintain our profits, and by the middle of 1989, our business with mobile-home door manufacturers, once again, returned to zero. Inexorably, we were being squeezed out of this market by imports from Taiwan." Hearing Transcript, page 31.

⁸¹ Mr. Sigmund, Merchandise Manager of The Butter Company, stated, "Our [imported] Design House locksets do not compete with any other locksets we sell except for the Kwikset Tylo line." Hearing Transcript, page 112.

⁸² Art Leva, President of National Lock Corporation, testified as to the experience of National Lock and Amerock Corporation, predecessor of National Lock: "Amerock lost several million dollars in sales outright to the Taiwanese at the outset of incredibly low prices. Secondly, Amerock made a strategic decision to fight the low-priced imports by creating a lock called 'Good Lock'. They designated one of their locks by changing the handle size only and pricing it extremely low. . . . The problem was that Amerock lost money on every sale and Good Lock, as you can imagine, grew to dominate Amerock's product line. The inability to reduce costs in the face of rising material prices at the same time and pricing the product extremely low to meet Taiwanese competition spelled disaster for Good Lock." Weslock also offered its "Viking" lock and lost money and market position to Taiwanese imports. Hearing Transcript, page 34 & 36.

low priced imports, have reacted by engaging in price competition and promotional activities⁸³ by offering low priced alternatives to imports, abandoning some product offerings, closing production facilities, lowering costs by moving their entire production operations or just their assembly operations⁸⁴ to lower labor cost areas, both in the U.S. and abroad. It is the smaller U.S. producers who are either suffering low profit levels or moving their operations abroad in an effort to stay in this market as the dynamics taking place in the industry is affecting the smaller firms most severely.⁸⁵ Their operations in the United States have gotten absolutely smaller and the U.S. industry as a whole, including Kwikset, has also gotten smaller as was noted in the earlier Condition of the Industry section.⁸⁶

This shakeout and downsizing of the U.S. residential door lock industry producing in the United States will probably continue until a new price and output equilibrium is achieved. Firms pricing aggressively will find they cannot gain new market share but will only lose total revenue by their pricing tactics if other firms are able to match their prices, costs or marketing tactics.⁸⁷

⁸³ Petition at 23-25 citing new lower priced lock designs or price cutting promotions in order to retain or secure business.

⁸⁴ Some U.S. firms have shifted their doorlock assembly operations abroad and one firm buys its doorlock parts from its offshore facility in Mexico or Thailand. This shift from vertical integration to component manufacturing has reduced U.S. employment, productive capacity, and domestic shipments and increased controlled imports.

⁸⁵ Final Staff Report, Table 14.

⁸⁶ Final Staff Report, Table 8 and 14.

⁸⁷ Upon completion of this period of adjustment, a new "cooperative" oligopoly situation may eventually emerge with Kwikset's domestic product lines and Taiwanese imports in segments of the market and smaller U.S. firms using their own production and controlled imports to complete their product lines as alternatives to Kwikset offerings and Taiwanese imports.

Material Injury by Reason of LTFV Imports

To assess the relationship between any material injury to the domestic industry and the imports under investigation, the Commission considers import volume, the affect of imports on domestic prices, and the impact of imports on the U.S. operations of domestic producers.⁸⁸ No one factor is determinative,⁸⁹ 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.⁹⁰ The Commission may take into account information concerning other causes of harm to the domestic industry, but is not to weigh causes.⁹¹ The imports need only be a cause of material injury.⁹²

⁸⁸ 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.

Section 771(7)(C) of the Act, 19 U.S.C. 1677(7), 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.

⁸⁹ 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*, 519 F. Supp. 916, 922 (CIT 1981).

⁹⁰ See section 1328(1) of the 1988 Trade Act.

⁹¹ "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).

⁹² See e.g., *LMI-La Mettali Industriale, S.p.A., v. United States*, 13 CIT ___, Slip op. 89-46 (April 11, 1989) at 31, citing *British Steel Corp. v. United States*, 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 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*, 704 F. Supp. at 1101.

The volume of imports of residential door locks from Taiwan as a share of U.S. consumption, rose slightly from 1986 to 1988; imports then rose sharply from interim 1988 to interim 1989.⁹³ The value of imports from Taiwan as a share of domestic consumption by value showed a rise in subject imports from 1986 to 1988 and sharp rise from interim 1988 to interim 1989. I also find that the volume and value of residential door locks imported from Taiwan is significant.⁹⁴

Imported door locks from Taiwan are consistently underselling U.S. door lock products. The available data show that in the two major markets for door locks, imports undersold domestically produced products in 111 of 119 price comparisons by margins ranging from 4 to 61%.⁹⁵ The average margin of underselling was also significant. It generally declined in the builder developer market but averaged about 20 -30% for all products during the period. In the home center/mass merchandiser market, the average margin of underselling was about 35 - 50%. While I recognize that door lock products range from low-end standard door locks to deluxe high-end models, the available price comparisons are of U.S. and import door lock products from Taiwan with the same specifications. As noted by most purchasers, there is no significant difference between domestic residential door locks and imported door locks from Taiwan.⁹⁶ These margins of underselling for comparable products indicate a pattern of underselling which affects U.S. suppliers' ability to make sales within a price point or between

⁹³ As noted earlier, this sharp rise is a significant market development as years of underpricing and cost leadership by the Taiwanese have weakened the competitive position of some of the U.S. doorlock producers until the Taiwanese were able increase their U.S. market share by their dumping practices.

⁹⁴ I note, however, that an increase in fairly traded imports has accounted for most of the loss of market share by the U.S. industry.

⁹⁵ Final Staff Report, Tables 31.

⁹⁶ Final Staff Report, page 80.

price points, maintain or raise prices, or continue the production of products at profitable levels as was explained in earlier sections.

In the builder/developer market, domestic prices generally remained flat while imported prices from Taiwan have generally risen narrowing the significant margin of underselling throughout the period. However in the mass merchandiser/home center market, domestic prices remained flat or rose slightly while Taiwanese products imported directly remained flat or rose slightly resulting in little change in the significant margins of underselling.⁹⁷

This difference in price movements in the two markets may be explained in part by purchasers⁹⁸ who note that the competition between mass merchandisers and home center chains buying directly from door lock manufacturers is more price sensitive than the retail hardware store market who services part of the builder market and who buys from wholesalers.⁹⁹ Taiwanese importers servicing the price sensitive mass merchandising market stand to lose accounts if they dare to raise prices. In the builder/developer market, however, Taiwanese price increases may be able to be passed on by wholesaler purchasers.

Labor is a controllable cost accounting for roughly 30% of total costs.¹⁰⁰ Manufacturers are also faced with increasing zinc, copper and brass prices over the subject period and have not been able to pass along these increased costs in the prices of residential door locks.¹⁰¹¹⁰²

⁹⁷ The significant dumping margins of the Taiwanese allow them to maintain a presence in this price sensitive market.

⁹⁸ Final Staff Report, page 78.

⁹⁹ Final Staff Report, page 79.

¹⁰⁰ Economic Memorandum INV-N-006

¹⁰¹ Conference transcripts, page 19; hearing transcript, pages 35, 39.

¹⁰² Posthearing Brief of Petitioners at Exhibit 5. Note the doubling of copper prices since 1986. Meanwhile door lock prices remained relatively stable as door lock manufacturers sought to adjust some of their controllable costs such as labor and production efficiency in an effort to hold prices down and maintain market share in the face of massive underselling by Taiwanese

"Faced with increasing wages in California plants, rising material costs and increasing price competition from the imported door locks from Taiwan, [domestic] manufacturers have relocated production facilities offshore to Mexico and Thailand, and to lower labor cost locations in Arizona, Alabama and Texas."¹⁰³¹⁰⁴ The shift of domestic firms such as Dexter, National and Harlow to lower cost areas in the United States allows them to have lower costs and more readily available labor than that available in California. An inability to pass on materials costs and the relocations of productive facilities to lower labor costs areas in an effort to lower production costs is strong evidence of price suppression by subject imports. There was no testimony indicating that substitutes for residential door locks such as commercial door locks¹⁰⁵ were affecting residential door lock prices. It could be argued that the changing competitive conditions in the residential door lock industry have been the sole cause of the difficulties in the U.S. industry but, while the respondents do not explicitly address it, the coincidence of the entry of the imports and the "breakdown of the oligopolistic market structure", as characterized by respondents, is hard to ignore.¹⁰⁶ Data gathered in this final investigation appear to confirm some of petitioner's allegations of lost sales and lost revenues

imports.

¹⁰³ Economic Memorandum INV-N-007.

¹⁰⁴ "In California, low unemployment, high wages, and alternative opportunities limit labor availability at the non-union wage rates this industry chooses to pay. This high cost, short labor supply situation was cardinal factor in decision by firms to relocate elsewhere in the United States and abroad." Economic Memorandum INV-N-006.

¹⁰⁵ Commercial door locks face similar labor and materials costs as residential door locks.

¹⁰⁶ Whether the entry of Taiwanese imports was the sole cause of the breakdown of the oligopoly or if all doorlock producers, including the Taiwanese imports, acting together in reaction to a new set of prices and output signals were the cause of the breakdown of the oligopoly is debateable. However, it does appear that the entry of the Taiwanese imports into the U.S. doorlock market were a cause leading to the breakdown of the "cooperative" oligopoly which was characterized to be condition of competition in the residential doorlock industry in the early 1980s.

due to allegedly LTFV unfairly traded imports from Taiwan.¹⁰⁷

U.S. producer questionnaire responses also assert that U.S. firms were unable to pass on raw materials cost increases through further price increases, were forced to relocate 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 at previous levels, incur plant closing and relocation costs, or have had to drop low-end, low-cost product lines and market share due to the impact of the low priced residential lock imports from Taiwan.¹⁰⁸ These assertions by U.S. producers are supported, in part, by information showing declines in U.S. production, shipments, market share employment, as detailed earlier in our discussion of the Condition of Industry.¹⁰⁹

Given the significant volume of subject imports in the U.S. market, evidence of consistent underselling and price suppression by unfairly traded Taiwanese door locks affecting U.S. producers' door lock prices and product offerings, confirmed allegations of lost sales and revenues, and the shift of some U.S. firms offshore, I find that the residential door lock industry in the United States is materially injured by reason of LTFV imports of residential door locks from Taiwan.

¹⁰⁷ Final Staff Report, pages 83 to 86.

¹⁰⁸ Final Staff Report at Appendix C.

¹⁰⁹ 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.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

Following a preliminary determination by the U.S. Department of Commerce (Commerce) that certain residential door locks and parts thereof from Taiwan are being, or are likely to be, sold in the United States at less than fair value (LTFV),¹ the U.S. International Trade Commission, effective October 6, 1989, instituted investigation No. 731-TA-433 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) to determine whether 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. Notice of the institution of the Commission's final investigation, and of the public hearing to be held in connection therewith, was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 25, 1989 (54 F.R. 43504).² The hearing was held in Washington, DC, on December 21, 1989.³

In its final determination, published in the Federal Register of December 27, 1989 (54 F.R. 53153), Commerce determined that imports of certain residential door locks and parts thereof from Taiwan are being, or are likely to be, sold in the United States at LTFV.⁴ The applicable statute directs that the Commission make its final determination by February 2, 1990.

¹ For purposes of this investigation, the term "residential door locks" includes the following categories of 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. Such door locks are provided for in subheading 8301.40.60 of the Harmonized Tariff Schedule of the United States (HTS) and statistical reporting number 8301.40.6030 (previously reported under item 646.9210 of the former Tariff Schedules of the United States Annotated (TSUSA)). Commerce differentiated residential door locks from other door locks (i.e., those for commercial or other uses) by the size of the face-plate or housing assembly. Residential door locks do not include door locks suitable for use with garage, overhead, or sliding doors. Parts of door locks are provided for in subheading 8301.60.00

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

³ A list of the participants in the hearing is presented in app. B. A portion of the hearing was conducted in camera (see 54 F.R. 53379 (Dec. 28, 1989)).

⁴ A copy of Commerce's notice of final determination is presented in app. A.

Background

This investigation results from a petition filed by the Ad Hoc Committee of Door Lock Manufacturers (hereinafter the "Ad Hoc Committee")⁵ on April 24, 1989, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of residential door locks from Taiwan. In response to the petition, the Commission instituted, effective April 24, 1989, investigation No. 731-TA-433 (Preliminary) under section 733 of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)). On June 8, 1989, the Commission determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Taiwan of such merchandise.⁶

Nature and Extent of Sales at LTFV

On December 27, 1989, Commerce published in the Federal Register its final determination that certain residential door locks and parts thereof from Taiwan are being, or are likely to be, sold in the United States at LTFV (54 F.R. 53153). In the conduct of its final investigation to determine whether imports of certain residential door locks and parts thereof⁷ from Taiwan are being sold, or are likely to be sold, in the United States at LTFV, Commerce made fair value price comparisons of the subject merchandise, having the same or similar physical characteristics, based on United States purchase prices and home market or third country purchase prices. On the basis of these price comparisons (covering the period Nov. 1, 1988, through Apr. 30, 1989), final weighted-average LTFV margins were found by Commerce to range from 1.27 to 17.75 percent, as shown in the following tabulation (in percent):

<u>Producer/exporter</u>	<u>Weighted-average LTFV margin</u>
Fu Hsing.....	17.59
Tong Lung.....	1.27
Posse.....	17.75
All others.....	8.24

⁵ The petitioning Ad Hoc Committee 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.

⁶ Chairman Brunsdale, Vice Chairman Cass, and Commissioners Lodwick and Newquist voted in the affirmative. Commissioners Eckes and Rohr dissented.

⁷ Staff at the U.S. Department of Commerce informed the Commission's staff that parts were specifically excluded from the LTFV price comparisons.

The quantity and value of U.S. sales examined by Commerce during its period of investigation were as follows: for Tong Lung, sales of *** units, valued at \$***; for Fu Hsing, sales of *** units, valued at \$***; and for Posse, sales of *** units, valued at \$***.

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.⁸

Cylindrical and tubular locksets 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.

⁸ As noted above, door locks suitable for use with garage, overhead, or sliding doors are not within the scope of this investigation. Also excluded from the scope of this investigation are locks that are generally used on commercial doors. See supra at n. 1.

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 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 two 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 differences between residential and commercial/other door locks in:⁹

1. physical characteristics;
2. uses;
3. performance standards;
4. production processes;
5. channels of distribution; and
6. 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:

⁹ Inv. No. 731-TA-433 (Preliminary), postconference brief, May 17, 1989, pp. 5-11.

1. if a face-plate spring lock/latch, dead latch, or deadbolt, the unit has (a) a face-plate size of 1 inch or less (plus or minus 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 or minus a tolerance of 1/16 inch) in outside diameter; or
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 or minus 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 above criteria appear relevant for identifying most domestically produced and imported door locks.¹⁰

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

¹⁰ Transcript of Conference (Conference TR), pp. 47-51.

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.

An important distinction between residential and commercial door locks is the size of the door in which each is installed. Commercial door locks, because of the wider (1-1/8 inch or more) face-plate and heavier metal used, are generally installed on metal or wooden doors of a size typically larger than the standard size door used in most one- or two-family dwellings. As a heavier lock used in larger doors, commercial door locks tend to provide greater security.

The production processes for manufacturing residential and commercial/other door locks also differ because 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).

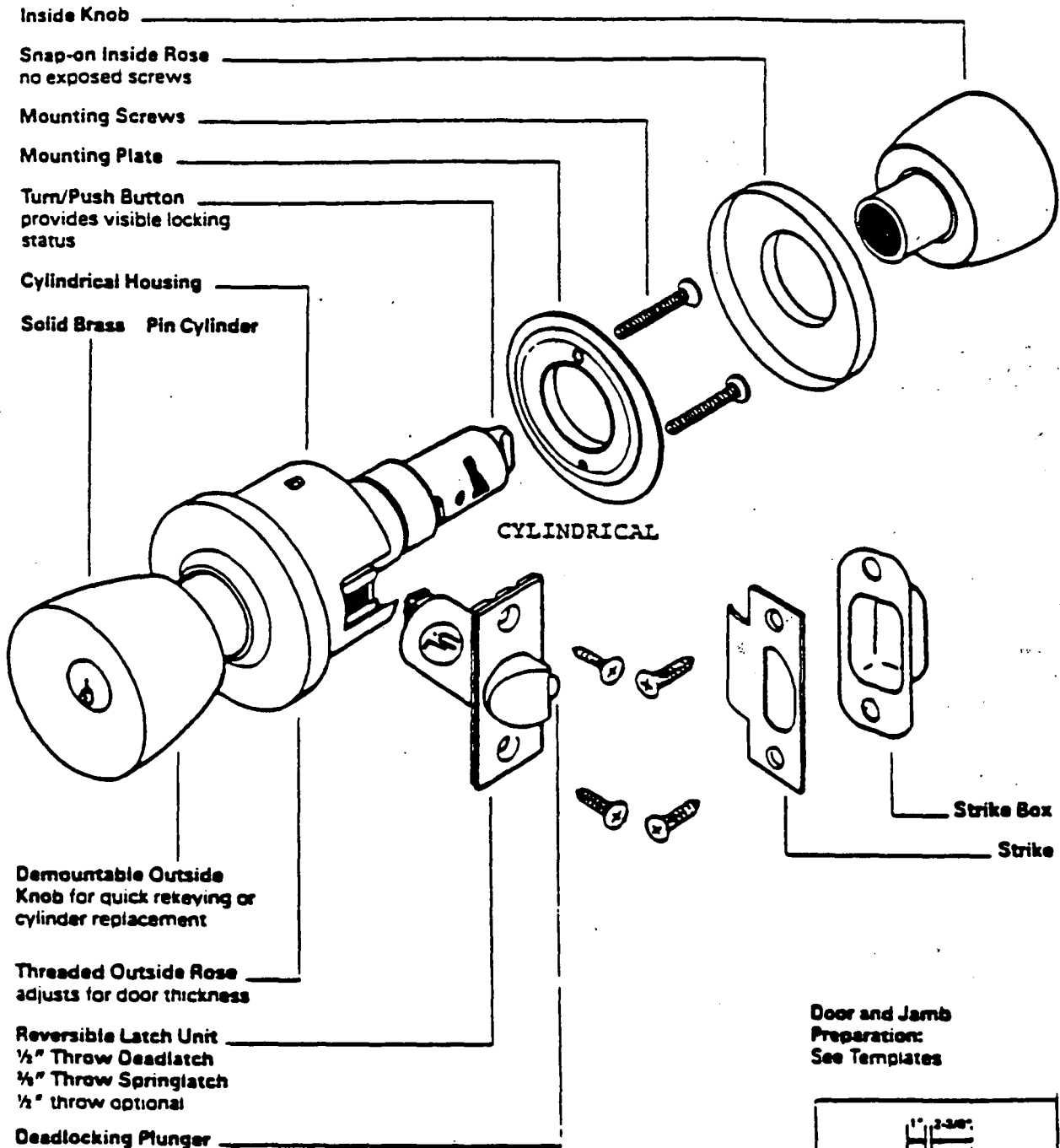
Residential locks are sold mainly to distributors carrying large volumes of standard products and to mass merchandisers servicing individual home owner-replacement lock needs. Commercial locks are generally sold to building contractors through a bid process, and such locks conform to architect specifications. 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 which 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 face-plate 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 accounted for just under 2.0 percent of the quantity of other door lock shipments in 1988.¹¹ Because of the differences between locks used in residential and nonresidential applications, data are presented separately throughout this report.

¹¹ Figure derived from Commission questionnaire responses.

Figure 1
Illustration of cylindrical door lock



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

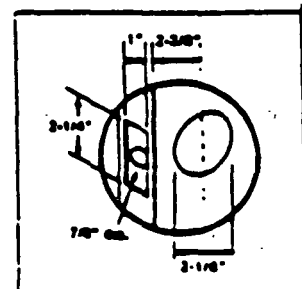
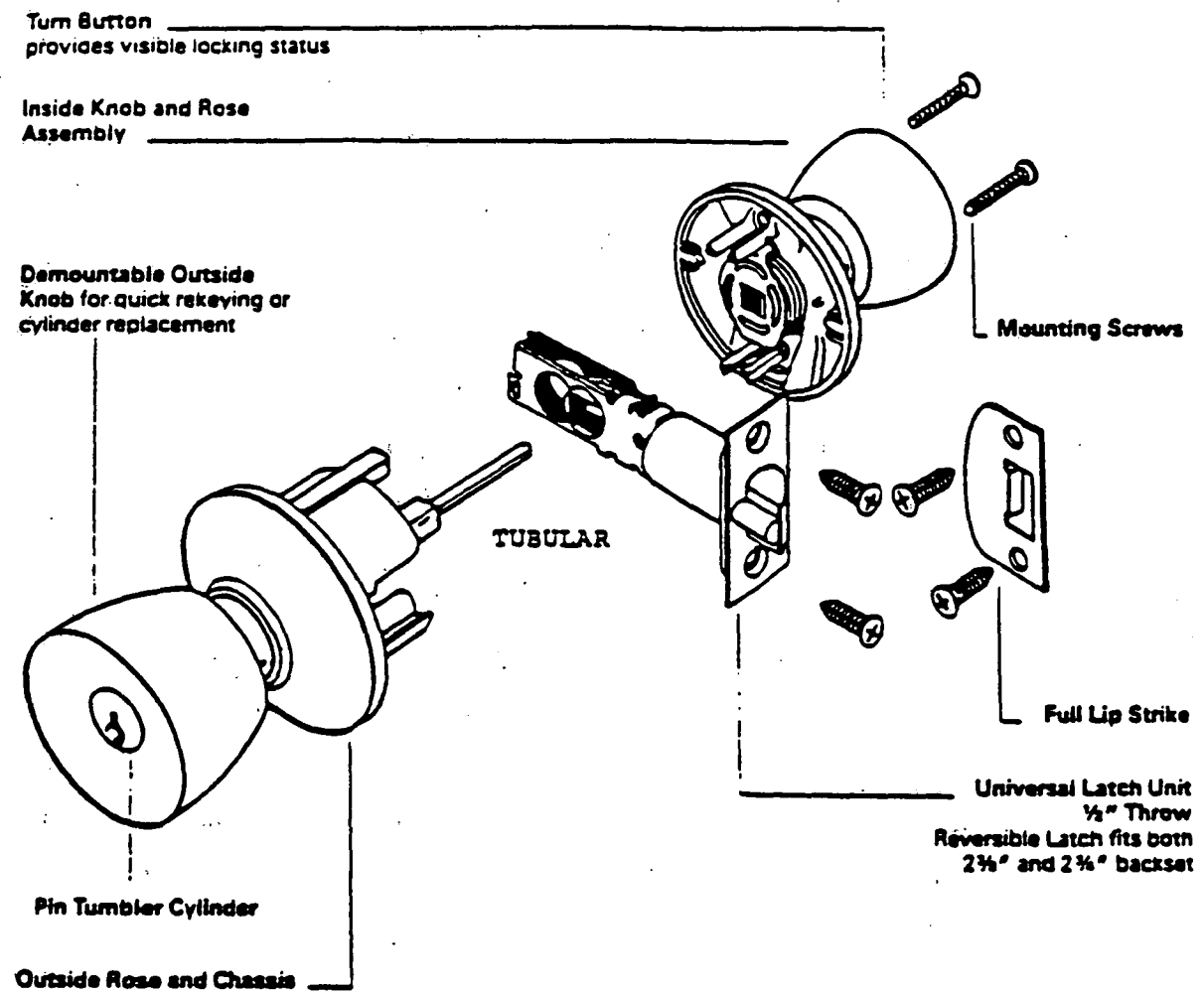
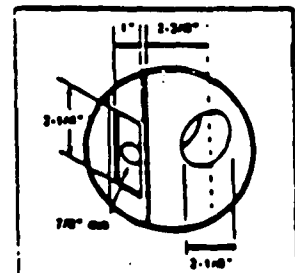


Figure 2
Illustration of tubular door lock



Door and Jamb
Preparation:
See Templates

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



As depicted in figures 1 and 2, complete residential door locksets consist of many individual parts. Apart from screws and springs, principal component parts include knobs, levers, cylinders and cylinder housings, rose assemblies and chassis, lip strikes, face- and strike-plates, latches, strike boxes, turn/push buttons, and pin tumblers. Outside of a very limited market in the locksmith trade, which uses pins, latches, and cylinders for rekeying operations, these parts are used principally as components of completed lock sets.

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.¹² 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. Semiautomated 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. Producers in the United States rely on machines to accomplish this phase of the operation.

¹² Based on questionnaire responses, the domestic industry does not use stainless steel in its door locks. Three producers, however, offer bright chrome, chrome-plated brass, or satin chrome as accepted substitutes (see p. A-22).

U.S. tariff treatment

Residential and commercial door locks are provided for in subheading 8301.40.60 of the HTS,¹³ a heading that includes door locks, locksets, and other locks, both mechanical and electronic, suitable for use with interior or exterior doors (except garage, overhead, or sliding doors). These products were previously classified in former TSUSA item 646.9210. The column 1-general rate of duty under this HTS subheading for imports from countries entitled to most-favored-nation (MFN) status (including Taiwan) is 5.7 percent ad valorem.¹⁴

Parts of residential door locks are provided for in subheading 8301.60.00 of the HTS, a heading inclusive of parts for padlocks and all other locks of base metal, including locks used on motor vehicles, furniture, luggage, and doors.¹⁵ The subheading does not cover parts of general use (such as fasteners), parts presented in the form of disassembled "kits", and keys presented separately.

¹³ 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.

¹⁴ 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. 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.

¹⁵ Commerce's final determination notes that "The HTS item for parts was inadvertently omitted from the preliminary determination." Similarly, the Commission's notice of institution used the term "certain residential door locks and parts thereof" but did not cite HTS subheading 8301.60.00. Imports of subject merchandise under item 8301.60.00 are, however, within the scope of this investigation.

The U.S. Market

Factors affecting demand

As stated earlier, residential door locks are used in the construction of single- and multi-unit residential housing (including manufactured housing) and as replacement locks installed in existing dwellings. Hence, residential door lock demand is partly influenced by demand for both new and existing residential housing, which in turn is affected by, among other factors, home interest rates.

Based on estimates of the U.S. Department of Commerce's Bureau of Census, total private housing starts fell in all categories from 1986 to 1988 (see tabulation below). Starts of single-unit structures declined by 10.9 percent while starts of multiunit structures fell by 36.1 percent. Similarly, as shown in the tabulation, shipments of manufactured (mobile) housing, which also affect demand, declined from 244,000 units in 1986 to an estimated 220,000 units in 1988, a decrease of 9.8 percent.

Period	Total	Single-unit structures			Multiunit structures				
		Total	Detached houses	Town-houses ^{1/}	Total	2- to 4-units	Town houses ^{1/}	Apart-ments	Mobile homes
1986.....	2,049	1,179	1,013	166	626	84	52	490	244
1987.....	1,852	1,146	1,004	142	473	65	35	373	233
1988 2/..	1,670	1,050	935	115	400	53	32	315	220

^{1/} A single unit townhouse is separated from adjoining units by a ground-to-roof wall and has separate utilities. Townhouse apartments, though attached, are not separated by a ground-to-roof wall, and they may share infrastructural facilities.

^{2/} Estimated.

Despite the downward trend in housing starts, apparent U.S. consumption of residential door locks rose during 1986-88 and industry officials are optimistic that the replacement segment of the market (i.e., retail sales to do-it-yourself homeowners) will continue to create modest growth in demand, ranging in the area of 4 to 8 percent annually.¹⁶

U.S. producers

During January 1986-September 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. Questionnaires were also

¹⁶ Transcript of the Hearing (Hearing TR), pp. 52-56.

Table 1

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

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	***	***	* * *
	Denison, TX 1/			
	Bristow, OK			
National Lock Corp.....	Sikeston, MO	***	2/	* * *
Schlage Lock Co.....	San Francisco, CA	***	***	* * *
	Security, CO			
	Rocky Mount, NC 3/			
Weiser Lock Co.....	Huntington			
	Beach, CA 4/	***	***	* * *
	Tucson, AZ 5/			
Weslock Corp.....	Los Angeles, CA	***	2/	* * *
Non-Ad Hoc Committee members:				
Arrow Lock.....	Brooklyn, NY	***	***	* * *
Baldwin Hardware Corp.....	Reading, PA	***	***	* * *
Harloc Products Corp.....	Taylorsville, KY 6/	***	2/	* * *
<u>Other lock producers:</u>				
Non-Ad Hoc Committee members:				
Best Lock Co.....	Indianapolis, IN	2/	***	* * *
Corbin & Russwin.....	Berlin, CT	2/	***	* * *
	Clarksdale, MS			
Marks Hardware, Inc.....	Hicksville, NY	2/	***	* * *
Sargent Manufacturing Corp..	New Haven, CT	2/	***	* * *
Simplex Security Systems....	Collinsville, CT	2/	***	* * *
Vingcard Systems, Inc.....	Dallas, TX	2/	***	* * *
Yale Security, Inc.....	Charlotte, NC	2/	***	* * *
	Lenoir City, TN			

1/ Plant currently under construction.

2/ No production.

3/ Plant closed permanently July 1988.

4/ Relocating production operations from this site to a smaller facility in Tucson, AZ.

5/ Production startup scheduled to commence January 1990.

6/ Relocated from West Haven, CT, in 1989.

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

mailed to an additional 50-odd firms identified by staff as possible producers. From this group, 29 firms responded by indicating that they do not produce such products.¹⁷

With the exception of four firms, Baldwin Hardware Corp., Schlage Lock Co., Weiser, and Arrow Lock, 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. Baldwin Hardware is primarily a commercial lock producer, holding a ***-percent share of the commercial market (as opposed to *** percent of the residential market). Schlage Lock is one of the largest commercial lock producers in the United States; however, it maintains * * * the residential market as well (*** percent of the commercial market, compared with *** percent of the residential market). Weiser had a ***-percent share of the residential market in 1988 and *** percent of the commercial market. Arrow Lock commands * * * of both markets, * * * (*** percent vs. *** percent in the residential market).

Only seven firms producing other locks, in addition to the firms also producing residential door locks, responded to the Commission's questionnaire. Both residential and commercial door lock production facilities, which vary from relatively small operations to large multiplant operations, 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-September 1989, several residential lock producers established facilities in Mexico and Thailand, as shown in table 2. In 1986-87, Schlage established its operations in Mexico, followed by Weiser in Thailand and Mexico and Weslock in Mexico in 1986-88. 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 offshore (United Kingdom and Canada, respectively).

There were a number of acquisitions, expansions, and contractions in the residential lock industry during the investigation period. Harloc was bought by Newman-Tonks in April 1989. In June 1989, it closed its West Haven, CT, plant and moved to Taylorsville, KY, where it now employs the same number of workers performing light assembly and packaging of door locks. Weiser is closing its Huntington Beach, CA, plant to relocate in Tucson, AZ, where it will employ about 300 employees in a smaller plant (there are 1,100 employees in California). This move is expected to be completed by May 1990. Amerock sold its facility to National Lock Corp. in 1987, for \$10 million less than it paid for the plant in 1984.¹⁸ Schlage closed its Rocky Mount, NC, plant in July 1988, balancing that loss of production with expansions in its California, Colorado, and Mexican operations. Weslock opened a plant in Mexico in 1987. Finally, Kwikset Corp. was acquired from the Emhart Group by Black & Decker Corp. in April 1989. Kwikset began construction of a plant in Texas in November 1988, where it plans to eventually relocate its basic

¹⁷ When contacted by staff, some of these firms indicated that their production consists of specialty locking devices for use in commercial and security applications.

¹⁸ National is expected to finalize its purchase of Weslock Corp. in January 1990.

Table 2

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

Firm	Corporate ownership and nationality	Foreign plant locations	Share of 1988 import value of residential locks	Ratio of imports to U.S. production
<u>Residential lock producers:</u>				
Ad Hoc Committee members:				
Dexter Lock Co.....	Master Lock Corp. (US)	None	***	***
Kwikset Corp.....	Black & Decker (US)	None	1/	1/
National Lock Corp.....	Same (US)	None	1/	1/
Schlage Lock Co.....	Ingersoll Rand (US)	Auchland, New Zealand		
		Ontario, Canada		
		Tecate, Mexico	***	***
Weiser Lock Co.....	Masco Corp. (US)	Bangkok, Thailand	***	***
		Mexicali, Mexico		
Weslock Corp.....	J.P. Industries (US)	Mexicali, Mexico	1/	1/
Non-Ad Hoc Committee members:				
Arrow Lock.....	Same (US)	None	1/	1/
Baldwin Hardware Corp.....	Masco Corp. (US)	None	1/	1/
Harloc Products Corp.....	Newman-Tonks (UK)	None	***	***
<u>Other lock producers:</u>				
Non-Ad Hoc Committee members:				
Best Lock Co.....	Best Universal Lock Co. (US)	None	1/	1/
Corbin & Russwin.....	Black & Decker (US)	None	1/	2/
Marks Hardware, Inc.....	Same (US)	None	1/	1/
Sargent Manufacturing Corp..	Essex Industries, Inc. (US)	None	***	2/
Simplex Security Systems....	Unicam Security Systems, Inc. (Canada)	Quebec, Canada	1/	1/
Vingcard Systems, Inc.....	Wartsila, Inc. (US)	Helsinki, Finland	1/	1/
Yale Security, Inc.....	Yale Valor (UK)	Midlands, UK		
		Rome, Italy		
		Eskilstuna, Sweden	***	2/

1/ No imports.

2/ No production. Firm produces only nonresidential door locks.

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

production to a lower wage-rate area. Most firms cited import competition from Taiwan as one of their reasons for relocating to lower wage-rate areas or to overseas operations.

Residential door lock producers for the most part are vertically integrated, producing within their establishments most of those component parts which, when assembled, constitute a complete lock set. Domestic producers do rely on some outside vendors for some parts, particularly knobs.¹⁹ ²⁰ Based on Commission questionnaire responses, U.S. producers indicated that the U.S.-made content (in terms of value) of the residential door locks produced in their establishments was at least 95 percent.

U.S. importers

Questionnaires were mailed to 61 firms believed to be importers of residential door locks and parts thereof from Taiwan. Of the 61 firms, approximately 40 may be considered major importers of the subject product from Taiwan. Thirty firms responded to the Commission questionnaire and 28 were able to supply usable data. Additionally, six producers of door locks reported imports--only one of which imported residential door locks from Taiwan. The 29 firms reporting imports from Taiwan accounted for about 60 percent of the total estimated value of imports of residential door locks from Taiwan in 1988.

These importers, which consist largely of mass merchandisers (such as Hechinger, Grossman's, and Scotty's) and a wide variety of hardware wholesalers, cooperatives, and other distributors, are located throughout the United States. In addition, a number also maintain standing relationships with Taiwan manufacturers through sales agents located in the United States and Taiwan. Based again on questionnaire responses, U.S. companies producing residential locks account for the vast majority of residential lock imports from all sources except Taiwan (about 94 percent of the value of residential locks from all other sources in 1988).²¹

Based on questionnaire responses, three firms reported imports of residential door lock component parts. The aggregate value of such imports was minimal in all periods when compared with the value of total residential door lock imports. Weiser, the only producer which reported imports of parts, began to import parts only in interim 1989. Its imports of parts during that period were all from Taiwan and were valued at \$***.

¹⁹ Tubing Seal Cap, a parts manufacturer located in Azusa, CA, supplies knobs to all U.S. residential door lock producers. Although door knobs are its primary output, the firm also produces latch cases and cylinder columns for door locks. According to a company spokesperson, the firm employs approximately *** workers and * * *.

²⁰ Weiser reported purchases of residential door lock component parts from U.S. vendors valued at \$*** in interim 1989.

²¹ * * *, which has no production of residential door locks, imports residential door locks from Taiwan.

Apparent U.S. consumption

Data on apparent U.S. consumption of residential and other door locks are presented in table 3. Apparent U.S. consumption of residential door locks increased in quantity by 7.1 percent from 1986 to 1988, and then decreased by 4.7 percent from interim 1988 to interim 1989. The value of consumption followed a similar trend, increasing by 13.1 percent from 1986 to 1988 and decreasing by 3.6 percent in the interim period. Apparent U.S. consumption of other door locks increased steadily from 1986 to 1988, in terms of both quantity and value. However, from interim 1988 to interim 1989, consumption of other door locks declined in quantity by 10.3 percent while increasing in value by 3.7 percent.

The quantity and value of apparent consumption of all door locks, after increasing in 1986-88, turned downward in interim 1989.

Table 3

Door locks: U.S. producers' domestic shipments, imports, and apparent U.S. consumption, by types, 1986-88, January-September 1988, and January-September 1989

Item	1986	1987	1988	Jan.-Sept.--	
				1988	1989
	Quantity (1,000 units)				
Residential door locks:					
U.S.-produced shipments....	48,623	46,002	44,580	33,331	31,154
Imports from Taiwan.....	9,286	10,172	9,574	6,989	8,305
Imports from all other sources.....	5,608	9,414	13,846	10,237	8,745
Apparent consumption.....	63,517	65,588	68,000	50,557	48,204
Other door locks:					
U.S.-produced shipments....	9,169	10,579	12,637	10,200	9,542
Imports from all sources...	45	208	821	589	137
Apparent consumption.....	9,214	10,787	13,458	10,789	9,679
All door locks:					
U.S.-produced shipments....	57,792	56,581	57,217	43,531	40,696
Imports of residential door locks from Taiwan...	9,286	10,172	9,574	6,989	8,305
Other imports.....	5,653	9,622	14,667	10,826	8,882
Apparent consumption.....	72,731	76,375	81,458	61,346	57,883
	Value (1,000 dollars)				
Residential door locks: 1/					
U.S.-produced shipments....	369,350	352,660	356,537	265,869	255,822
Imports from Taiwan.....	33,938	40,200	39,416	29,521	36,436
Imports from all other sources.....	39,667	67,961	105,107	79,334	69,041
Apparent consumption.....	442,955	460,821	501,060	374,724	361,299

See footnotes at end of table.

Table 3--continued

Door locks: U.S. producers' domestic shipments, imports, and apparent U.S. consumption, by types, 1986-88, January-September 1988, and January-September 1989

Item	1986	1987	1988	Jan.-Sept.--	
				1988	1989
Other door locks:					
U.S.-produced shipments....	300,896	319,265	339,355	248,201	261,561
Imports from all sources....	249	1,646	6,963	5,101	1,113
Apparent consumption.....	301,145	320,911	346,318	253,302	262,674
All door locks: ^{1/}					
U.S.-produced shipments....	670,246	671,925	695,892	514,070	517,383
Imports of residential					
door locks from Taiwan...	33,938	40,200	39,416	29,521	36,436
Other imports.....	39,916	69,607	112,070	84,435	70,154
Apparent consumption.....	744,100	781,732	847,378	628,026	623,973

^{1/} Includes the value of shipments of residential door lock component parts.

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.

Domestic and imported product styles

As shown in table 4, the product style breakout of both domestic and residential door locks imported from Taiwan are similar. Both the domestic and the imported product from Taiwan are heavily concentrated in the tubular/cylindrical style, followed next by dead locks.

Table 4

Residential door locks: U.S. shipments of domestic product and of product imported from Taiwan, by styles of locks, 1988

Product	(In percent)			
	Domestic		Taiwan imports	
	shipments			
	Quantity	Value	Quantity	Value
Style:				
Tubular/cylindrical.....	73.4	67.5	69.3	63.4
Dead lock.....	16.9	19.4	20.8	22.2
Lever.....	6.0	7.3	2.2	4.1
Other.....	3.7	5.8	7.6	10.3

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

Channels of distribution

Distribution channels for door locks can involve many levels before the product reaches the final consumer. The bulk of residential door locks sold to retail consumers are sold through hardware stores, home centers, and lumber outlets, as shown in figure 3. These retailers in turn either purchase directly from the manufacturer (whether domestic or foreign) or from independent hardware distributors or wholesalers. Additional information concerning the structure of the U.S. market for residential door locks is contained in a subsequent section of this report.

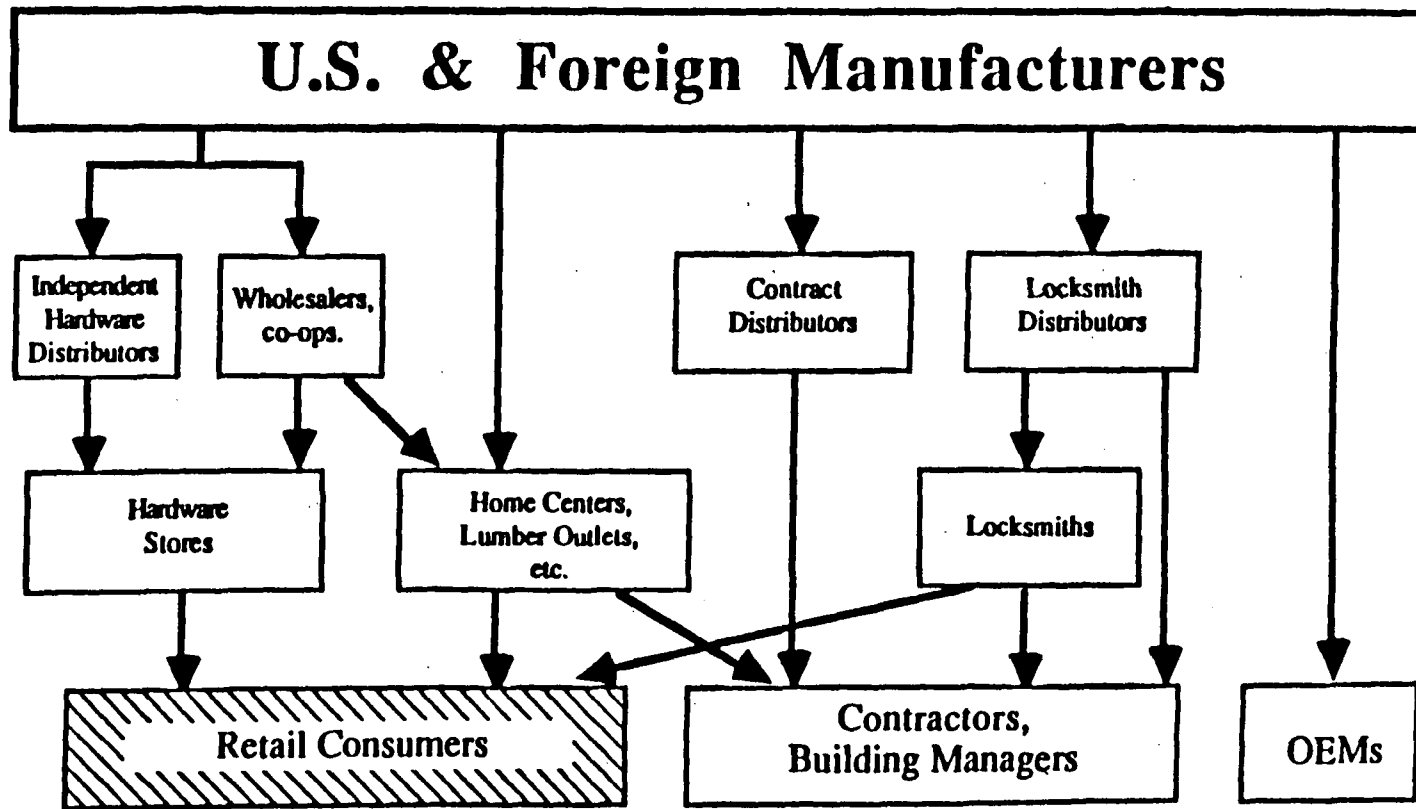
As shown in the tabulation below, in 1988 the majority of U.S.-produced residential door locks went to hardware wholesalers, home centers/mass merchandisers, and contract hardware houses. In contrast, the bulk of the imported product was shipped to home centers/mass merchandisers and an assorted group of locksmiths, locksmith distributors, builders, and mobile home distributors.

<u>Customer</u>	<u>Domestic distribution of the quantity of</u> <u>residential door lock shipments (1988)</u>	
	<u>U.S. product</u>	<u>Taiwan product</u>
	<u>-----Percent-----</u>	
Home centers/mass		
merchandisers.....	19.6	35.1
Hardware wholesalers....	39.9	5.4
Contract hardware		
houses.....	25.0	3.3
Others 1/.....	15.5	56.2

1/ Includes builders, mobile home distributors, locksmiths and locksmith distributors, door manufacturers, and lumber and millwork outlets

Figure 3
Lockset distribution channels

Lockset Distribution Channels



Retail consumers are served principally by hardware stores, home centers and DIY-oriented lumber outlets

Source: A Profile of the Retail Market for Door Locks, National Retail Hardware Association.

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

The discussion that follows is based on information received in response to Commission questionnaires. Response data from firms producing residential door locks are believed to account for all known production of the residential door locks in the United States but may not reflect all data relating to the production of component parts for residential door locks for export. Separate data on parts of door locks are presented when available.

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

As shown in table 5, U.S. producers' capacity to produce residential door locks fluctuated during the investigation period, increasing slightly between 1986 and 1987, decreasing by 4.8 percent from 1987 to 1988, and decreasing substantially (by 14.8 percent) from interim 1988 to interim 1989. The decrease in capacity, particularly in the interim 1989 period, can be attributed in part to (1) an increasing reliance by U.S. producers on imports; (2) a shift to offshore production to take advantage of lower labor costs; and (3) a move to smaller production facilities (as in Weiser's case). U.S. production of residential door locks declined steadily during the investigation period, decreasing from 49.9 million units in 1986 to 45.6 million units in 1988, a decrease of 8.7 percent. Production declined further by 7.8 percent from interim 1988 to interim 1989. Capacity utilization decreased from 72.4 percent in 1986 to 66.7 percent in 1987 and increased to 68.7 percent in 1988. Capacity utilization increased more noticeably from interim 1988 to interim 1989, from 65.6 percent to 70.9 percent.

U.S. capacity to produce door locks other than residential door locks and U.S. production of such door locks increased steadily from 1986 to 1988. Capacity increased from 8.6 million units in 1986 to 10.3 million units in 1988, or by 19.3 percent. Similarly, production rose by 41.4 percent from 9.4 million units to 13.2 million units over the comparable period. While capacity increased slightly (by 1.7 percent) from interim 1988 to interim 1989, production decreased by 7.4 percent over the same period. Capacity utilization declined from 86.7 percent in 1986 to 81.2 percent in 1988, and continued to decline in interim 1989, falling to 71.0 percent.

Data concerning U.S. producers' production of residential door locks by types of locks produced are presented in table 6. As shown in the table, tubular/cylindrical type door locks accounted for the bulk of production in all periods.

Table 5

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

Item	1986	1987	1988	Jan.-Sept.-- 1988	1989
<u>Average-of-period capacity (1,000 units)</u>					
Residential door locks 1/....	68,892	69,701	66,341	52,082	44,384
Other door locks 2/.....	8,611	9,693	10,272	8,054	8,191
Total.....	77,503	79,394	76,613	60,136	52,575
<u>Production (1,000 units)</u>					
Residential door locks.....	49,894	46,512	45,551	34,140	31,486
Other door locks.....	9,370	10,724	13,249	10,625	9,842
Total.....	59,264	57,236	58,800	44,765	41,328
<u>Capacity utilization 3/ (percent)</u>					
Residential door locks.....	72.4	66.7	68.7	65.6	70.9
Other door locks.....	86.7	81.7	81.2	75.8	71.0
Average.....	74.0	68.6	70.3	66.9	70.9

1/ Half of the respondents reported capacity on the basis of a 40-hour work week compared with an 80-hour work week as the basis of reported capacity for the remaining half of respondents. The number of weeks worked per year reported for all respondents ranged from 48 to 52 weeks.

2/ Corbin & Russwin Architectural Hardware was unable to provide capacity data. It accounted for *** percent of production in 1986, *** percent in 1987, *** percent in 1988, and *** percent in interim 1989.

3/ 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.

Table 6

Residential door locks: U.S. production, by types, 1986-88, January-September 1988, and January-September 1989

Item	1986	1987	1988	Jan.-Sept.--	
				1988	1989
	Quantity (1,000 units)				
Lock type:					
Tubular/cylindrical.....	39,445	35,944	33,502	25,174	22,402
Dead locks.....	7,420	6,867	7,693	5,695	5,346
Lever-operated.....	***	***	***	***	***
Other.....	***	***	***	***	***
Total.....	49,894	46,512	45,551	34,140	31,486
	Percent				
As a share of the total:					
Tubular/cylindrical.....	79.1	77.3	73.5	73.7	71.1
Dead locks.....	14.9	14.8	16.9	16.7	17.0
Lever-operated.....	***	***	***	***	***
Other.....	***	***	***	***	***
Total.....	100.0	100.0	100.0	100.0	100.0

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

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

Residential door locks are produced in several finishes, most notably solid brass, chrome over brass or bronze, antique brass, and stainless steel. Most U.S.-produced locks are finished in solid brass, as shown in the following tabulation (in percent):

	Solid/ antique <u>brass</u>	Stainless <u>steel</u>	Chrome over brass or <u>bronze</u>
1986.....	94.7	<u>1/</u>	5.3
1987.....	95.2	<u>1/</u>	4.8
1988.....	95.7	<u>1/</u>	4.3

1/ No production reported. Chrome-plated brass, of which there was production, is recognized as an industry-accepted substitute (petitioners' post-hearing brief, p. 10).

U.S. producers' domestic shipments

The quantity of total U.S. shipments of all domestically produced door locks fluctuated from 1986 to 1988 and decreased from interim 1988 to interim 1989. However, the value of such shipments continued upward throughout the period, increasing from \$670.2 million in 1986 to \$695.9 million in 1988 and from \$514.1 million in interim 1988 to \$517.4 million in interim 1989 (table 7). The average unit value of all door lock shipments also steadily increased throughout the period, rising from \$11.41 per unit in 1986 to \$12.51 per unit in interim 1989.

Total U.S. shipments of U.S.-produced residential door locks declined from 48.6 million units (valued at \$369.4 million) in 1986 to 44.6 million units (valued at \$356.5 million) in 1988. From interim 1988 to interim 1989, the number of units shipped declined by 6.5 percent and their value fell by 3.8 percent. In spite of the downward trends in units shipped and the value of such shipments, the average unit value of U.S. producers' residential door lock shipments increased by 5.2 percent from 1986 to 1988 and by 2.8 percent from interim 1988 to interim 1989.

When U.S. producers' domestic shipments of U.S.-produced residential door locks are aggregated with producers' shipments of foreign-produced residential door locks, the resulting trends are somewhat different than those that are reflected in table 7. As shown in the tabulation below, U.S. producers' aggregate shipments of residential door locks actually increased (by quantity and by value) from 1986 to 1988, owing to the increasing contribution of foreign-produced product.

<u>Residential door locks</u>				
<u>U.S. producers' aggregate domestic shipments</u>			<u>U.S. shipments of foreign-produced product as a share of the total</u>	
	<u>Quantity</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>
	(1,000	(1,000	----- <u>Percent</u> -----	
	units)	dollars)		
1986.....	53,819	***	9.7	***
1987.....	54,898	***	16.2	***
1988.....	55,412	***	19.5	***
Jan.-Sept--				
1988.....	41,814	***	20.3	***
1989.....	39,770	***	21.7	***

Table 7

Door locks: Domestic shipments and company transfers of U.S. producers, by types of locks, 1986-88, January-September 1988, and January-September 1989

Item	1986	1987	1988	Jan.-Sept.--	
				1988	1989
Quantity (1,000 units)					
Residential door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Total.....	48,623	46,002	44,580	33,331	31,154
Other door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Total.....	9,169	10,579	12,637	10,200	9,542
All door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Total.....	57,792	56,581	57,217	43,531	40,696
Value (1,000 dollars)					
Residential door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments <u>1</u> /.....	***	***	***	***	***
Total <u>1</u> /.....	369,350	352,660	356,537	265,869	255,822
Other door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Total.....	300,896	319,265	339,355	248,201	261,561
All door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments <u>1</u> /.....	***	***	***	***	***
Total <u>1</u> /.....	670,246	671,925	695,892	514,070	517,383
Unit value 2/					
Residential door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments <u>3</u> /.....	***	***	***	***	***
Average <u>3</u> /.....	\$7.37	\$7.45	\$7.75	\$7.73	\$7.95
Other door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
Average.....	32.82	30.18	26.85	24.33	27.41
All door locks:					
Company transfers.....	***	***	***	***	***
Domestic shipments <u>3</u> /.....	***	***	***	***	***
Average <u>3</u> /.....	11.41	11.70	11.97	11.62	12.51

1/ Includes the value of producers' domestic shipments of residential door lock component parts.

2/ Calculated from the data supplied by firms providing both quantity and value of shipments.

3/ Value of residential door lock component parts excluded from the calculation.

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

The continuous upward trend, in terms of both quantity and value, in U.S. producers' domestic shipments of door locks other than residential door locks from 1986 to 1988 somewhat compensated for the decline in their shipments of U.S.-made residential door locks during the period.

As shown in table 8, domestic shipments by the four largest producers of residential door locks as a share of total industry shipments (by quantity) remained fairly constant with respect to residential door locks. However, with respect to nonresidential door locks, these four firms (* * *) lost share throughout the investigation period.

Table 8

Door locks: Domestic shipments of Kwikset, Weiser, Schlage, and Weslock as a share of total quantity of industry U.S. shipments, by types of locks, 1986-88, January-September 1988, and January-September 1989

(In percent)					
Item	1986	1987	1988	Jan.-Sept.-- 1988	1989
Residential door locks:					
Kwikset.....	***	***	***	***	***
Weiser.....	***	***	***	***	***
Schlage.....	***	***	***	***	***
Weslock.....	***	***	***	***	***
Subtotal.....	84.6	84.7	85.7	86.5	85.7
All others.....	15.4	15.3	14.3	13.5	14.3
Total.....	100.0	100.0	100.0	100.0	100.0
Other door locks:					
Kwikset.....	***	***	***	***	***
Weiser.....	***	***	***	***	***
Schlage.....	***	***	***	***	***
Weslock.....	1/	1/	1/	1/	1/
Subtotal.....	29.4	27.4	22.3	21.4	20.2
All others.....	70.6	72.6	77.7	78.6	79.8
Total.....	100.0	100.0	100.0	100.0	100.0

1/ No production.

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

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

U.S. exports

U.S. producers' exports of residential and other door locks, shown in table 9, were small, in terms of quantity, throughout the period, accounting for about 2 percent of total shipment quantities. However, the value of U.S. producers' exports increased significantly over the investigation period, primarily because of increased exports of residential door lock component parts.

Table 9

Door locks: U.S. producers' exports, by types of locks, 1986-88, January-September 1988, and January-September 1989

	Jan.-Sept.--				
Item	1986	1987	1988	1988	1989
<hr/>					
	Quantity (1.000 units)				
Residential door locks.....	982	858	960	719	585
Other door locks.....	227	388	319	207	302
Total.....	1,209	1,246	1,279	926	887
<hr/>					
	Value (1.000 dollars)				
Residential door locks 1/....	18,234	26,698	39,050	26,856	35,058
Other door locks.....	6,560	8,827	9,873	6,898	8,110
Total 1/.....	24,794	35,525	48,923	33,754	43,168
<hr/>					
	Unit value 2/				
Residential door locks 3/....	\$8.07	\$8.29	\$9.62	\$9.70	\$10.58
Other door locks.....	28.90	22.75	30.95	33.32	26.85
Average 3/.....	11.98	12.79	14.94	14.98	16.12

1/ Includes the value of producers' exports of residential door lock component parts.

2/ Calculated from data provided by firms supplying both quantity and value of exports.

3/ Value of residential door lock component parts excluded from the calculation.

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

The bulk of such exports, which were mostly accounted for by * * *, went to Canada, Australia, and Latin America. As shown in the following tabulation, the value of exports of component parts, primarily to foreign affiliates in Canada and Mexico, accounted for a substantial share of the total value of U.S. producers' exports.

<u>Period</u>	<u>Total exports^{1/}</u>	<u>Exports to</u>		<u>As a share of total exports</u>	
		<u>foreign affiliates</u>	<u>Exports to all others</u>	<u>To foreign affiliates</u>	<u>To all others</u>
		<u>----- (1,000 dollars) -----</u>		<u>----- (Percent) -----</u>	
1986.....	18,234	***	***	***	***
1987.....	26,698	***	***	***	***
1988.....	39,050	***	***	***	***
Jan.-Sept.--					
1988.....	26,856	***	***	***	***
1989.....	35,058	***	***	***	***

1/ Includes parts.

U.S. producers' inventories

Average-of-period inventories of residential and other door lock producers are presented in table 10. The data show a decrease in inventories of residential door locks from 1986 to 1987, a slight increase from 1987 to 1988, and a decrease from interim 1988 to interim 1989. As a share of total domestic shipments, inventories ranged from a low of 4.1 percent in interim 1989 to a high of 4.9 percent in 1986. Producers' inventories of other door locks fluctuated upward from 1986 to 1988 and increased from interim 1988 to interim 1989. The ratio of inventories to shipments declined from 1986 to 1987, increased from 1987 to 1988, and increased again from interim 1988 to interim 1989.

Table 10

Door locks: U.S. producers' inventories, by types of locks, as of Dec. 31 of 1986-88 and as of Sept. 30 of 1988 and 1989

	Jan.-Sept.--				
Item	1986	1987	1988	1988	1989
<hr/>					
	End-of-period inventories (1,000 units)				
Residential door locks.....	2,002	1,654	1,665	1,743	1,412
Other door locks.....	1,102	858	1,150	1,076	1,149
Total.....	3,104	2,512	2,815	2,819	2,561
<hr/>					
	As a share of U.S. shipments (percent) 1/				
Residential door locks.....	4.9	4.3	4.4	4.6	4.1
Other door locks.....	12.0	8.1	9.1	7.9	9.0
Average.....	6.2	5.2	5.6	5.5	5.4

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

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

Employment

During January 1986-September 1989, the U.S. industry producing residential door locks experienced numerous worker dislocations as a result of either weak demand or plant relocations. Weslock temporarily reduced its work force of production-related workers in 1986 by as many as *** workers, citing a lack of business as the cause. In 1987, in an effort to lower its labor costs, Weslock moved part of its operations to Mexico, which created a permanent reduction of *** workers in its U.S. work force.

Schlage and Weiser also cited similar instances of U.S. worker reductions resulting from their decisions to establish offshore production facilities or relocate within the United States. In July 1988, Schlage closed its Rocky Mount, NC, plant and decided to expand its operations in Mexico and Colorado. More than *** workers were displaced as a result of this decision. In early 1990 Weiser will have completed the planned closure of its Huntington Beach, CA, plant--affecting about 1,100 workers. Its new facility in Tucson, AZ, which is expected to be fully operational in February 1990, will have a work force less than one-third the size currently employed at the California facility. In the aggregate, Weslock, Schlage, and Weiser accounted for about *** percent of total U.S. production of residential door locks in 1988.

Data on aggregate employment within the U.S. industry producing residential door locks are presented in table 11. Employment in the industry, both in terms of the number of workers employed and the number of hours worked by such workers, declined steadily from 1986 to 1988. The number of produc-

Table 11

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

Item	1986	1987	1988	Jan.-Sept.--	
				1988	1989
Total number of employees in establishments.....	11,005	10,771	10,297	10,230	9,676
<u>Number of production and related workers (PRW's)</u>					
Residential door locks.....	4,015	3,822	3,431	3,565	3,365
Other door locks.....	3,547	3,614	3,477	3,456	3,051
Total.....	7,562	7,436	6,908	7,021	6,416
All products of establishments.....	8,307	8,126	7,620	7,668	7,162
<u>Hours worked by PRW's (thousands)</u>					
Residential door locks.....	7,304	7,000	6,305	4,723	4,749
Other door locks.....	6,615	6,493	6,414	3,987	3,574
Total.....	13,919	13,493	12,719	8,710	8,323
All products of establishments.....	16,176	15,854	15,147	10,478	10,098
<u>Wages paid to PRW's (1,000 dollars)</u>					
Residential door locks.....	67,064	68,270	63,589	48,032	51,270
Other door locks.....	66,226	67,080	66,353	43,957	38,644
Total.....	133,290	135,350	129,942	91,989	89,914
All products of establishments.....	155,108	158,965	155,130	111,044	110,502
<u>Total compensation paid to PRW's (1,000 dollars)</u>					
Residential door locks.....	86,787	87,741	81,979	62,211	64,249
Other door locks.....	87,669	87,866	88,783	58,270	54,212
Total.....	174,456	175,607	170,762	120,481	118,461
All products of establishments.....	199,401	202,879	199,631	142,246	141,945
<u>Hourly wages paid to PRW's 3/</u>					
Residential door locks.....	\$9.18	\$9.57	\$9.99	\$10.07	\$10.73
Other door locks.....	10.01	10.33	10.35	11.03	10.81
Average.....	9.58	9.94	10.17	10.51	10.76
All products of establishments.....	9.59	9.95	10.20	10.55	10.91

See footnotes at end of table.

Table 11--continued

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

				Jan.-Sept.--	
Item	1986	1987	1988	1988	1989
	<u>Productivity (units per hour) 4/</u>				
Residential door locks.....	6.6	6.5	7.2	7.2	6.6
Other door locks.....	1.4	1.7	2.1	2.7	2.8
Average.....	4.2	4.2	4.6	5.1	5.0
	<u>Unit labor costs (per unit) 5/</u>				
Residential door locks.....	\$1.79	\$1.89	\$1.80	\$1.81	\$2.03
Other door locks.....	9.36	8.19	6.70	5.48	5.51
Average.....	3.01	3.07	2.90	2.68	2.86

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

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

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

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

5/ 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.

tion and related workers producing residential door locks and the number of hours worked by such workers declined from 1986 to 1988 by 14.5 percent and 13.7 percent, respectively. There were 200 fewer such workers employed in the industry in interim 1989 than were employed in interim 1988. The number of production-related workers producing door locks other than residential door locks was relatively steady from 1986 to 1988. However, the number of workers in this category fell by 11.7 percent from interim 1988 to interim 1989. The number of hours worked by those same workers also declined by a nearly equal rate of 10.4 percent over the same period.

While the total wages paid to production and related workers producing residential door locks and component parts thereof showed an overall decrease from 1986 to 1988 and increased from interim 1988 to interim 1989, the average hourly wages earned by such workers increased steadily. Productivity of these workers remained relatively constant throughout the investigation period, fluctuating between 6.5 and 7.2 units per worker hour. Unit labor costs of these same workers increased from \$1.79 in 1986 to \$1.89 in 1987, decreased to \$1.80 in 1988, and increased from \$1.81 in interim 1988 to \$2.03 in interim 1989.

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.^{22 23} Seven firms, accounting for about 99 percent of U.S. production in 1988, furnished usable income-and-loss data on their operations producing residential door locks. In addition, 11 producers furnished usable income-and-loss data on their operations producing 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 Master Lock owns Dexter), Kwikset (purchased by Black & Decker on April 27, 1989, from Emhart Industries), Schlage (Ingersoll-Rand), Weiser (Masco Corp.), and Weslock (JP Industries). In recent years, some firms have undergone ownership changes and restructurings, including leveraged buyouts. Companies have closed domestic plants, moved to lower U.S. wage areas, and/or established offshore facilities.

In addition to the subject product(s), 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 12.

Operations on residential door locks.--The aggregate income-and-loss experience of the residential door lock producers is presented in table 13. Net sales decreased by 2.5 percent from \$370.3 million in 1986 to \$360.9 million in 1987. In 1988, sales were \$367.2 million, an increase of 1.7 percent over 1987 sales. Operating income was \$50.0 million in 1986, \$49.0 million in 1987, and \$49.2 million in 1988. Operating income margins, as a percent of sales, were 13.5 in 1986, 13.6 in 1987, and 13.4 in 1988. None of the producers incurred operating losses in 1986 or 1987, but one producer incurred such losses in 1988.²⁴ Net sales declined by 4.6 percent from \$279.4 million in interim 1988 to \$266.6 million in interim 1989. Operating income was \$37.5 million in interim 1988 and \$33.2 million in interim 1989. Operating income margins were 13.4 percent in interim 1988 and 12.4 percent in interim 1989. None of the firms reported operating losses in interim 1988 but three firms reported such losses in interim 1989.

²² The data for both Kwikset and Weiser were verified and adjustments, which were not material in the aggregate, have been included in the final report.

²³ Fourteen firms provided income-and-loss data on either residential or other types of door locks. Four of these firms (Arrow, Kwikset, Schlage, and Weiser) submitted data for both residential and other types of door locks. Three additional firms (Dexter, National, and Weslock) furnished only residential door lock data, and seven other firms (Best, Corbin & Russwin, Marks, Sargent, Simplex, Vingcard, and Yale) supplied only other door lock data.

²⁴ * * *.

Table 12

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 Sept. 30, 1988, and Sept. 30, 1989

Item	1986	1987	1988	Interim period ended Sept. 30--	
				1988	1989
Value (1,000 dollars)					
Net sales.....	762,902	767,993	798,472	585,651	612,683
Cost of goods sold.....	532,103	538,322	565,674	417,645	457,475
Gross profit.....	230,799	229,671	232,798	168,006	155,208
Selling, general and administrative expenses...	138,998	138,682	146,708	105,469	114,659
Operating income.....	91,801	90,989	86,090	62,537	40,549
Startup or shutdown expense.....	1,280	1,800	2,700	1,800	7,998
Interest expense.....	25,285	25,337	34,146	30,216	39,845
Other income or (expense), net.....	(3,188)	1,740	(2,282)	(991)	(1,340)
Net income or (loss) before income taxes.....	62,048	65,592	46,962	29,530	(8,634)
Depreciation and amorti- zation included above.....	22,366	23,222	24,108	18,681	17,488
Cash flow 1/.....	84,414	88,814	71,070	48,211	8,854
Share of net sales (percent)					
Cost of goods sold.....	69.7	70.1	70.8	71.3	74.7
Gross profit.....	30.3	29.9	29.2	28.7	25.3
Selling, general and administrative expenses...	18.2	18.1	18.4	18.0	18.7
Operating income.....	12.0	11.8	10.8	10.7	6.6
Net income or (loss) before income taxes.....	8.1	8.5	5.9	5.0	(1.4)
Number of firms reporting					
Operating losses.....	0	1	1	1	4
Net losses.....	2	2	5	5	10
Data.....	14	14	14	14	14

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

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

Table 13

Income-and-loss experience of U.S. producers on their operations producing residential door locks, accounting years 1986-88 and interim periods ended Sept. 30, 1988, and Sept. 30, 1989

Item	1986	1987	1988	Interim period ended Sept. 30--	
				1988	1989
Value (1,000 dollars)					
Net sales.....	370,251	360,920	367,183	279,421	266,641
Cost of goods sold.....	256,159	246,392	253,094	193,146	188,581
Gross profit.....	114,092	114,528	114,089	86,275	78,060
Selling, general and administrative expenses...	64,128	65,532	64,878	48,745	44,895
Operating income.....	49,964	48,996	49,211	37,530	33,165
Startup or shutdown expense.....	960	1,500	2,160	1,620	1/7,998
Interest expense.....	2,414	2,674	3,251	2,640	2/5,619
Other income or (expense), net.....	(2,354)	509	(2,717)	(2,413)	(152)
Net income before income taxes.....	44,236	45,331	41,083	30,857	19,396
Depreciation and amorti- zation included above....	10,450	11,395	10,882	7,993	7,316
Cash flow 3/	54,686	56,726	51,965	38,850	26,712
Share of net sales (percent)					
Cost of goods sold.....	69.2	68.3	68.9	69.1	70.7
Gross profit.....	30.8	31.7	31.1	30.9	29.3
Selling, general and administrative expenses...	17.3	18.2	17.7	17.4	16.8
Operating income.....	13.5	13.6	13.4	13.4	12.4
Net income before income taxes.....	11.9	12.6	11.2	11.0	7.3
Number of firms reporting					
Operating losses.....	0	0	1	0	3
Net losses.....	1	0	3	2	5
Data.....	7	7	7	7	7

1/ Expense was primarily due to * * *.

2/ Includes allocated interest expense resulting from changes in ownership and other types of interest.

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

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

Table 14 shows the income-and-loss experience of the industry by company. The sales decline for some producers was partially attributable to increased production at their offshore facilities. Three of the firms (* * *) reported that they ship parts to their offshore facilities for further processing. These parts are transferred on a cost and/or cost-plus basis. * * * also purchases parts from its offshore facilities at cost. This increased emphasis on offshore operations was especially significant for * * *, as shown in the following tabulation (showing the firm's net sales in thousands of dollars):

Production location	1986	1987	1988	Interim	
				1988	1989
United States...	***	***	***	***	***
Mexico 1/.....	***	***	***	***	***
Total sales..	***	***	***	***	***

1/ These are the revenues attributable to the company's Mexican operations. These data are not included in the domestic income-and-loss data reported to the Commission. In considering the impact of imports on a domestic industry, the Commission is directed to consider only U.S. production operations (see 19 U.S.C. § 1677(7)(b)(i)).

* * * U.S. production of completed residential door locks * * *. The firm is * * *.

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, * * * have either designed new lower priced locks and/or engaged in price cutting promotions in order to secure or retain business. These actions have resulted in reduced profitability for the industry.²⁵

Several firms experienced lower levels of income during the 1989 interim period compared with interim 1988. 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. Increases in copper and zinc prices have recently accelerated, and the industry has reportedly been unable to recover these costs through price increases.²⁶

Special circumstances relative to this investigation.--In their prehearing brief and during the hearing (including the in-camera session), counsel for the petitioner emphasized two financial factors that the Commission may wish to consider when evaluating the case.

²⁵ Petition, pp. 23-25.

²⁶ Conference TR, pp. 41-43. Also refer to charts 1 through 4 at the end of the Conference TR.

Table 14

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 Sept. 30, 1988, and Sept. 30, 1989

Item	1986	1987	1988	Interim period ended Sept. 30--	
				1988	1989
Value (1,000 dollars)					
Net sales:					
Kwikset.....	***	***	***	***	***
Weiser.....	***	***	***	***	***
Schlage.....	***	***	***	***	***
Dexter.....	***	***	***	***	***
Weslock.....	***	***	***	***	***
National.....	***	***	***	***	***
Arrow.....	***	***	***	***	***
Total.....	370,251	360,920	367,183	279,421	266,641
Operating income or (loss):					
Kwikset.....	***	***	***	***	***
Weiser.....	***	***	***	***	***
Schlage.....	***	***	***	***	***
Dexter.....	***	***	***	***	***
Weslock.....	***	***	***	***	***
National.....	***	***	***	***	***
Arrow.....	***	***	***	***	***
Total.....	49,964	48,996	49,211	37,530	33,165
Share of net sales (percent)					
Operating income or (loss):					
Kwikset.....	***	***	***	***	***
Weiser.....	***	***	***	***	***
Schlage.....	***	***	***	***	***
Dexter.....	***	***	***	***	***
Weslock.....	***	***	***	***	***
National.....	***	***	***	***	***
Arrow.....	***	***	***	***	***
Average.....	13.5	13.6	13.4	13.4	12.4

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

The first pertains to the financial performance of Kwikset, which the petitioner claims is not representative of the industry. Petitioner argues * * *.^{27 28} Respondents claim that there is no statutory basis for a firm-by-firm analysis of the condition of the domestic industry.²⁹ A tabulation comparing Kwikset's operating income (as a percent of sales) with the rest of the industry is shown below:

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>Interim</u> <u>1988</u>	<u>1989</u>
Kwikset.....	***	***	***	***	***
All other companies..	***	***	***	***	***
Average.....	13.5	13.6	13.4	13.4	12.4

The second factor relates to the financial evaluation of the industry using net income. Petitioner maintains that the industry restructuring as a result of dumped imports from Taiwan has impacted net income because of costs resulting from plant closings, plant start-ups, and the relocation of production lines; thus the Commission should recognize net income as a better indicator of profitability than operating income.³⁰ Respondents claim that any injury suffered by the U.S. operations of the domestic industry is entirely due to the domestic industry's decision to replace its high-cost operations in the United States with low-cost manufacturing and/or assembly operations in Mexico and Thailand.³¹

In this investigation, the aggregate costs of restructuring are estimated by the petitioner to be in excess of \$100 million.³² Plant startup/shutdown expenses are at least partially recognized in net income rather than operating income.

In the case of plant shutdowns that are considered discontinued operations, the firm is required to fully recognize the estimated costs at the time the company commits to a formal plan of action to dispose of the plant. The estimated costs include the physical plant closing costs and such costs as severance pay, additional pension costs, and employee relocation expenses. The costs of discontinued operations are normally not included in operating income.

The majority of plant startup costs are capitalized and then depreciated over the life of the asset. Most plant startup costs would be recognized in future accounting periods. Thus, plant shutdown costs would have a more immediate effect on net income than plant startup costs.

²⁷ Prehearing brief of Steptoe & Johnson, p. 34.

²⁸ Discussion of Kwikset's position in the industry, in-camera portion of the Dec. 21, 1989, Hearing; Hearing TR, pp. 172-186.

²⁹ Posthearing brief of Brownstein, Zeidman & Schomer, p. 2.

³⁰ Prehearing brief of Steptoe & Johnson, p. 32.

³¹ Prehearing brief of Brownstein, Zeidman and Schomer, p. 4.

³² Posthearing brief of Steptoe & Johnson. p. 1 and Exhibit 1.

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 15. Net sales increased by 4.4 percent from \$303.3 million in 1986 to \$316.7 million in 1987. In 1988, sales were \$329.0 million, a further increase of 3.9 percent. Operating income was \$31.3 million in 1986, \$34.8 million in 1987, and \$32.7 million in 1988. Operating income margins, as a percent of sales, were 10.3 in 1986, 11.0 in 1987, and 9.9 in 1988. None of the firms incurred operating losses in 1986, but one firm sustained such losses in 1987 and 1988.

Net sales increased by 5.6 percent from \$244.8 million in interim 1988 to \$258.5 million in interim 1989. Operating income was \$29.3 million in interim 1988 and \$19.0 million in interim 1989. Operating income margins were 12.0 percent in interim 1988 and 7.3 percent in interim 1989. One firm sustained operating losses in interim 1988, and three firms incurred operating losses in interim 1989.

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

Table 15

Income-and-loss experience of U.S. producers on their operations producing other door locks, accounting years 1986-88 and interim periods ended Sept. 30, 1988, and Sept. 30, 1989

Item	1986	1987	1988	Interim period ended Sept. 30--	
				1988	1989
Value (1,000 dollars)					
Net sales.....	303,329	316,693	329,049	244,841	258,549
Cost of goods sold.....	214,695	225,193	235,927	172,257	191,544
Gross profit.....	88,634	91,500	93,122	72,584	67,005
Selling, general and administrative expenses...	57,322	56,733	60,386	43,247	48,007
Operating income.....	31,312	34,767	32,736	29,337	18,998
Startup or shutdown expense.....	320	300	540	180	0
Interest expense.....	1,449	1,365	1,484	1,036	1,598
Other income or (expense), net.....	(463)	(303)	219	90	168
Net income before income taxes.....	29,080	32,799	30,931	28,211	17,568
Depreciation and amorti- zation included above.....	7,774	7,951	9,064	6,556	6,614
Cash flow 1/.....	36,854	40,750	39,995	34,767	24,182
Share of net sales (percent)					
Cost of goods sold.....	70.8	71.1	71.7	70.4	74.1
Gross profit.....	29.2	28.9	28.3	29.6	25.9
Selling, general and administrative expenses...	18.9	17.9	18.4	17.7	18.6
Operating income.....	10.3	11.0	9.9	12.0	7.3
Net income before income taxes.....	9.6	10.4	9.4	11.5	6.8
Number of firms reporting					
Operating losses.....	0	1	1	1	3
Net losses.....	0	1	3	1	4
Data.....	11	11	11	11	11

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

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

Table 16

Income-and-loss experience of U.S. producers on their operations producing all door locks, accounting years 1986-88 and interim periods ended Sept. 30, 1988, and Sept. 30, 1989

Item	1986	1987	1988	Interim period ended Sept. 30--	
				1988	1989
	Value (1,000 dollars)				
Net sales:					
Residential locks.....	370,251	360,920	367,183	279,421	266,641
Other door locks.....	303,329	316,693	329,049	244,841	258,549
Total.....	673,580	677,613	696,232	524,262	525,190
Gross profit:					
Residential locks.....	114,092	114,528	114,089	86,275	78,060
Other door locks.....	88,634	91,500	93,122	72,584	67,005
Total.....	202,726	206,028	207,211	158,859	145,065
Operating income:					
Residential locks.....	49,964	48,996	49,211	37,530	33,165
Other door locks.....	31,312	34,767	32,736	29,337	18,998
Total.....	81,276	83,763	81,947	66,867	52,163
	Share of net sales (percent)				
Gross profit:					
Residential locks.....	30.8	31.7	31.1	30.9	29.3
Other door locks.....	29.2	28.9	28.3	29.6	25.9
Average.....	30.1	30.4	29.8	30.3	27.6
Operating income:					
Residential locks.....	13.5	13.6	13.4	13.4	12.4
Other door locks.....	10.3	11.0	9.9	12.0	7.3
Average.....	12.1	12.4	11.8	12.8	9.9

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

Investment in productive facilities.--Seven companies provided data on their investment in productive facilities for residential door locks for all periods. Ten companies provided similar data for other door locks for all periods. These data, as well as return-on-asset data, are shown in table 17.

Table 17

Value of property, plant, and equipment of U.S. producers of door locks, by products, accounting years 1986-88 and interim periods ended Sept. 30, 1988, and Sept. 30, 1989

Item	As of end of accounting year--			As of Sept. 30--	
	1986	1987	1988	1988	1989
Value (1,000 dollars)					
All products of establishments:					
Fixed assets:					
Original cost.....	316,314	323,835	327,753	321,801	344,610
Book value.....	160,524	170,651	161,469	159,654	171,594
Total assets 1/.....	357,768	406,055	435,274	437,916	498,886
Residential door locks:					
Fixed assets:					
Original cost.....	164,904	166,390	158,083	154,400	171,734
Book value.....	89,897	98,049	85,723	85,097	93,425
Total assets 2/.....	176,856	184,786	189,262	190,853	220,417
Other door locks:					
Fixed assets:					
Original cost.....	131,214	135,682	146,988	144,394	145,461
Book value.....	62,384	63,707	68,080	67,237	67,751
Total assets 2/.....	131,328	155,288	173,293	177,838	186,712
Return on book value of fixed assets (percent) 3/					
All products of establishments:					
Operating return 4/.....	57.2	53.3	53.3	52.2	31.5
Net return 5/.....	38.7	38.4	29.1	24.7	(6.7)
Residential door locks:					
Operating return 4/.....	55.6	50.0	57.4	58.8	47.3
Net return 5/.....	49.2	46.2	47.9	48.3	27.7
Other door locks:					
Operating return 4/.....	50.1	54.4	48.0	58.1	37.3
Net return 5/.....	46.6	51.3	45.3	55.9	34.5

See footnotes at end of table.

Table 17--continued

Value of property, plant, and equipment of U.S. producers of locks, by product, accounting years 1986-88 and interim periods ended Sept. 30, 1988, and Sept. 30, 1989

Item	As of end of accounting year--			As of Sept. 30--	
	1986	1987	1988	1988	1989
	Return on total assets (percent) 3/				
All products of establishments:					
Operating return 4/.....	23.9	20.8	18.9	18.3	11.7
Net return 5/.....	16.1	14.7	10.8	9.1	(0.9)
Residential door locks:					
Operating return 4/.....	27.3	25.0	25.0	25.5	19.7
Net return 5/.....	25.1	23.0	22.4	22.8	11.9
Other door locks:					
Operating return 4/.....	20.2	19.9	18.0	20.9	15.3
Net return 5/.....	18.8	19.0	17.0	20.2	14.4

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/ Computed using data from only those firms supplying both asset and income-and-loss information, and as such, may not be derivable from data presented. Data for the partial-year periods are calculated using annualized income-and-loss information.

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

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

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

Capital expenditures.--Seven companies supplied data on their residential door lock capital expenditures for all periods. Ten companies furnished data on their other door locks capital expenditures for all periods. These data are shown in table 18.

Research and development expenses.--Five firms supplied data on their research and development expenses for residential door locks for all periods. Ten firms furnished data on their other door-lock research and development expenses for all periods. These data are shown in table 19.

Table 18

Capital expenditures by U.S. producers of door locks, by products, accounting years 1986-88 and interim periods ended Sept. 30, 1988, and Sept. 30, 1989

(In thousands of dollars)

Item	1986	1987	1988	Interim period ended Sept. 30--	
				1988	1989
All products of establishments:					
Land and land improvements.....	182	310	106	1	702
Building and leasehold improvements.....	649	4,224	6,603	5,002	15,316
Machinery, equipment, and fixtures.....	20,276	20,180	19,050	13,078	14,997
Total.....	21,107	24,714	25,759	18,081	31,015
Residential door locks:					
Land and land improvements.....	182	194	106	1	1/ 702
Building and leasehold improvements.....	377	2,532	3,161	2,303	1/ 12,782
Machinery, equipment, and fixtures.....	10,061	9,791	8,425	4,511	5,968
Total.....	10,620	12,517	11,692	6,815	19,452
Other door locks:					
Land and land improvements.....	0	116	0	0	0
Building and leasehold improvements.....	214	1,664	3,433	2,690	2,525
Machinery, equipment, and fixtures.....	9,502	9,852	9,371	7,309	8,269
Total.....	9,716	11,632	12,804	9,999	10,794

1/ The large increase in interim 1989 was due to the relocation of domestic facilities by some of the producers.

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

Table 19

Research and development expenses of U.S. producers of door locks, by products, accounting years 1986-88 and interim periods ended Sept. 30, 1988, and Sept. 30, 1989

(In thousands of dollars)					
Item	1986	1987	1988	Interim period ended Sept. 30--	
				1988	1989
All products of establish-					
ments.....	11,886	13,930	14,953	11,454	9,756
Residential door locks.....	3,570	3,565	3,556	2,463	2,132
Other door locks.....	6,125	7,856	8,149	6,505	5,153

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 and component parts thereof from Taiwan on their firm's development and production efforts, growth, investment, and ability to raise capital, and the effect of imports on the scale of capital investments. 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, as amended (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 factors³³--

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

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

³³ 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."

(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 pocessed 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.³⁴

³⁴ 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."

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 or threat thereof;" 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. importers' inventories

U.S. importers' inventories of residential door locks from all sources rose significantly from 1987 to 1988 (by 69.5 percent) and declined slightly from September 30, 1988, to September 30, 1989, (table 20). The major contributing cause for the 1988 increase was a significant buildup of inventories of Mexican- and Hong Kong-produced product imported by * * * and * * *.

Except for a slight increase in 1987, inventories of Taiwan-produced residential door locks generally declined over the period of investigation. However, while such inventories declined in absolute terms, the ratio of inventories to imports remained high relative to the comparable ratio for imports from all other sources.

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

Numerous firms manufacture and/or export residential door locks in Taiwan. The petitioning Ad Hoc Committee identified three principal manufacturers/exporters--Tong Lung Metal Industry Co., Ltd, Taiwan Fu Hsing Industry Co., Ltd., and Posse Lock Manufacturing Co., Ltd. These three firms, along with others, were included in Commerce's investigation. From questionnaire responses compiled by the Commission, several other firms have also been identified as manufacturers/exporters of the Taiwan product.³⁵ Information supplied by counsel for the three major Taiwan producers regarding their capacity, production, capacity utilization, domestic shipments, exports, and inventories of residential door locks is shown in table 21.³⁶

³⁵ Other firms identified through Commission questionnaires include: Collins Co., Ltd.; Itek; Je Tien; CAVL Metal; Micota; and Queenlock.

³⁶ Foreign industry data regarding other Taiwan producers/exporters are not available. However, based on import data supplied in Commission questionnaires and Taiwan exports to the United States provided by counsel for Tong Lung, Fu Hsing, and Posse, the staff estimates that the three major exporters accounted for about *** percent of total exports in 1986-88.

Table 20

Residential door locks: Importers' U.S. inventories of Taiwan-produced product and inventories of product imported from all other sources, as of Dec. 31 of 1986-88 and as of Sept. 30 of 1988 and 1989

				<u>Jan.-Sept.--</u>	
<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1988</u>	<u>1989</u>
End-of-period inventories of product from:	<u>Quantity (1,000 units)</u>				
Taiwan.....	1,148	1,178	1,104	1,282	1,095
All others.....	954	868	2,458	1,637	1,699
Total.....	<u>2,102</u>	<u>2,046</u>	<u>3,562</u>	<u>2,919</u>	<u>2,794</u>
	<u>Percent</u>				
Ratio of inventories to imports: 1/					
Taiwan.....	38.2	27.3	27.2	29.3	23.9
All others.....	<u>17.0</u>	<u>9.6</u>	<u>19.0</u>	<u>12.9</u>	<u>16.2</u>
Average.....	24.4	15.3	21.0	16.9	18.5

1/ Calculated from data provided by firms supplying both import and inventory data. Partial-year ratios are computed using annualized imports.

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

Table 21

Residential door locks: Taiwan's capacity, production, capacity utilization, home market shipments, exports, and inventories, 1986-88, January-September 1988, January-September 1989, and projected 1989 and 1990

(In thousands of locks. except as noted)							
Item	1986	1987	1988	Jan.-Sept.--		Projected 1/	
				1988	1989	1989	1990
Capacity 2/.....	13,090	14,730	14,231	10,653	11,911	15,918	15,930
Production.....	12,016	13,276	13,346	9,584	12,051	***	***
Capacity utilization (percent).....	91.8	90.1	93.8	90.0	101.2	3/ ***	3/ ***
Home market shipments 4/.....	2,341	1,645	1,372	992	1,045	***	***
Exports to--							
United States 4/..	8,706	9,458	8,668	6,167	7,538	***	***
All other countries.....	1,677	2,870	3,454	2,347	3,416	***	***
Total.....	10,383	12,328	12,122	8,514	10,954	***	***
Total exports as a share of production 4/5/ (percent).....	86.4	92.9	90.8	88.8	90.9	***	***
Share of total exports to the United States (percent).....	83.8	76.7	71.5	72.4	68.8	***	***
End of period inventories 4/.....	520	486	687	607	729	***	***

1/ Except for capacity, projected full-year 1989-90 data were not provided for Posse.

2/ Posse's capacity is based on operating *** hours per week, *** weeks per year; Fu Hsing's capacity is based on operating *** hours per week, *** weeks per year; Tong Lung's capacity is based on operating *** hours per week, *** weeks per year.

3/ Capacity utilization calculations exclude Posse's capacity. Posse accounted for *** percent of production in 1988, *** percent of home market shipments, *** percent of exports to the United States, and *** percent of exports to all other markets.

4/ Includes product purchased by Tong Lung; these purchases amounted to *** locks in 1986, *** in 1987, and *** in 1988.

5/ Ratios for 1986-88 are likely overstated because exports include product purchased by Tong Lung.

Source: Respondents' submissions dated Nov. 20, 1989, and Nov. 30, 1989.

Capacity reported by the three firms increased from 1986 to 1988 and rose again from interim 1988 to interim 1989. Production increased in all periods. Capacity and production are projected to change only slightly in 1990, compared with full-year 1989 projections. Capacity utilization increased from 91.8 percent in 1986 to 93.8 percent in 1988 and rose from 90.0 percent in interim 1988 to 101.2 percent in interim 1989, and is projected to increase slightly in 1990. Exports to the United States increased from 1986 to 1987, decreased from 1987 to 1988, and increased from interim 1988 to interim 1989. As a share of total exports, exports to the United States declined from 83.8 percent in 1986 to 71.5 percent in 1988 and decreased to 68.8 percent in interim 1989 compared with 72.4 percent in interim 1988. The share of production exported fluctuated during the investigation period but, nonetheless, remained relatively high.

Based on information provided in response to Commission questionnaires, sales of residential door locks, including parts, accounted for *** percent of Tong Lung's total sales for its most recent fiscal year; the ratio for Taiwan Fu Hsing was *** percent, and for Posse the ratio was *** percent. Sales of "medium duty" cylindrical locks accounted for the remaining *** percent of Tong Lung's overall sales, and sales of office chairs accounted for the remaining *** percent of Taiwan Fu Hsing's overall sales. Each of the three firms responded in the negative concerning plans to add, expand, curtail, or shutdown residential door lock production and production capability.³⁷ Based on information provided by counsel for respondents, Taiwan has no capacity for product shifting and its exports of residential door locks to third countries are not impeded by outstanding third country dumping orders.³⁸

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

U.S. imports

Counsels for the petitioner and the respondents in the instant investigation are of the opinion that imports from Taiwan as reported in Commission questionnaire responses are well understated and thus should be disregarded in the Commission's analysis. In an effort to arrive at a more accurate count of imports from Taiwan, this report relies on exports from Taiwan to the United States as reported by counsel for Tong Lung, Fu Hsing, and Posse. To these data are added exports from Taiwan to the United States by other Taiwan producers/exporters as compiled from individual questionnaire responses of U.S. importers. Questionnaire data are relied upon for U.S. imports from all other sources. Import data as contained in the official statistics of the Department of Commerce are presented in appendix D.³⁹

³⁷ According to testimony presented at the Hearing by Mr. Jesse Lin, President of Taiwan Fu Hsing, Taiwan Fu Hsing's home market sales of residential door locks increased "six-fold between 1986 and 1988, and will increase another 50 percent in 1990."

³⁸ Prehearing brief of respondents at pp. 42-43.

³⁹ The Commission's preliminary investigation relied on import data as reported in official Commerce statistics.

U.S. imports of residential door locks from all sources increased from 14.9 million units, valued at \$73.6 million (including component parts), in 1986 to 23.4 million units, valued at \$144.5 million, in 1988 (table 22). Imports decreased slightly in interim 1989 compared with interim 1988, decreasing in quantity by 1.0 percent and in value by 3.1 percent. The average unit value of imports ranged from a low of \$4.93 in 1986 to a high of \$6.31 in interim 1988.

The trend for imports from Taiwan rose, in terms of both quantity and value, from 1986 to 1987, fell in 1988, and rose in interim 1989 compared with interim 1988. The average unit value of such imports ranged from \$3.65 in 1986 to \$4.22 in interim 1988, considerably below the unit value of locks from all other sources.

Market shares

As shown in table 23, imports captured an increasing share of U.S. consumption of residential door locks during 1986-88 and interim 1989, both in quantity and value terms. As a share of consumption by quantity, imports increased from 23.4 percent of consumption in 1986 to 34.4 percent in 1988. From interim 1988 to interim 1989, the import market share increased from 34.1 percent to 35.4 percent. In terms of value, the ratio of imports to consumption was somewhat lower at 16.6 percent in 1986, 28.8 percent in 1988, and 29.2 percent in interim 1989.

Imports from Taiwan as a share of apparent U.S. consumption increased from 14.6 percent of the total (by quantity) in 1986 to 15.5 percent in 1987, declined to 14.1 percent in 1988, and increased from 13.8 percent in interim 1988 to 17.2 percent in interim 1989. As a share of consumption by value, imports from Taiwan fluctuated similarly, increasing in 1987, declining in 1988, and again increasing in interim 1989.

Table 22

Residential door locks: U.S. imports from Taiwan and from all other sources, 1986-88, January-September 1988, and January-September 1989

	Jan.-Sept.--				
Source	1986	1987	1988	1988	1989
	Quantity (1,000 units)				
Taiwan.....	9,286	10,172	9,574	6,989	8,305
All other.....	5,608	9,414	13,846	10,237	8,745
Total.....	14,894	19,586	23,420	17,226	17,050
	Value (1,000 dollars) 1/				
Taiwan.....	33,938	40,200	39,416	29,521	36,436
All other.....	39,667	67,961	105,107	79,334	69,041
Total.....	73,605	108,161	144,523	108,855	105,477
	Unit value 2/				
Taiwan.....	\$3.65	\$3.95	\$4.11	\$4.22	\$4.09
All other.....	7.05	7.21	7.58	7.73	7.88
Average.....	4.93	5.51	6.16	6.31	6.04
	Share (percent) of total, by quantity				
Taiwan.....	62.3	51.9	40.9	40.6	48.7
All other.....	37.7	48.1	59.1	59.4	51.3
Total.....	100.0	100.0	100.0	100.0	100.0
	Share (percent) of total, by value				
Taiwan.....	46.1	37.2	27.3	27.1	34.5
All other.....	53.9	62.8	72.7	72.9	65.5
Total.....	100.0	100.0	100.0	100.0	100.0

1/ Includes the value of imports of residential door lock component parts.

2/ Computed from data of firms providing both quantity and value of imports of locks (excluding parts).

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

Table 23

Residential door locks: U.S. producers' domestic shipments, imports, and apparent U.S. consumption, 1986-88, January-September 1988, and January-September 1989

Item	1986	1987	1988	Jan.-Sept.-- 1988	1989
<u>Quantity (1,000 units)</u>					
U.S. producers'					
domestic shipments....	48,623	46,002	44,580	33,331	31,154
Imports from Taiwan 1/..	9,286	10,172	9,574	6,989	8,305
Imports from all other					
sources.....	5,608	9,414	13,846	10,237	8,745
Total imports.....	14,894	19,586	23,420	17,226	17,050
Apparent U.S. consump-					
tion.....	63,517	65,588	68,000	50,557	48,204
<u>Value (1,000 dollars) 2/</u>					
U.S. producers'					
domestic shipments....	369,350	352,660	356,537	265,869	255,822
Imports from Taiwan 3/..	33,938	40,200	39,416	29,521	36,436
Imports from all other					
sources.....	39,667	67,961	105,107	79,334	69,041
Total imports.....	73,605	108,161	144,523	108,855	105,477
Apparent U.S. consump-					
tion.....	442,955	460,821	501,060	374,724	361,299
<u>Share (percent) of consumption, by quantity</u>					
U.S. producers'					
domestic shipments....	76.6	70.1	65.6	65.9	64.6
Imports from Taiwan.....	14.6	15.5	14.1	13.8	17.2
Imports from all other					
sources.....	8.8	14.4	20.4	20.2	18.1
Total imports.....	23.4	29.9	34.4	34.1	35.4
<u>Share (percent) of consumption, by value</u>					
U.S. producers'					
domestic shipments....	83.4	76.5	71.2	71.0	70.8
Imports from Taiwan.....	7.7	8.7	7.9	7.9	10.1
Imports from all other					
sources.....	9.0	14.7	21.0	21.2	19.1
Total imports.....	16.6	23.5	28.8	29.0	29.2

1/ Exports from Taiwan to the United States, as reported in table 21, and U.S. imports from producers/exporters in Taiwan other than Tong Lung, Fu Hsing, and Posse.

2/ Includes the value of imports of residential door lock component parts.

3/ Estimated by Commission staff.

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

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

The market share of imported residential door locks imported by U.S. producers increased continuously from 1986 to 1988 and from interim 1988 to interim 1989 (table 24).

Table 24

Residential door locks: U.S. imports from all sources by U.S. producers and others as a share of apparent U.S. consumption, 1986-88, January-September 1988, and January-September 1989

Period	Apparent U.S. consumption (1,000 units)	As a share (percent) of consumption		
		Imports by--		
		U.S. producers	Others	Total
1986.....	63,517	***	***	23.4
1987.....	65,588	***	***	29.9
1988.....	68,000	***	***	34.4
January-September--				
1988.....	50,557	***	***	34.1
1989.....	48,204	***	***	35.4

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

The structure of demand and classes of purchasers

The domestic market for residential door locks consists of a replacement market segment as well as of a new construction segment. Door locks for both market segments are sold through a multilevel distribution channel system that serves three major types of purchasers: wholesalers, retailers, and end-product manufacturers. Some of these purchasers buy directly 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 locks 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.

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; they, in turn, sell to smaller distributors and at the same time compete with those distributors and wholesalers for sales to retail establishments.

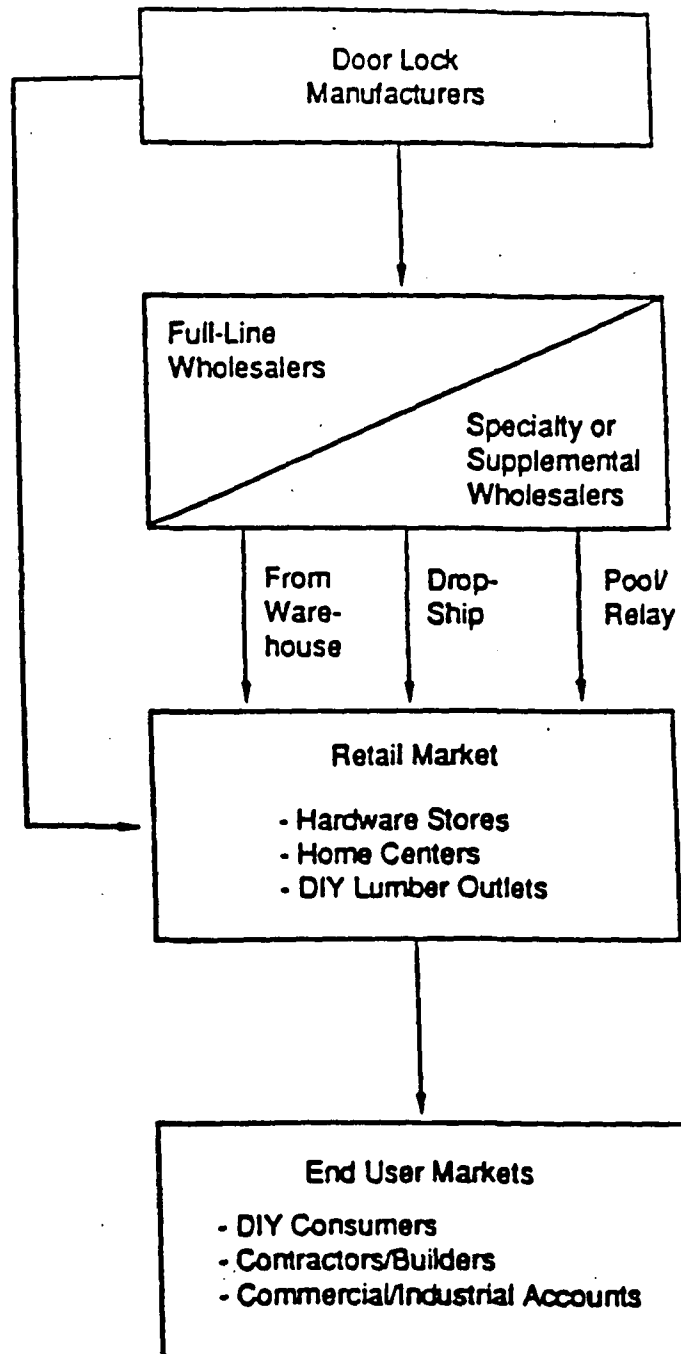
Wholesalers generally sell to purchasers in two channels of distribution: to retail outlets serving the replacement market and to builders, developers, and architects buying for the new construction market. Some wholesalers serve a narrower market segment, such as only locksmiths or only building contractors. 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. OEMs 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. 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 because of elimination of the middleman. This pattern seems more prevalent than purchases by importers who in turn resell to a mass merchandiser or home center.

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 for their own use, have turned to importing Taiwan locksets in container quantity. These importers/wholesalers then supply 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. Figure 4 presents a flow diagram of the channels of distribution that supply the retail door lock market.

**Figure 4: CONCEPTUAL CHANNEL MAP
FOR RETAIL DOOR LOCK MARKET**



**Source: A Profile of The Retail Market For Door Locks, presented by
th National Retail Hardware Association, Indianapolis, IN**

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 American National Standards Institute (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.

The record indicates that market entry by imports from Taiwan focused first on the replacement or retrofit market. As noted above, this market is served by the mass merchandisers and large home centers and building supply chains. These large retail firms were readily identified by Taiwan residential lock producers. Such retail chains traditionally purchased standard door lock models in large volume and could afford to buy direct from the Taiwan producers in container quantities. This category of firms importing for their own account for resale at retail includes such companies as Sears, K-Mart, Walmart, Hechingers, Lowes, 84 Lumber, Scotty's, Pay-N-Pack, Home Depot, and many others. The large and growing demand of the do-it-yourself (DIY) replacement and retrofit segment of the residential door lock market provided a volume retail base on which imports from Taiwan first built their market share.

Imports from Taiwan also targeted the new construction market initially in the Southwest, where residential construction was the strongest. This channel of distribution was at the wholesale level, served by such master distributors as Meadow Creek, Butter, DEROL, Philadelphia Hardware, and others. These importers sold to hardware wholesalers, contract wholesalers, locksmith distributors, and directly to developers and to independent retailers. In both the replacement market and the new construction market, importers of residential door locks from Taiwan and Taiwan producers identified and sold to key accounts.

The largest volume of imports from Taiwan was sold to the large retail firms and amounted to slightly more than 83 percent of total shipments of imported residential door locks from Taiwan in 1988. Almost 30 percent of such shipments in 1988 were imported direct by large retail firms for distribution to their own stores. Fifty-three percent of importers' shipments of residential door locks went to unrelated retail outlets. At the ultimate

purchaser's level, these door locks largely satisfied replacement market demand, although a relatively small but increasing volume was sold to individuals, contractors, small builders, and developers for new construction.⁴⁰

Prices of residential door locks

Market characteristics.--The prices of different door locks vary, based on usage, construction, style and finish, type of keying, and on such special options as saw-proof and panic-proof features, decorative trim, and standard or heavy duty design. 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 the same as keyed-entrance locks.

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.⁴¹

⁴⁰ Conference testimony by Weiser Lock indicates that the share of residential door locks that are sold in the after- or replacement-market may be as high as 70 percent of the overall market.

⁴¹ The Tylo model introduced by Kwikset is one example, another is the Good Lock model of Weslock, and a third is Weiser's Crown model, made in its Thailand plant as well as in its Huntington Beach, CA, plant.

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. Although imported locks from Taiwan have not received formal ANSI approval by grade, as have domestic commercial locks, 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 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 a characteristic sales tactic of the domestic industry but, according to producers' conference testimony, import competition has increased the frequency of these 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.

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-September 1989. In addition, the quantity and value of total sales/purchases 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. Five domestic producers' price data were based on direct sales to such purchasers.

Price trends.--Price trends for the domestic and imported door locks are based on the reported quarterly weighted-average net f.o.b. prices for the largest quarterly sales/purchases of the four products. The net weighted-average selling/purchase prices of each product were based on total quantities sold/purchased of each of the specified representative door lock products to/by 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 Taiwanese 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 domestically produced door locks sold to home center/mass merchandiser customers are shown in table 25. During the investigation period, the price trends varied among the four subject door locks sold to this category of customer. Although prices were fairly flat in most quarters, there were erratic ups and downs in each product price series. Prices for products 1, 2, and 3 strengthened in October-December 1988 and ended the period at levels from 4 to 12 percent above the base-period prices. However, the product 4 price was 10 percent below the base-period price at period end.

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, the price climbed to \$7.28 in April-June 1987, an increase of 10 percent. In subsequent quarters through September 1988, the prices generally were at levels slightly below the base-period price. Then, the price moved up sporadically to end the subject period at \$6.88, or about 4 percent above the base-period price.

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, rose to \$5.06 in October-December, dipped slightly during the two subsequent quarters, and reached a period high of \$5.08 in July-September 1989, 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 most of the period. The price was \$4.21 per lock in January-March 1986, fell to a period low of \$4.05 per lock in January-March 1987, then held at or within 2 percent of the base-period price through mid-1988, before increasing to a period high of \$4.58 in October-December 1988. During January-June 1989 the price level dipped slightly, and at period end it was \$4.43, or 5 percent above the base-period price level.

Table 25

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-September 1989

Period	Product 1	Product 2	Product 3	Product 4
<u>Weighted-average price per door lock</u>				
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.....	6.99	5.03	4.53	8.47
Apr.-June.....	6.80	5.01	4.53	7.06
July-Sept.....	6.88	5.08	4.43	7.44
<u>Quantity sold (units)</u>				
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	459,808
Oct.-Dec.....	393,231	124,222	124,366	393,933
1987:				
Jan.-Mar.....	498,263	127,871	125,334	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.....	506,966	182,074	183,453	292,636
Apr.-June.....	462,249	169,203	177,857	237,092
July-Sept.....	472,325	137,149	146,008	143,274

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

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 recovered to a period high of \$9.00 in the following quarter. Prices then began a downward trend and fell 20 percent to a period low of \$7.16 in April-June 1987. Prices climbed during the balance of 1987 to a level 2 percent above the base-period level, but then, in 1988, declined to levels that ranged erratically from 2 to 11 percent below the base-period price. Prices ended the subject period down 10 percent, at \$7.44 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 26. Quarterly price data for these four representative door locks reflect mixed price trends. Prices of products 1, 2, and 3 were below the base-period price level by small percentages in from 4 to 9 quarters, and above the base-period price by small amounts in from 5 to 10 quarters. Product 4 prices were below the base-period price in every subsequent quarter. Products 1 and 4 ended the subject period at prices 1 percent under the base prices; products 2 and 3 closed out the period 6 percent above the base prices.

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 for only 1 quarter. During the balance of the subject period, the prices were below the 1986 base-period price level in 6 of the 7 quarters, ending the period at an average price of \$7.59 per door lock, 1 percent below the base-period price.

Privacy locks (product 2) sold to this class of customer show a somewhat stronger price trend. The price fell sharply from the base-period price of \$4.52 to \$3.94 in April-June 1986, a decline of 13 percent, then climbed rather steadily upward (interrupted by slight dips in January-March and July-September 1988) to a period high of \$5.00 in January-March 1989, 11 percent above the base-period price. The price dipped in April-June 1989 to \$4.72 per door lock, then edged up to \$4.80 at period end, a level 6 percent above the base-period price.

The price trend for passage locks (product 3) sold to purchasers serving the builder/developer market reflects a somewhat 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 percent above the base-period price in April-June 1987, they again declined to reach \$3.96 per lock in January-March 1988. Prices strengthened in the following quarters of 1988; the average price reached a period high of \$4.49 in January-March 1989 and stood at \$4.40 in July-September 1989, 6 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 door locks produced in the United States, weighted by total sales quantities, by quarters, January 1986–September 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	9.17
Apr.-June.....	7.05	4.73	4.13	8.21
July-Sept.....	7.84	4.71	4.30	7.91
Oct.-Dec.....	7.58	4.93	4.47	8.73
1989:				
Jan.-Mar.....	7.59	5.00	4.49	8.12
Apr.-June.....	7.23	4.72	4.32	7.91
July-Sept.....	7.59	4.80	4.40	9.25
<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	866,938
Apr.-June.....	333,110	258,163	275,681	751,107
July-Sept.....	331,495	239,199	252,886	554,342
Oct.-Dec.....	322,534	227,615	237,313	577,111
1989:				
Jan.-Mar.....	375,666	282,525	298,294	461,080
Apr.-June.....	336,681	261,425	276,692	439,930
July-Sept.....	360,977	262,979	295,590	536,764

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

The prices of deadbolts (product 4) sold to this class of purchasers reflect a downtrend to a period low of \$7.20 per door lock in January-March 1987, 23 percent below the \$9.32 base-period price. An uptrend in price followed, ultimately leading to a 1988 high of \$9.17 in January-March. The quarterly price then generally declined to a low of \$7.91 in April-June 1989 before climbing to \$9.25 in July-September, a level 1 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 period followed by a recovery to levels about equal to (product 2) or sharply above the base-period prices. The period-end prices of products 1, 3, and 4 were from 24 to 28 percent above their respective 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 27.

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 percent 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 level of \$4.96 per lock in January-March 1989, fell 4 percent in the following quarter, but ended the period at a high of \$5.26 per door lock, 28 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 fairly steadily to a 1987-88 high of \$3.64 per door lock in July-September 1988 but then declined to \$3.34 in the fourth quarter. In 1989, the trend reversed and the price reached a period high of \$3.91 in April-June but ended the period at \$3.76, about 2 percent above the base-period price.

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 July-September 1988 to \$3.59 and ended the subject period at \$3.79, or 24 percent above the base-period price.

The prices of deadbolt door locks (product 4) to this class of purchasers fell 4 to 5 percent below the \$4.00 base-period price during April-December 1986. In January-March 1987, the price increased and held for 3 quarters at a level within 1 percent of the base-period price. The price rose 7 percent in October-December 1987 and continued to climb to a 1988 high of \$4.53 in the fourth quarter. In January-March 1989, the average price dipped, then climbed to a period high of \$4.97 in July-September, a level 24 percent above the base-period price.

Table 27

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-September 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	\$4.00
Apr.-June.....	3.65	2.92	2.75	3.79
July-Sept.....	3.81	2.83	2.88	3.85
Oct.-Dec.....	3.77	3.12	3.02	3.79
1987:				
Jan.-Mar.....	4.06	3.13	2.93	3.95
Apr.-June.....	4.05	3.12	3.13	3.98
July-Sept.....	4.02	3.27	3.27	3.96
Oct.-Dec.....	4.09	3.26	3.13	4.23
1988:				
Jan.-Mar.....	4.23	3.57	3.55	4.29
Apr.-June.....	4.38	3.59	3.53	4.23
July-Sept.....	4.40	3.64	3.59	4.34
Oct.-Dec.....	4.77	3.34	3.49	4.53
1989:				
Jan.-Mar.....	4.96	3.73	3.68	4.41
Apr.-June.....	4.75	3.91	3.72	4.74
July-Sept.....	5.26	3.76	3.79	4.97
<u>Quantity sold (units)</u>				
1986:				
Jan.-Mar.....	3,960	144	2,412	14,048
Apr.-June.....	7,416	3,216	3,216	14,276
July-Sept.....	3,392	3,000	3,000	12,956
Oct.-Dec.....	8,400	2,952	3,148	14,620
1987:				
Jan.-Mar.....	31,028	7,000	4,115	17,000
Apr.-June.....	24,028	10,166	7,588	19,978
July-Sept.....	23,136	11,604	8,620	17,346
Oct.-Dec.....	43,056	9,140	4,800	25,230
1988:				
Jan.-Mar.....	41,916	14,868	6,460	29,107
Apr.-June.....	35,340	11,812	8,284	30,231
July-Sept.....	25,556	11,928	7,180	30,899
Oct.-Dec.....	46,836	23,000	18,332	26,211
1989:				
Jan.-Mar.....	16,908	11,052	9,052	27,097
Apr.-June.....	9,292	4,456	8,312	6,717
July-Sept.....	14,736	2,112	2,496	6,645

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

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 28. Quarterly price data for sales of the four representative door locks to this category of customers reflect rising trends throughout the subject period. The prices of products 2, 3, and 4 had almost doubled by period end, and the price of product 1 had risen by more than 40 percent.

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 next two quarters, the price climbed to a 1988 high of \$6.06, then fell 8 percent to \$5.56 per door lock. The price strengthened in 1989 and reached a period high of \$6.60 during April-September, ending the subject period at a level 43 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 an almost uninterrupted rise and by January-March 1989 it reached \$4.81 per lock. The price climbed further and held at \$5.40 during April-September, 90 percent above the base-period price.

The data on prices of imported Taiwan 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 early 1988, the prices continued a rather shallow rise to reach \$3.69 per lock in January-March of the latter year. The price then increased 15 percent to \$4.25 in April-June, and held near that level during the balance of that year. By the end of the subject period, the price had risen to \$5.21, an increase of 92 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 3 percent in the next quarter of 1987, but rose almost 43 percent to \$6.00 in July-September, then dropped to \$4.72 in October-December of that year. During 1988 and January-March 1989, the average price level held at a quarterly level that ranged from \$6.13 to \$6.35 per door lock. The price jumped to \$7.35 in April-June 1989 and reached a period high of \$7.48 at period end, 95 percent above the base-period price.

Table 28

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-September 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	6.00
Oct.-Dec.....	4.85	4.30	3.64	4.72
1988:				
Jan.-Mar.....	4.82	4.34	3.69	6.14
Apr.-June.....	5.75	4.74	4.25	6.13
July-Sept.....	6.06	4.85	4.20	6.35
Oct.-Dec.....	5.56	4.62	4.23	6.21
1989:				
Jan.-Mar.....	5.87	4.81	4.52	6.32
Apr.-June.....	6.60	5.40	5.21	7.35
July-Sept.....	6.60	5.40	5.21	7.48
<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	1,440
Apr.-June.....	600	2,066	766	808
July-Sept.....	500	2,550	1,450	6,658
Oct.-Dec.....	4,000	1,566	666	975
1988:				
Jan.-Mar.....	1,500	8,100	5,060	7,428
Apr.-June.....	4,918	12,349	7,463	3,497
July-Sept.....	6,370	18,460	16,766	7,869
Oct.-Dec.....	13,863	24,717	30,521	13,541
1989:				
Jan.-Mar.....	17,983	27,907	29,211	12,951
Apr.-June.....	1,429	2,529	1,373	429
July-Sept.....	1,076	1,904	1,034	6,847

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 29. 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.

The price data for this category of purchasers reflect a slow uptrend interrupted by slight price dips during the subject period. Prices of the four representative door locks at period end were above the respective base period prices by amounts that ranged from 10 to 30 percent.

Quarterly prices of imported keyed-entrance door locks (product 1) from Taiwan paid by this class of purchasers were essentially flat during January 1986-March 1987, with prices ranging from \$3.26 to \$3.33, or from 1 percent below to 1 percent above the base-period price of \$3.30. During the remainder of 1987, the price strengthened; in January-March 1988, it climbed to \$3.67; and through April-June 1989, it remained within 1 percent of that level. The price increased to \$3.91 per entry lock in July-September 1989, 18 percent above the base-period price.

Prices of privacy locks (product 2) imported from Taiwan by this class of purchaser increased erratically in 1986 and 1987, from a base-period price of \$2.64 to \$2.95 at yearend 1987. The price uptrend continued to a high of \$3.10 in July-September 1988. Then, the price declined to \$3.00 in January-March 1989. The trend reversed in the next quarter as the price climbed to \$3.25, where it held during the balance of the period, 23 percent above the base-period price.

Passage lock (product 3) prices for purchases by home centers/mass merchandisers importing the Taiwan product for their own account show an 8-percent increase in 1986, from a January-March base-period price of \$2.47 to \$2.66 in July-September, then a temporary downturn in October-December 1986. That trend reversed in January-March 1987 and the quarterly prices moved upward irregularly to a 1988 high of \$2.99 in April-June. This pattern then reversed and the price fell to \$2.87 in October-December of that year. Again, the trend reversed and in 1989 the price climbed to a period high of \$3.20 per passage lock, a level almost 30 percent above the base-period price.

The average quarterly prices of deadbolts (product 4) imported from Taiwan by this class of purchasers reflect a downturn that began in 1986 and held at levels 1 to 2 percent below the base-period price of \$3.41 through yearend. The prices increased steadily in 1987 and January-June 1988 to a period high of \$3.84, but fell to slightly above the base-period price during October-December 1988. In 1989, the price strengthened and reached \$3.82 in April-June before falling in July-September to \$3.75, 10 percent above the base-period price.

Table 29

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-September 1989

Period	Product 1	Product 2	Product 3	Product 4
<u>Weighted-average price per door lock</u>				
1986:				
Jan.-Mar.....	\$3.30	\$2.64	\$2.47	\$3.41
Apr.-June....	3.26	2.67	2.49	3.36
July-Sept....	3.33	2.75	2.66	3.33
Oct.-Dec.....	3.30	2.68	2.56	3.38
1987:				
Jan.-Mar.....	3.33	2.74	2.60	3.51
Apr.-June....	3.43	2.85	2.77	3.59
July-Sept....	3.57	2.84	2.75	3.65
Oct.-Dec.....	3.46	2.95	2.82	3.72
1988:				
Jan.-Mar.....	3.67	3.03	2.87	3.79
Apr.-June....	3.63	3.04	2.99	3.84
July-Sept....	3.65	3.10	2.90	3.66
Oct.-Dec.....	3.64	3.01	2.87	3.53
1989:				
Jan.-Mar.....	3.62	3.00	2.89	3.61
Apr.-June....	3.66	3.25	3.19	3.82
July-Sept....	3.91	3.25	3.20	3.75
<u>Quantity purchased (units)</u>				
1986:				
Jan.-Mar.....	72,917	32,020	35,308	17,320
Apr.-June....	68,550	38,540	39,680	16,282
July-Sept....	88,126	45,270	48,372	34,580
Oct.-Dec.....	147,121	44,508	50,676	46,168
1987:				
Jan.-Mar.....	206,104	62,096	76,352	49,992
Apr.-June....	189,924	52,242	61,188	38,984
July-Sept....	204,560	60,124	65,060	48,112
Oct.-Dec.....	136,668	39,044	59,640	34,096
1988:				
Jan.-Mar.....	195,518	68,126	83,028	31,154
Apr.-June....	216,320	70,469	119,545	43,350
July-Sept....	220,059	82,676	74,824	52,712
Oct.-Dec.....	163,730	35,412	51,602	57,157
1989:				
Jan.-Mar.....	214,042	84,714	58,422	140,724
Apr.-June....	154,336	42,733	55,660	198,102
July-Sept....	109,414	29,476	36,472	93,480

Source: Compiled from data submitted in response to questionnaires of the U.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 on purchase prices reported by home centers/mass merchandisers importing direct from Taiwan for their own account during the period January 1986-September 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 30-31 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. Figures 5-10 show the range and weighted-average prices of U.S.- and Taiwan-made residential door locks.

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 15 quarters of the subject period. Comparisons of keyed entrance locks were possible for all quarters except for January-March 1986. The price comparisons reveal underselling by the imported Taiwanese products in 51 of the 59 quarters (table 30).

Price comparisons for keyed entrance locks (product 1) indicate that the imported locks were priced below the domestic product in every quarter. Underselling margins ranged from \$0.63 to \$3.46, or from 9 to 42 percent. The margins were highest during April 1986-March 1988, averaging 40 percent, but narrowed to 22 percent during the remainder of 1988 and to 15 percent in January-September 1989.

Comparisons of domestic and import prices for privacy locks (product 2) revealed a pattern of underselling for the imported privacy lock in 11 of the 15 quarters, by margins that ranged from \$0.17 to \$1.68 per lock, or from 4 to 37 percent. In percentage terms, the margins of underselling were highest in 1986 and the first quarter of 1987, averaging 21 percent, but narrowed to the single-digit level beginning in April-June 1987 and fell to a low of 4 percent in January-March 1989. In three instances the imported privacy locks were priced above the domestic product, by margins that ranged from \$0.14 to \$0.68, or from 3 to 14 percent. In one comparison, April-June 1988, there was a zero margin.

Comparisons of selling prices for passage locks (product 3) show that locks imported from Taiwan undersold domestic locks in 11 of the 15 quarters. The margins of underselling ranged from \$0.11 to \$1.43 per lock, or from 3 to 34 percent. The domestic product undersold the imported passage locks in four quarterly comparisons, by margins that ranged from \$0.03 to \$0.89, or from 1 to 21 percent.

Table 30

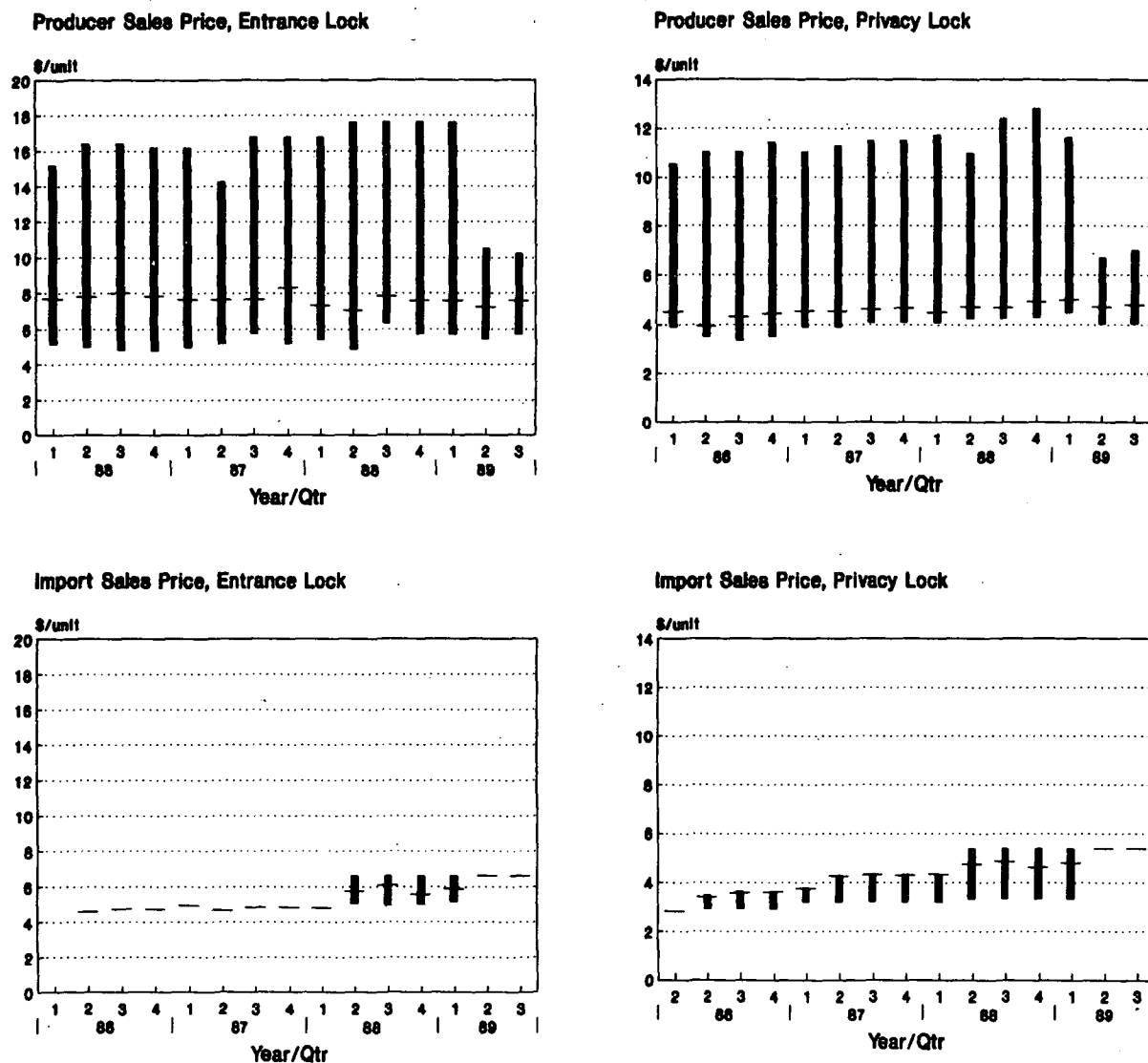
Residential door locks: Margins of under/over selling ^{1/} based on comparisons made between net U.S. f.o.b. selling prices of products 1, 2, 3, and 4 produced in the United States and of those same products imported from Taiwan and sold to purchasers serving the builder/developer market, by quarters, January 1986-September 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	.34	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	.62	15	3.51	45
July-Sept.....	2.80	37	.30	6	.57	14	2.06	26
Oct.-Dec.....	3.46	42	.36	8	.45	11	3.51	43
1988:								
Jan.-Mar.....	2.53	34	.17	4	.27	7	3.04	33
Apr.-June.....	1.30	18	.00	0	(-.12)	(-3)	2.08	25
July-Sept.....	1.76	22	(-.14)	(-3)	.11	3	1.56	20
Oct.-Dec.....	2.02	27	.31	6	.25)	6	2.52	29
1989:								
Jan.-Mar.....	1.72	23	.19	4	(-.03)	(-1)	1.79	22
Apr.-June.....	.63	9	(-.68)	(-14)	(-.89)	(-21)	.56	7
July-Sept.....	.99	13	(-.60)	(-13)	(-.81)	(-19)	1.78	19

^{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.

Figure 5
Residential door locks: Range and weighted-average selling prices of entrance and privacy locks, both domestically produced and imported from Taiwan, sold to wholesalers serving the builder/developer channel of distribution, by quarters, January 1986-September 1989



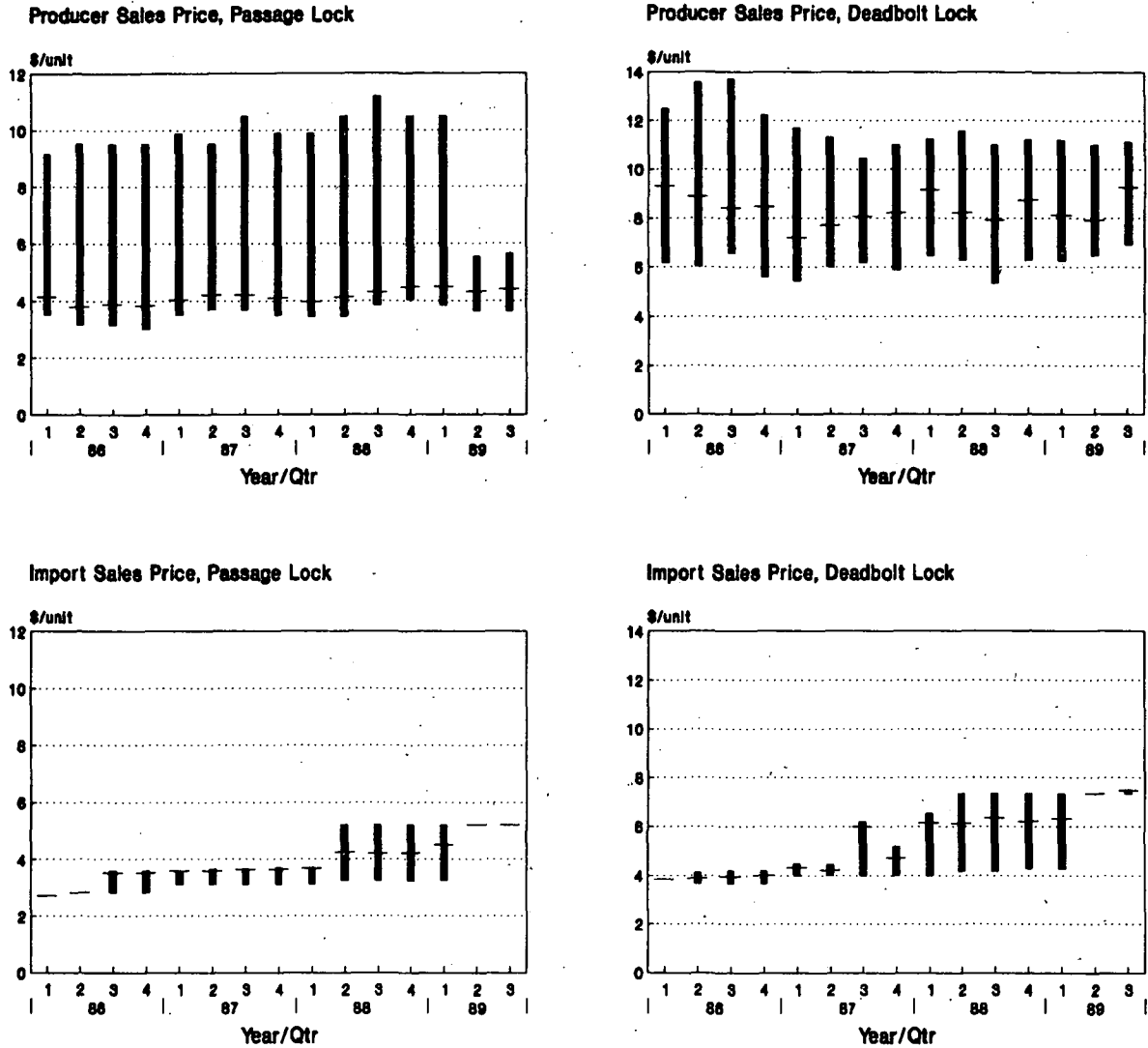
Legend: - denotes weighted-average price.

(Note: The absence of a range bar indicates a single observation.)

Source: Tables 26 and 28, products 1 and 2

Figure 6

Residential door locks: Range and weighted-average selling prices of passage and deadbolt locks, both domestically produced and imported from Taiwan, sold to wholesalers serving the builder/developer channel of distribution, by quarters, January 1986-September 1989



Legend: - denotes weighted-average price.

(Note: The absence of a range bar indicates a single observation.)

Source: Tables 26 and 28, products 3 and 4

Price comparisons for deadbolt locks (product 4) reflect underselling by the imported product in each comparison. Margins ranged from \$0.56 to \$5.49 per lock, or from 7 to 59 percent. Margins narrowed appreciably beginning in January-March 1988. From an average of 47 percent in 1986-87, the margins fell to an average of 27 percent in 1988 and to 16 percent in January-September 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 15 quarters of the subject time period. The price data show underselling by the imported product in each quarterly comparison (table 31).

Comparisons of domestic and import prices for keyed entrance locks (product 1) show underselling by the imported entry locks from Taiwan in every quarter. Margins ranged from \$2.87 to \$3.86 per lock, or from 44 to 54 percent. The average margin fell from 51 percent during 1986-87 to 45 percent during the balance of the subject period.

Price comparisons for privacy locks (product 2) 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 \$1.48 to \$2.05, or from 33 to 41 percent. Although the margins narrowed to the mid-30-percent range in July 1987-September 1988, they increased to 40 percent during the next two quarters before declining again to 35 percent during the balance of the subject period.

Comparisons of domestic and imported prices for passage locks (product 3) again show that imported locks from Taiwan were priced below the domestic locks in every quarter. The margins of underselling varied from \$1.24 to \$1.76, or from 28 to 41 percent. With few exceptions, the margins held in the mid-30-percent range, but narrowed to a low of 28 percent at the end of the subject period.

Price comparisons for domestic and Taiwan deadbolt locks (product 4) 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 \$3.24 to \$5.40, or from 46 to 61 percent. During the subject period, the margins fell below the 50-percent level in only two quarters, April-June 1988 and the corresponding quarter in 1989.

Table 31

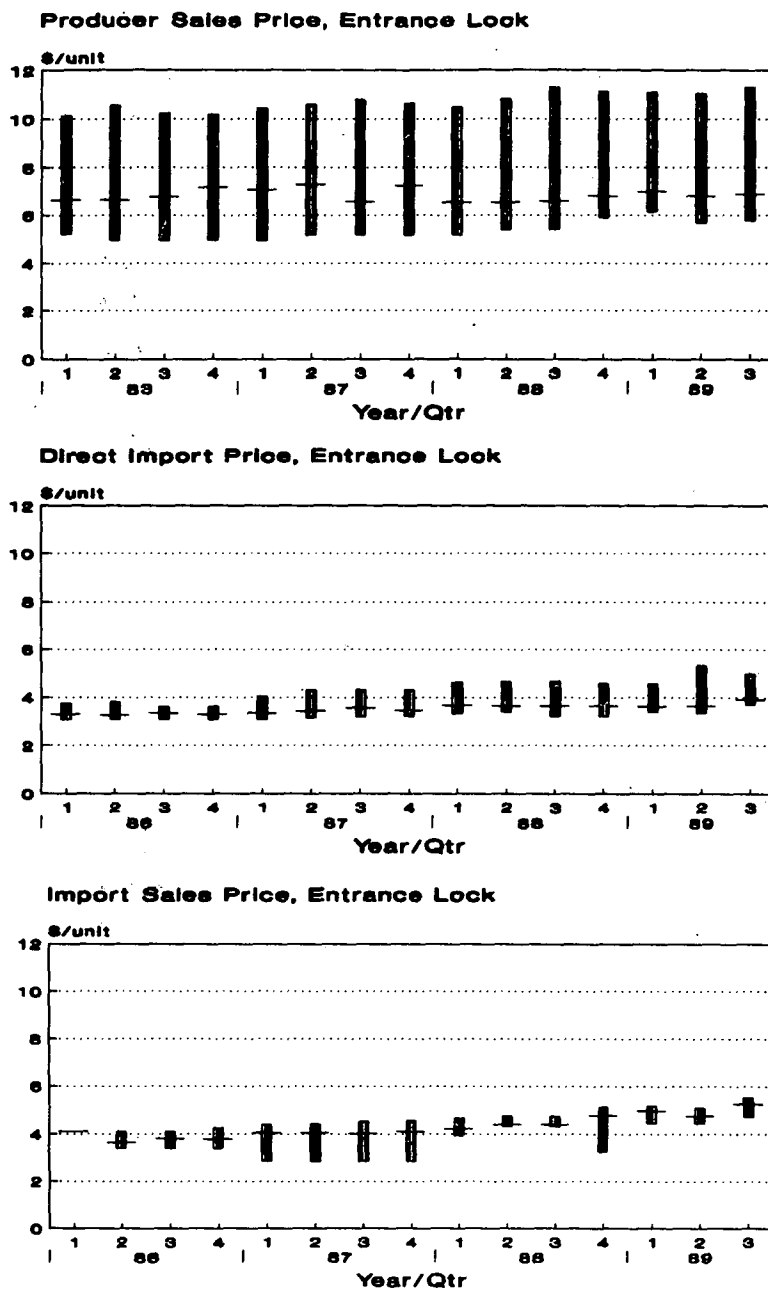
Residential door locks: Margins of under/over selling ^{1/} based on comparisons made between net U.S. f.o.b. selling prices of products 1, 2, 3, and 4 produced in the United States and of those same products imported from Taiwan and purchased by home centers/mass merchandisers importing direct for their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

Period	Product 1		Product 2		Product 3		Product 4	
	(\$/unit)	(%)	(\$/unit)	(%)	(\$/unit)	(%)	(\$/unit)	(%)
1986:								
Jan.-Mar.....	\$3.34	50	\$1.89	42	\$1.74	41	\$4.89	59
Apr.-June.....	3.37	51	1.87	41	1.66	40	4.50	57
July-Sept.....	3.45	51	2.00	42	1.55	37	5.06	60
Oct.-Dec.....	3.86	54	1.91	42	1.76	41	5.40	61
1987:								
Jan.-Mar.....	3.73	53	1.79	40	1.45	36	3.82	52
Apr.-June.....	3.85	53	1.76	38	1.47	35	3.57	50
July-Sept.....	3.00	46	1.61	36	1.46	35	3.99	52
Oct.-Dec.....	3.77	52	1.71	37	1.48	34	4.73	56
1988:								
Jan.-Mar.....	2.87	44	1.48	33	1.26	30	4.26	53
Apr.-June.....	2.91	44	1.60	34	1.29	30	3.55	48
July-Sept.....	2.92	44	1.68	35	1.47	34	4.20	53
Oct.-Dec.....	3.15	46	2.05	41	1.71	37	4.63	57
1989:								
Jan.-Mar.....	3.37	48	2.03	40	1.64	36	4.87	57
Apr.-June.....	3.14	46	1.76	35	1.35	30	3.24	46
July-Sept.....	2.98	43	1.83	36	1.24	28	3.69	50

^{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.

Figure 7
Residential entrance door locks (product 1): Range and weighted-average selling prices of domestic locks, locks imported from Taiwan and sold direct to home centers/mass merchandisers, and locks imported from Taiwan and sold to wholesalers serving the retail channel of distribution, by quarters, January 1986-September 1989



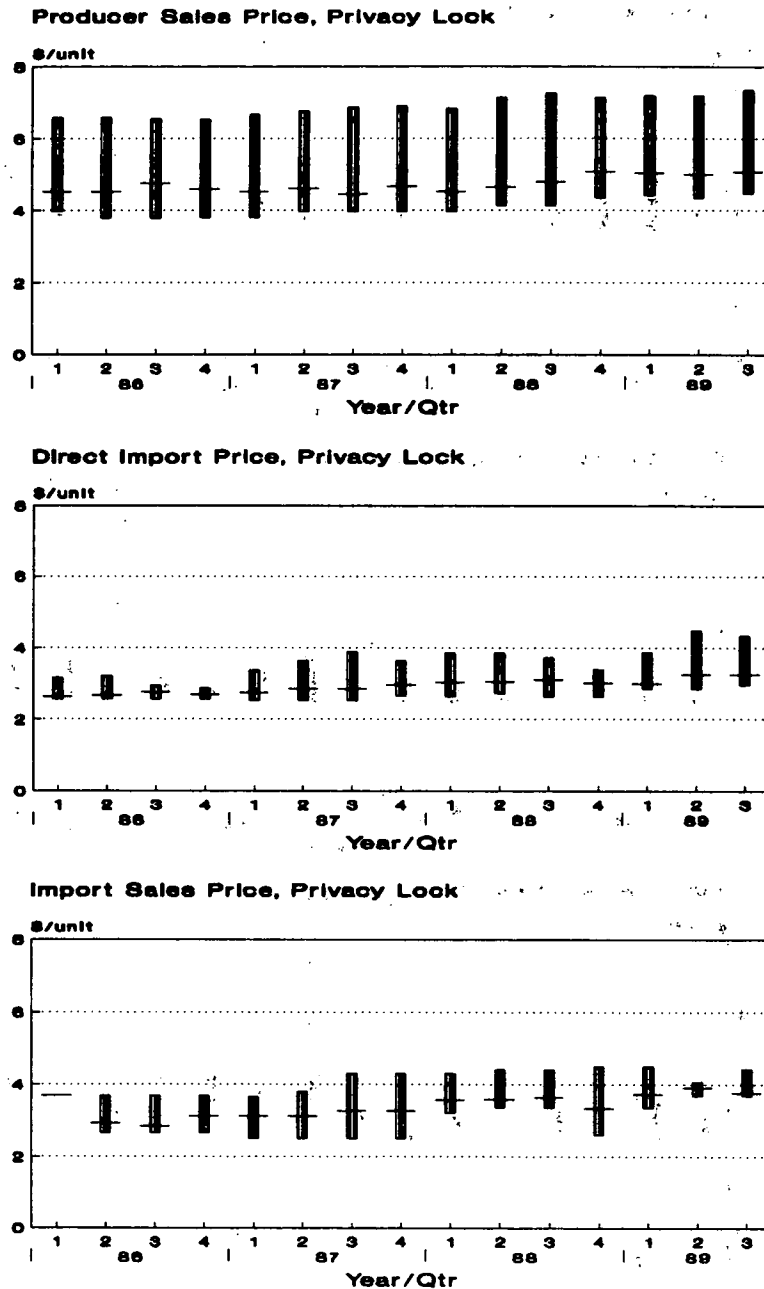
Legend: - denotes weighted-average price.

(Note: The absence of a range bar indicates a single observation.)

Source: Tables 25, 27; and 29, product 1

Figure 8

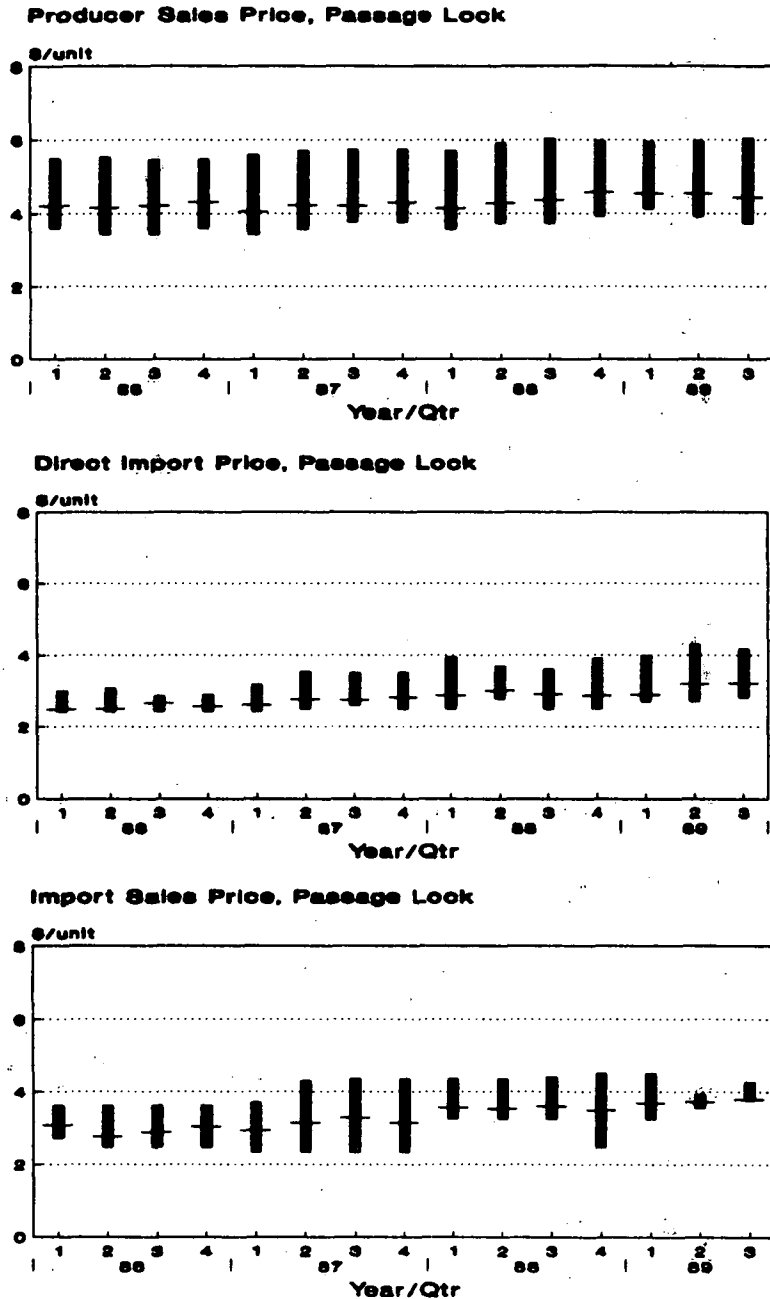
Residential privacy door locks (product 2): Range and weighted-average selling prices of domestic locks, locks imported from Taiwan and sold direct to home centers/mass merchandisers, and locks imported from Taiwan and sold to wholesalers serving the retail channel of distribution, by quarters, January 1986-September 1989



Source: Tables 25, 27, and 29, product 2

Figure 9

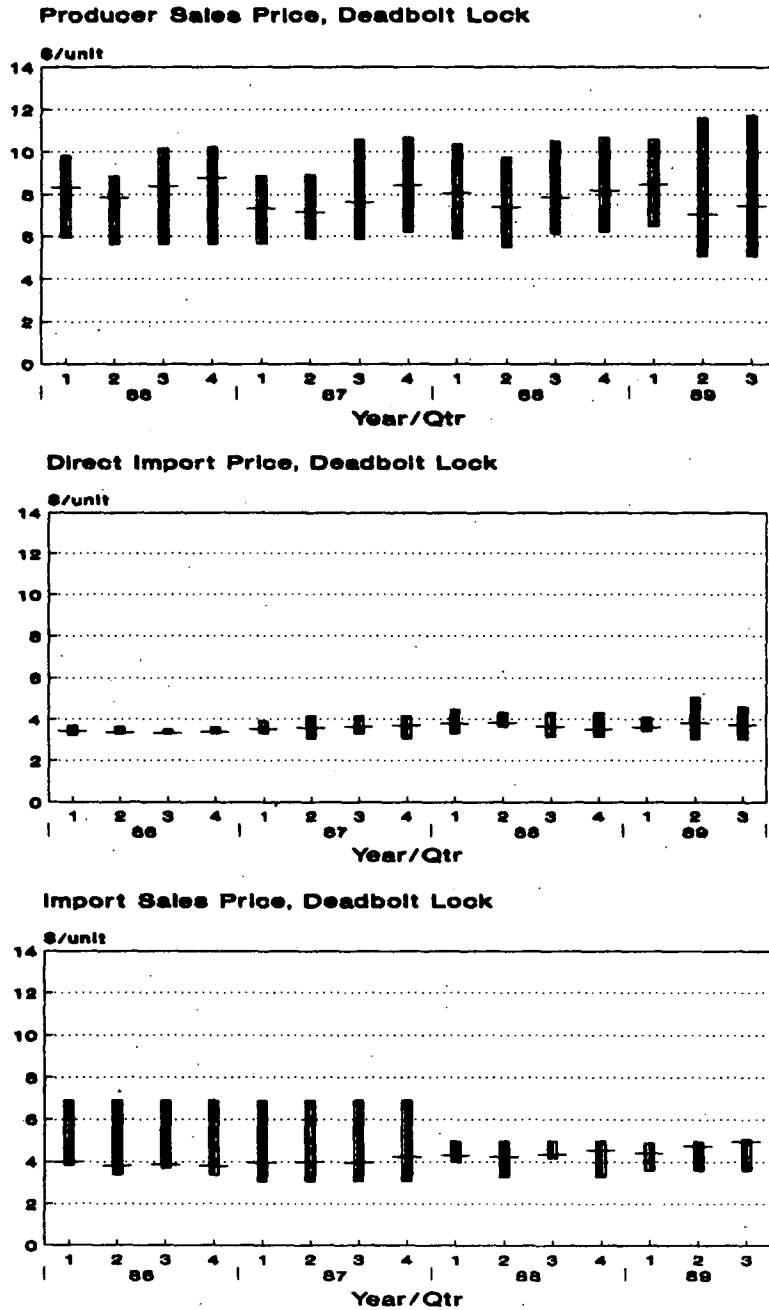
Residential passage door locks (product 3): Range and weighted-average selling prices of domestic locks, locks imported from Taiwan and sold direct to home centers/mass merchandisers, and locks imported from Taiwan and sold to wholesalers serving the retail channel of distribution, by quarters, January 1986-September 1989.



Legend: - denotes weighted-average price.

Source: Table 25, 27, and 29, product 3

Figure 10
Residential deadbolt door locks (product 4): Range and weighted-average selling prices of domestic locks, locks imported from Taiwan and sold direct to home centers/mass merchandisers, and locks imported from Taiwan and sold to wholesalers serving the retail channel of distribution, by quarters, January 1986-September 1989



Legend: - denotes weighted-average price.

Source: Tables 25, 27, and 29, product 4

Purchasers' view of the market and purchasers' price data

The Commission also sought information on the residential door lock market directly from more than 65 purchasers who were sent questionnaires. This section presents the dynamics of the subject market from the purchasers' perspective.⁴² Responses containing qualitative information on the subject market were received from 21 of these firms. Usable price data were received from 16 purchasers.⁴³ Respondent purchasers included mass merchandisers, hardware wholesalers, home centers, contractor hardware wholesalers, and door manufacturers. Some purchasers sourced their residential door lock supply only from domestic manufacturers, others depended entirely or largely on imports from Taiwan, while still others purchased not only domestic residential door locks but also such products imported from Taiwan.

Purchasers named six domestic producers as suppliers: Baldwin, Kwikset, National, Schlage, Weiser, and Weslock. They also identified five distributors--Abus, Commerce Distributors, Elixir Industries, Ilco Unican, and Von Duprin--as vendors supplying domestic door locks. Taiwan producers named as sources included Fu Hsing Industry Co., Je Tien, Posse Lock Manufacturing Co., and Tong Lung Metal Industry Co. Importers/master distributors identified as sources of imported residential door locks from Taiwan were Consolidated Hardware, Juralco, Meadow Creek, PDQ, Schaefer, Synergy International, and World Wide Sales.

The purchasers' data base consists of a cross section of retailers, wholesalers, and end users. Respondent purchasers included eight retail chains, three of which are mass merchandisers and five of which are multi-location home-center operations. Five hardware wholesalers and three contractor wholesale hardware houses returned useful questionnaire data. Five door manufacturers, i.e. end users, replied to the Commission's questionnaire.

No singular pattern characterizes the channels of distribution that supply these firms. Most, but not all, of the purchasers who responded buy direct from domestic producers. Some, however, buy domestic residential door locks from large master distributors such as Meadow Creek. The purchasers' questionnaires reveal that some respondent firms buy imported door locks direct from Taiwan manufacturers, while others bought Taiwan door locks from importers/distributors or from wholesalers that supply imported door locks. Wholesale hardware firms noted that their domestic and import suppliers also sold direct and thus were competitors. The questionnaire responses reflect the varied channels of distribution shown in figures 3 and 4 and confirm the supply relationships noted in the related text.⁴⁴

⁴² The prior section analyzed the market based on information and price data received from domestic producers and importers.

⁴³ The net f.o.b. value of total reported purchases of residential door locks by the 21 respondent purchasers accounted for 5 percent of the total apparent U.S. consumption of residential door locks in 1988. Purchases of domestic door locks amounted to 6 percent of domestic shipments in that year, and purchases of imports from Taiwan amounted to 10 percent of total shipments.

⁴⁴ See pp. A-18-19 and A-52-56.

Position of the purchaser and relationship to suppliers and competitors.--As noted, purchasers fall into three categories, retailers, wholesalers, and end users. Retailers sell to the DIY market and sell increasingly to small contractors and developers. Wholesalers serve one or the other of two rather distinct markets. Some sell to the retail hardware store market, supplying independent hardware outlets and chains. Others sell at wholesale prices only to the contractor/builder market. Door manufacturers purchase residential door locks for the doors they make. A large dimension of this market consists of doors for the mobile home market, a market segment that has largely switched to imported door locks from Taiwan.⁴⁵

Competition among mass merchandisers and home center chains makes this market perhaps more price sensitive than the retail hardware store market. Planned promotional programs by mass merchandisers and home centers, which are frequent and center on pricing, are supported by low-price imports and domestic promotion allowances. Small independent hardware outlets, however, have formed buying co-ops to create the purchasing power in volume terms to enable such small local firms to survive the low-price promotion merchandising tactics that characterize the mass merchandiser and home center markets. For example, True Value hardware stores have their own wholesale distributor that serves as a central buying arm and wholesaler for the member stores.

Knowledge of manufacturers.--Most of the purchasers responding to the Commission's questionnaire knew the manufacturer of the residential door locks they buy and were aware of the domestic or foreign origin of the door locks. Responses were mixed within purchaser categories as to whether their customers were aware of or were interested in the country of origin of the locks they purchased.

Most respondent purchasers were not aware of any new suppliers, foreign or domestic, having entered the door lock market. The record indicates that exit rather than entry has characterized the domestic industry in recent years. Only three purchasers noted being approached by new suppliers that have entered the market in the last 2 or 3 years. In one case, the firm named was not a new entrant but a domestic producer, Weiser, offering its new low-priced Crown door lock line made in Thailand.⁴⁶

Product differentiation.--Asked if there is a significant difference between domestic residential door locks and imported door locks from Taiwan, 16 purchasers responded in the negative. Of the remaining five firms, one listed quality and price differences as significant. Four purchasers identified quality as a difference, but two of them minimized the quality

⁴⁵ See Hearing TR, p. 31.

⁴⁶ New suppliers of imported door locks, other than Weiser's Crown line, included Tessa and Harloc, two firms which offered door locks made in Spain. Majestic Brass was twice cited as a new supplier to the door lock market but without reference as to country of origin. Another firm, H.B. Ives, also was named as a new entrant to the market but no country was identified as the site of manufacture.

difference.⁴⁷ Brand-name awareness was cited by two home center chain purchasers as a significant difference that favored domestic door locks. The lower price of imported door locks was noted by two firms as a factor that differentiated the imported product. Service and breadth of product line were each mentioned by individual firms as factors that differentiated the domestic door locks they sold from locks imported from Taiwan offered by their direct competitors. Most purchasers, however, responded that there were no differences between the door lock lines they offered and those of their direct competitors, or that differences were of little or no consequence.

Purchasers agreed that there were no substitutes for the subject residential door locks except the same products sourced from other manufacturers. One purchaser listed two substitute door locks not subject to this investigation, stating that the prices of these locks had increased relative to the market prices of the subject door locks. This firm noted that these substitute door locks are specialized and prices are not market driven.⁴⁸

Purchasing patterns.--Purchasers place frequent orders for residential door locks. Domestic door locks are ordered weekly, or in some cases, monthly. Imported door locks are ordered monthly by large purchasers and irregularly by other purchasers.

Price, quality, and availability were listed by roughly three out of four purchasers as the leading factors considered in deciding from which supplier to purchase residential door locks. Eight purchasers listed quality as the first consideration and eight other purchasers as the second. Six purchasers listed price as the primary factor and eight others as the secondary. Eighteen purchasers ranked availability as the number 3 factor in their purchase decision. Five purchasers identified the traditional supplier relationship as the leading factor in their sourcing process. Four other purchasers cited the brand name as their first consideration. Product line breadth was listed by five purchasers as the number 1 or number 2 factor in their source selection decisions.

With minor exceptions, purchasers also agreed that imported door locks from Taiwan were available in the market at lower prices than competing domestic door locks during 1988. One purchaser reported to the contrary, adding that the imported door locks were "just more available." On the question of whether the quality of the imported locks was superior, comparable, or inferior, there was disagreement among the 15 purchasers responding to the question. Eight respondents rated the imported door locks inferior; six labeled the door locks from Taiwan comparable to the domestic products; and one classed the imported products as superior to domestic residential door locks.

⁴⁷ * * * pointedly wrote that "Domestically produced locksets are perceived to be of higher quality." (Emphasis is * * *) * * *, a * * * home center chain that purchases both domestic and Taiwan door locks, characterized the difference in quality as "some difference (significant but not substantial)."

⁴⁸ * * * identified Schlage's "key 'n keyless" and Weiser's "Keyless" as substitutes but noted that "these would have very minor significance on the overall program" of that firm.

Purchasers gave varied responses in explaining why they purchased domestic door locks when imported locks were available at lower prices. Name-brand awareness, associated quality image, and breadth of styles were among the most repeated explanations. Shorter lead time, service, and advertising support were also mentioned. Long-term relationships and associated reliability were noted by two purchasers. Purchasers were in agreement that domestic door locks, unlike imported door locks, were not available at lower prices.

On the question of substitutability, purchasers that had bought both domestic door locks and imported door locks from Taiwan provided, by model number, 29 specific examples of domestic door locks and imported door locks from Taiwan that they consider substitutes. These examples included domestic models of Kwikset, National, Schlage, Weiser, and Weslock and imported door lock models from Taiwan that included Je Tien, Posse, EZ Set, Brandywine, Crest, and Tong Lung. Purchasers commented that features on imported and domestic locks were largely the same. One purchaser did note the unique feature of the Weiserbolt, a door lock that combines a single cylinder deadbolt and an entry lock in one model.

Supplier preferences.--Questionnaire responses revealed that most purchasers rely on three or more suppliers. Many purchasers offer their customers both domestic door locks and door locks imported from Taiwan or from other foreign sources. Purchasers generally do switch suppliers, but frequency varies from firm to firm. Some, for instance, did change sources during the subject period. One purchaser switched from EZ Set to a Korean source. Another noted that its import source has changed three times in 3 years. A major home center switched import sources because of communication problems and lack of local representation and changed domestic sources to a firm offering a broader product line. Lack of availability, stretched lead times, and poor service caused several purchasers to leave Weiser and switch to imports from Taiwan.

Responses from purchasers varied widely on the question of the range of price points covered by their purchases of residential door locks. Contractor hardware houses' price points differed from firm to firm. One such company's purchases spanned a range from \$3.92 for a passage lock to \$60 for a high-security lock. Another's purchases were limited to unspecified "low to mid-range price points."⁴⁹ Hardware wholesalers' price points spanned ranges from \$6.50 to \$12 on the low end to \$69.99 to \$79.65 on the high end.⁵⁰ Door manufacturers' price points ranged from lows of \$3.80 to \$15 to highs of \$12.07 to \$25.00 per lockset.⁵¹ The price points of mass merchandisers ranged from

⁴⁹ Neither firm's line included imported door locks from Taiwan.

⁵⁰ Hardware wholesalers' purchases included domestic door locks and imported door locks from Taiwan.

⁵¹ Purchases included domestic residential door locks and such products imported from Taiwan.

lows of \$3.72 to \$3.99 to highs of \$24.99 to \$43.29.⁵² Home centers' price points ranged from lows of \$2.82 to \$4.00 to highs of \$30.00 to \$47.11.⁵³

Purchasers were largely in agreement that imported residential door locks from Taiwan have a competitive advantage at price points from low-end to mid-range.⁵⁴ Asked at what price points they purchased imported door locks from Taiwan rather than domestic locks, purchasers generally selected the low- to mid-range price points.

Purchasing terms and practices.--Purchasers contact from one to three suppliers prior to making purchases. Purchase terms are negotiable for most purchasers. Domestic purchase prices of residential door locks are quoted delivered; prices of imports from Taiwan are quoted f.o.b. Taiwan. Domestic transaction prices are based on discounts from a published retail price list.⁵⁵ Import prices are based on price quotes on a net, net basis. Co-op advertising allowances range from 3 percent of annual purchases to 100 percent payment on approved ads. Annual rebate programs are offered by some domestic producers; for example, * * * program involves a 2-percent rebate on annual volume.

Prices for domestic door locks change semiannually for some purchasers and annually for others. Kwikset was frequently named the price leader among domestic producers. Schlage, National, and Weslock were also identified in single purchaser responses. Tong Lung was named the price leader for imported door locks from Taiwan.

⁵² Purchases by mass merchandisers included both domestic door locks and imports from Taiwan.

⁵³ Purchases by home centers included both imported Taiwan and domestic door locks. The \$2.82 price is for a * * * passage lock (f.o.b. Taiwan), and the \$47.11 price is for a * * * handleset (delivered).

⁵⁴ Fourteen purchasers responded to this question. Five purchasers stated that imported door locks had a competitive advantage at the low end of the price point range. Eight respondents selected low-end to mid-range as the competitive advantage price points for Taiwan door locks. A single firm stated that the competitive advantage of imported door locks from Taiwan against domestic door locks extended from the low- to the high-end price points. Testimony at the Conference and at the Hearing indicated that, in quality terms, imported door locks were competitive not just at the low end of domestic door lock product lines but across domestic mid-range price points that reflected superior performance and broader style selection. Conference TR, pp. 17-18 and Hearing TR, pp. 19-20, 24-26, 31-33, 87, and 98.

⁵⁵ Discounts on domestic door lock prices to * * *, a large wholesaler, from * * * are 50/10/10 and from * * * are 50/10/5 plus payment terms of 2 percent 25 days, net 30. Domestic producers also offer additional discounts of 5 percent for promotional buys, 4 times a year.

Purchase prices.--Purchasers were requested to provide quarterly price data for the same four representative products that were requested from domestic producers. These data, which closely approximate the producer and importer selling price data discussed earlier, are presented in appendix E.

Lost sales

* * * listed six examples of sales of residential door locks allegedly lost because of imported door locks from Taiwan; the allegations involved six different firms. These alleged lost sales amounted to a total of \$***. Each instance cited an aggregate sales volume lost relative to that particular account, but did not identify the dates or the period in which this potential volume was allegedly lost. The allegations were non-specific with respect to type of locksets and quantities involved. Staff contacted two large purchasers.

* * * identified * * * as an example of aggregate lost sales to competing Taiwan door locksets that totaled \$*** over an unspecified time span. * * *, door hardware buyer, provided details on * * * sourcing and sales patterns relative to this allegation.

* * * carries two domestic door lock lines, * * *, and one line of Taiwan door locks imported from * * *. The imported product is of good quality for the price point at which it is sold and is a substitute for the * * * model locksets. * * * stated that the imported lock is "not quite as good as the high end of the * * * line." The keyed-entrance door lock imported from Taiwan retails at \$*** and the competing * * * model retails at \$***. However, * * * promotes the * * * lock in national tabloids 9 times during a 6-month period at an advertised price of \$*** based on promotional price allowances or extra discounts from * * *, which also provides co-op advertising.

In value terms, imported locks from Taiwan totaled *** percent of * * * sales volume last year, compared with *** percent for * * * and *** percent for * * *. The latter is a relatively new line for * * *. In quantity terms, * * * purchased *** door locks from Taiwan (*** percent of the total) compared with *** (*** percent) from * * * and *** (*** percent) from * * *. * * * noted that other domestic producers, including * * * and * * *, call on * * * and quote prices in efforts to win a share in * * * overall volume. Sales representatives for * * *, an imported door lock line made in * * *, have approached * * * recently stating that they can offer prices competitive with those of locksets imported from Taiwan.

* * * identified the * * * as an example of alleged lost sales to imports from Taiwan for door locks that in aggregate amounted to an estimated \$***, a figure apparently based on anticipated annual volume or expected share of this potential account's door lock supply requirements. Details as to the quantity and type of specific locksets involved were not provided.

* * *, vice president of purchasing for * * *, responded to the Commission staff's inquiry. During the past 3 years, the company has carried 3 domestic door lock lines, * * *, to supply its * * *. These lines were purchased through two distributors, * * * and * * *. The latter wholesaler * * *. * * * supply * * *, buying as a non-member. The firm purchased door locks before that time period direct from the above-named domestic producers, as well as from * * *.

In 1986 and 1987, * * * did not purchase any measurable quantity of locks from Taiwan, but in 1988 the firm's purchases of door locks imported from Taiwan amounted to an estimated *** percent of the total quantity of door locks purchased. * * * explained that in his opinion, the unnamed domestic producer's lost sale conclusion stemmed from several facts. First, the switch to purchasing through distributors did result in a loss of direct sales volume for each domestic door lock producer previously involved. After the switch to distributor suppliers, the domestic producers were not in a position to know what lines and what quantities the distributors were supplying to * * *. Nor did they know that * * * was working off a heavy inventory of door locks during this period. * * * admitted that all the domestic suppliers lost sales volume during this period, but noted that imported door locks from Taiwan did not account for the bulk of that lost sales volume. Much of it was because of the need to work off the excess inventory.

* * * listed four examples of alleged lost sales volume involving three different customers. These instances covered 1986 and 1987 and amounted to a total alleged lost sales volume of \$***. In addition, * * * estimated that, based on the firm's prior market share, imports of door locks from Taiwan during the period 1986-88 and January-October 1989 caused aggregate lost sales in the projected amount of roughly \$***. * * * did not provide any breakout of the customers, products, quantities, or prices on which this estimate was based.

* * * named * * * as the purchaser in two examples of sales lost to competing imported passage and privacy locks from Taiwan. The volume allegedly lost in 1986 totaled an estimated \$***. In 1987, the alleged lost sales totaled an estimated \$***. * * *, vice president of marketing for * * *, provided information relative to the allegations. In 1986, * * * bought domestic lock sets from * * * in the amount of \$***, but also purchased imported door locks from Taiwan that amounted to \$*** and imported locks from Korea that totaled \$*** in cost, f.o.b. country of origin. * * * did lose considerable sales volume that year but most was to imports from Korea. In 1987, * * * dropped the domestic * * * line and the Taiwan line completely and turned entirely to imported Korean door locks. * * * emphasized that the Korean door locks were not only lower priced, but were better in quality in * * * opinion. Today, the Korean door locks are priced only *** percent below the domestic product, but * * * continues to buy the imported product. In 1986, the imported locks from Taiwan purchased by * * * were priced *** to *** percent below the domestic product.

* * * was cited by * * * as the purchaser involved in an instance of sales volume in the amount of \$*** allegedly lost to imported door locks from Taiwan in 1986. * * * responded to the staff inquiry. * * * confirmed that * * * had purchased imported locksets from Taiwan in 1986 and 1987 from * * * and had distributed them throughout the southern and southwestern states, principally to builders. He explained that when the Texas economy faltered in the early 1980's, the Texas contractors moved to residential housing, apartments, and condominium construction projects throughout the south and * * * supplied them with imported door locks. In 1988, however, * * * began to experience delays of weeks in receiving containers of door locks ordered from Taiwan. * * * insisted on having early letters of credit for containers on order, notwithstanding the prolonged delays experienced by * * *. * * * has switched back to buying from * * * and other domestic producers.

* * * listed eight aggregate estimates of lost sales volume that involved two customers and related to two items, keyed door locks and deadbolt locks, during the period January 1986-September 1989. The alleged lost sales were estimated at \$***, based on the prices and unit volume of the above two items purchased from * * * in 1984. * * * named * * * and * * * as the purchasing firms in these allegations.

* * * and * * * responded to the staff inquiry. * * * has examined domestic and imported door locks from its customers' viewpoint, seeking good quality at the best price. In 1986, the company sourced the door lock requirements for its various plants (which totaled *** locks) from two domestic producers, * * * and * * *, and also imported Taiwan door locks from * * *. * * * said that * * * and * * * both had lost some volume during 1986-88. The * * * and * * * plants switched *** percent to * * * in 1987. * * * continued to supply a share of the requirements of the other * * *.

* * * noted that the switch to imports from Taiwan was a defensive move to meet imported door lock competition from other door and window manufacturers, who, like * * *, supply the mobile home manufacturers. * * * had warehoused door locks in California in 1986 and 1987, but as the new Taiwan dollar appreciated against the U.S. dollar, * * * turned to importing direct from Taiwan. During this period, the price of the Taiwan locks increased about 5 percent. In 1988, * * * moved to increase the domestic producers' share of its door lock supply in anticipation of delivery problems, but encountered some customer resistance to switching because it would involve "going back to all the builders with new master keys."

* * * and * * * responded to the staff inquiry. * * * did switch to "mostly imported door locks from Taiwan in 1987 and 1988," but continued to buy some domestic product from * * * as fill-in. * * * commented that part of the * * * supply came from * * * and was good quality, but * * * supplied part of its shipments from * * * and the imported product was not as good in quality.

* * * provided landed, duty-paid price data for shipments of * * * keyed entry and deadbolt door locks, port of Los Angeles, CA, during the subject period. Entry locks increased in price from \$*** in 1986 to \$*** in 1989. Deadbolt locks were priced at \$*** in 1986 and increased to \$*** in 1989. Domestic prices were *** to *** percent higher.

Lost revenue

* * * listed five examples of alleged lost revenue involving five different customers. These alleged instances in 1986 and 1987 covered purchases by these firms of entry, privacy, passage, and deadbolt door locks. The sales by * * * were each characterized as requiring extra discounts that ranged from *** to *** percent as an alleged response to competition from imported door locks from Taiwan. No data were provided on the quantities or value of rejected price quotes in any of the allegations.

* * * listed 15 examples of aggregate lost revenue that involved 3 firms --* * *--and 4 types of locks. Quantities, rejected values, and actual values were listed, as was aggregate lost revenue per door lock category. * * * explained that the firm's data base aggregated data for this class of customer, but it could not be provided separately without a special computer program that would take additional time. The total alleged lost revenue amounted to \$*** during 1987-88 and January-September 1989.

The aforementioned buyers for * * * and * * * confirmed that * * * had reduced its prices in the face of competition from door locks imported from Taiwan. As mentioned above, however, the door locks provided by * * * were not always made in * * *. Some shipments came from * * *. According to * * *, the prices of the * * * door locks were below the prices of the imported Taiwan door locks, as alleged in the * * * submission. * * * explained in response to a staff inquiry that to combat imports from Taiwan, * * * had offered and shipped * * *. Almost \$*** of the alleged lost revenue involved the * * *. * * * noted that * * * decided to "subsidize" this line in order to "keep their foot in the door" until * * *.

Exchange rates

The nominal value of the new Taiwan dollar relative to the U.S. dollar appreciated during January 1986-June 1989, by about 49 percent (table 32). An approximately 5-percent deflation rate in Taiwan compared with an 11-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 28 percent during the same period.

Table 32

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-June 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.....	142.0	95.6	124.4	109.0
Apr.-June.....	149.4	95.2	128.3	110.9

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 10.9 percent during January 1986-June 1989. During the same period, producer prices in Taiwan fell by 4.8 percent.

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.

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

Note.--January-March 1986=100

B-1

APPENDIX A
FEDERAL REGISTER NOTICES

[Investigation No. 731-TA-433 (Final)]

**Certain Residential Door Locks and
Parts Thereof From Taiwan**

AGENCY: United States International
Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-433 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the act) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Taiwan of residential door locks and parts thereof, provided for in subheading 8301.40.60 of the Harmonized Tariff Schedule of the United States (previously reported under item 646.9210 of the former Tariff Schedules of the United States), that have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Unless the investigation is extended, Commerce will make its final LTFV determination on or before December 18, 1989, and the Commission will make its final injury determination by February 2, 1990 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b))).

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

EFFECTIVE DATE: October 6, 1989.

FOR FURTHER INFORMATION CONTACT:
Woodley Timberlake (202-252-1188).
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 202-252-1600.

SUPPLEMENTARY INFORMATION:

Background. This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of certain residential door locks and parts thereof from Taiwan are being sold in the United States at less than fair value within the meaning of section 733 of the act (19 U.S.C. 1673). The investigation was requested in a petition filed on April 24, 1989, by counsel on behalf of the Ad Hoc Committee of Door Lock Manufacturers. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (54 FR 25351 (June 14, 1989)).

Participation in the investigation. Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than twenty-one (21) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Public service list. Pursuant to 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a public 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, as amended in 54 FR 5220 (Feb. 2, 1989)), each public document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the public 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 and business proprietary information service list.

Pursuant to section 207.7(a) of the Commission's rules (19 CFR 207.7(a), as amended in 53 FR 33039 (Aug. 29, 1988) and 54 FR 5220 (Feb. 2, 1989)), the Secretary will make available business proprietary information gathered in this final investigation to authorized applicants under a protective order, provided that the application be made not later than twenty-one (21) 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.

Staff report. The prehearing staff report in this investigation will be placed in the nonpublic record on December 7, 1989, and a public version will be issued thereafter, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing. The Commission will hold a hearing in connection with this investigation beginning at 9:30 a.m. on December 21, 1989, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on December 14, 1989. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on December 18, 1989, at the U.S. International Trade Commission Building. Pursuant to § 207.22 of the Commission's rules (19 CFR 207.22) each party is encouraged to submit a prehearing brief to the Commission. The deadline for filing prehearing briefs is December 18, 1989. Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonbusiness proprietary summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing

brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any business proprietary materials must be submitted at least three (3) working days prior to the hearing (see 201.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2))).

Written submissions. Prehearing briefs submitted by parties must conform with the provisions of § 207.22 of the Commission's rules (19 CFR 207.22) and should include all legal arguments, economic analyses, and factual materials relevant to the public hearing. Posthearing briefs submitted by parties must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on January 5, 1990. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before January 5, 1990.

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 data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any information for which business proprietary treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Business proprietary Information." Business proprietary submissions and requests for business 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, as amended).

Parties which obtain disclosure of business proprietary information pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a), as amended) may comment on such information in their prehearing and posthearing briefs, and may also file additional written comments on such information no later than January 11, 1990. 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 section 207.20 of the Commission's rules (19 CFR 207.20).

Issued: October 16, 1989.

43506 Federal Register / Vol. 54, No. 205 / Wednesday, October 25, 1989 / Notices

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 89-25112 Filed 10-24-89; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 731-TA-433]**Certain Residential Door Locks and Parts Thereof From Taiwan; Commission Determination To Conduct a Portion of a Hearing In Camera**

AGENCY: U.S. International Trade Commission.

ACTION: Closure of a portion of a Commission hearing to the public.

SUMMARY: Upon request of the petitioner in the above-captioned final investigation, the Commission (Commissioner Lodwick and Commissioner Newquist dissenting) has determined to conduct a portion of its hearing scheduled for December 21, 1989, *in camera*. See Commission rules 201.13 and 201.35(b)(3) (19 CFR 201.13 and 201.35(b)(3)). The remainder of the hearing will be open to the public.

FOR FURTHER INFORMATION CONTACT: Laurie B. Horvitz, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436, telephone (202)-252-1107. Hearing-impaired individuals are advised that information on this matter may be obtained by contacting the Commission's TDD terminal on (202)-252-1810.

SUPPLEMENTARY INFORMATION: The Commission believes that petitioner has demonstrated circumstances justifying closure of the hearing for the presentation and discussion of certain company-specific business proprietary information that is relevant to the Commission's analysis under the Tariff

Act of 1930, as amended. The Commission has determined that a full discussion of the domestic industry and of the indicators that the Commission examines in assessing material injury by reason of subject imports could only take place if at least part of the hearing were held *in camera*. In making this decision, the Commission nevertheless reaffirms its belief that wherever possible its business should be conducted in public.

The hearing will begin with the usual public presentation by petitioner, followed by questioning of petitioner by the Commission. Respondents will then make their public arguments, and be questioned as appropriate by the Commission. Following respondents' public presentation and questioning, an *in camera* session concerning petitioner's BPI will begin. For this, the room will be cleared of all persons except: (1) Those who have been granted access to business proprietary information under a Commission administrative protective order (APO) and are included on the Commission's APO service list in this investigation, (2) personnel of petitioner, if any, representing the company submitting the BPI, and (3) personnel of the Commission, including the court reporter. See 19 CFR 201.35(b)(1)(2). In the *in camera* session, respondents may make a presentation, limited to a discussion of petitioner's BPI, to be followed by questions from the Commission as appropriate. Petitioner will then have an opportunity to respond, and may also be questioned by the Commission as appropriate.

Following the *in camera* session, the Commission may determine that it is appropriate to reopen the hearing to the public for concluding statements or for additional public questioning by the Commission. The time for the parties' presentations in the *in camera* session will be taken from their respective overall allotments for the hearing. All those planning to attend the *in camera* portions of the hearing should be prepared to present proper identification.

Authority: The General Counsel has certified, in accordance with the procedures set out in Commission Rule 201.39 (19 CFR 201.39) that, in her opinion, a portion of the Commission's hearing in Certain Residential Door Locks and Parts Thereof from Taiwan, Inv. No. 731-TA-433 (Final) may be closed to the public to prevent the disclosure of business proprietary information.

By order of the Commission.

53380

Federal Register / Vol. 54, No. 248 / Thursday, December 28, 1989 / Notices

Issued: December 20, 1989.

Kenneth R. Mason,

Secretary.

[FR Doc. 89-30121 Filed 12-27-89; 8:45 am]

BILLING CODE 7020-02-M

Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-8830 or 377-4103, respectively.

SUPPLEMENTAL INFORMATION:

Final Determination

We determine that residential door locks from Taiwan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The estimated margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On October 2, 1989, the Department issued an affirmative preliminary determination (54 FR 41318, October 6, 1989). Since that time the following events have occurred. Verification of the questionnaire responses of Taiwan Fu Hsing Industrial Co., Ltd. (Fu Hsing), Tong Lung Metal Industry Co., Ltd. (Tong Lung), and Posse Lock Manufacturing Co., Ltd. (Posse) was conducted in Taiwan from October 23, 1989, through November 8, 1989. Interested parties submitted comments for the record in their case briefs dated November 29, 1989, and in their rebuttal briefs dated December 4, 1989. A public hearing was held on December 6, 1989. At the hearing, the Deputy Assistant Secretary for Investigations, Import Administration, gave respondents and petitioner an opportunity to present additional written views regarding the alleged sale of a particular door lock in the home market. These written views were submitted by respondents on December 8, 1989, and by petitioner on December 12, 1989. Additionally, on December 9, 1989, petitioner requested that the Department initiate a formal inquiry as to whether two of the respondents had complied with the certification requirements of section 776(a) of the Act and § 353.31(i)(1) of the Department's regulations (19 CFR 353.31(i)(1) (1989)). Petitioner stated that the request for an inquiry was not directed at respondents' counsel, but rather was directed at respondents Tong Lung and Posse. Given that the Department has already conducted verification, and that this allegation was received only nine days prior to the final determination, it is too late to consider this allegation for purposes of the final determination. Therefore, given the nature of this allegation, we have referred it to the U.S. Department of Justice and the U.S. Customs Service for further review.

Period of Investigation

The period of investigation (POI) is November 1, 1988, through April 30, 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 this date will be classified solely according to the appropriate HTS item numbers. The HTS item numbers are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive as to the scope of the product coverage.

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) Face-plated spring lock/latch, dead latch or dead bolt units have (a) a face-plated size of 1 inch or less (plus a tolerance of $\pm \frac{1}{16}$ inch) in width, regardless of length, or (b) an outside diameter of the latch or dead bolt housing assembly of $\frac{1}{8}$ inch or less (plus a tolerance of $\pm \frac{1}{16}$ inch) in outside diameter; and (2) drive-in type spring lock/latch, dead latch or dead bolt units have a housing assembly (including the sleeve retaining device) of 1 inch or less (plus a tolerance of $\pm \frac{1}{16}$ 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. The subject merchandise is currently classifiable under HTS item 8301.40.6030. Parts of the subject merchandise are classifiable

[A-583-807]

Final Determination of Sales at Less Than Fair Value: Certain Residential Door Locks and Parts Thereof From Taiwan

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that certain residential door locks and parts thereof from Taiwan (hereinafter residential door locks) are being, or are likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to continue to suspend liquidation of all entries of residential door locks from Taiwan, as described in the "Continuation of Suspension of Liquidation" section of this notice. The ITC will determine within 45 days of the publication of this notice whether these imports materially injure, or threaten material injury to, a U.S. industry.

EFFECTIVE DATE: December 27, 1989.

FOR FURTHER INFORMATION CONTACT: Kate Johnson or James Terpstra, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of

under HTS item 8301.60.0000. The HTS item for parts was inadvertently omitted from the preliminary determination. The scope of this investigation does not cover door locks suitable for use with garage, overhead, or sliding doors.

Such or Similar Comparisons

For all respondent companies, pursuant to section 771(16) of the Act, we established three categories of "such or similar" merchandise consisting of: (a) Tubular and cylindrical locksets; (b) dead locks and dead bolts; and (c) sectional-handled locksets and interconnected locksets.

Product comparisons were made on the basis of the following criteria which are ranked in the order of importance. For tubular and cylindrical locksets we used the following criteria: (1) Type of lock, whether tubular or cylindrical; (2) function of lock, whether entry, privacy or passage; (3) knob-operated or lever-operated locks; (4) knob type; (5) lock finish; and (6) standard latch or drive-in latch. For dead locks and dead bolts we considered: (1) Number of cylinders, whether single or double; (2) lock finish; and (3) standard latch or drive-in latch. For sectional handled locksets and interconnected locksets we considered: (1) Type of lockset, whether sectional handled or interconnected; (2) type of lock, whether tubular or cylindrical; (3) knob-operated or lever-operated lock; (4) knob or handle type; and (5) lockset finish.

Where there were no sales of identical merchandise in the home or third country markets with which to compare merchandise sold in the United States, sales of the most similar merchandise were compared on the basis of the characteristics described above. We made adjustments for differences in the physical characteristics of the merchandise in accordance with section 773(a)(4)(C) of the Act.

In order to determine whether there were sufficient sales of certain residential door locks in the home market to serve as the basis for calculating foreign market value, we compared the volume of home market sales to the volume of third country sales within each such or similar category, in accordance with section 773(a)(1) of the Act. In accordance with § 353.48 of the Department's regulations, where the volume of home market sales was at least five percent of the aggregate volume of third country sales, we used home market sales as the basis for foreign market value. Where the volume of home market sales was less than five percent of the aggregate volume of third country sales, we

determined that home market sales did not constitute a viable basis for calculating foreign market value. In these instances, we used third country sales as the basis for foreign market value.

For Tong Lung, we determined that there were sufficient home market sales to unrelated customers to constitute a viable basis for calculating foreign market value for the such or similar category of tubular and cylindrical locksets. For the such or similar categories of dead bolts and dead locks, and sectional-handled and interconnected locksets, we determined that there were insufficient home market sales to constitute a viable basis for calculating foreign market value. We therefore used third country sales of those categories. We determined that for dead bolts and dead locks, sales to Canada and Australia were the most appropriate basis for calculating foreign market value because the merchandise sold in these countries were the most comparable to that sold in the United States and was sold in sufficient quantities. For sectional-handled and interconnected locksets, we determined that sales to Canada were the most appropriate basis for calculating foreign market value because the merchandise sold in Canada was the most comparable to that sold in the United States and was sold in sufficient quantities.

For Fu Hsing, we determined that there were sufficient home market sales to unrelated customers to constitute a viable basis for calculating foreign market value of the such or similar categories to tubular and cylindrical locksets and sectional-handled and interconnected locksets. For the such or similar category of dead bolts and dead locks we determined that there were insufficient home market sales to constitute a viable basis for calculating foreign market value. We therefore used third country sales of that category. We determined that for dead bolts and dead locks, sales to Canada and Australia were the most appropriate basis for calculating foreign market value because the merchandise sold in these countries was the most comparable to that sold in the United States and was sold in sufficient quantities.

For Posse, we determined that there were sufficient home market sales to unrelated customers to constitute a viable basis for calculating foreign market value for two such or similar categories: tubular and cylindrical locksets, and dead bolts and dead locks. For the such or similar category of sectional-handled and interconnected locksets, we determined that there were

insufficient home market sales to constitute a viable basis for calculating foreign market value. We determined that sales to Australia were the most appropriate basis for calculating foreign market value because the merchandise sold to Australia was the most comparable to that sold in the United States and was sold in sufficient quantities.

Fair Value Comparisons

To determine whether sales of residential door locks from Taiwan to the United States were made at less than fair value, we compared the United States price to the foreign market value, as specified in the "United States Price" and "Foreign Market Value" sections of this notice.

In the preliminary determination, we used best information available in accordance with section 776(c) of the Act for all product comparisons that were not made in accordance with the product matching criteria contained in Appendix V of the questionnaire. Pursuant to specific requests from the Department, respondents submitted revised product comparisons on October 2, 1989. Although these product comparisons were submitted too late to be considered for purposes of the preliminary determination, they were examined during verification. Respondents Tong Lung and Posse correctly applied the product matching criteria to all of their similar product comparisons, and accordingly, these comparisons were used for purposes of the final determination. For respondent Fu Hsing, there continue to be several instances where product comparisons were not made in accordance with Appendix V. Throughout the course of the investigation, respondents were given numerous opportunities to comply with the questionnaire instruction. Because Fu Hsing repeatedly failed to comply with the questionnaire instructions, we used best information available for those product comparisons that were not made in accordance with Appendix V. As best information available, we used the highest margin contained in the petition for the such or similar category of the mismatched products. See also Comment 2 in the "Interested Party Comments" section of this notice.

Furthermore, Fu Hsing reported exporter's sales price transactions (ESP) during the POI. At verification, the company was unable to provide satisfactory documentary support for the reported total quantity and value of ESP transactions. Because these totals did not verify, we have determined that the

reported ESP information is not a reliable basis for the fair value comparisons. Consequently, we used best information available in accordance with section 776(c) of the Act for all ESP transactions. As best information available, we used the average of the highest margins contained in the petition for each such or similar category. See also Comment 19 in the "Interested Party Comments" section of this notice.

To calculate the weighted-average margin listed in the "Suspension of Liquidation" section of this notice for Fu Hsing, we weighted by quantity the margins calculated using Fu Hsing's correctly reported sales information with the margins contained in the petition for the incorrectly reported product comparisons and for ESP transactions.

United States Price

Except as noted above for Fu Hsing, we based the United States price on purchase price, in accordance with section 772(b) of the Act, because all sales were made directly to unrelated parties prior to importation into the United States.

A. Fu Hsing

For Fu Hsing, where U.S. sales were reported with correct product comparisons, we calculated purchase price based on packed f.o.b. and f.o.r. Taiwan port, c.i.f., and c.&f. prices to unrelated customers in the United States. We made deductions, where appropriate, for discounts, brokerage and handling, foreign inland freight, containerization expenses, ocean freight, marine insurance and harbor maintenance fees, in accordance with section 772(d)(2) of the Act. Fu Hsing reported in its narrative response that harbor maintenance fees were 0.5 percent of gross unit price. Due to time constraints and the number of other adjustments to review, we did not examine this adjustment at verification. However, because the amount reported on the computer tape did not correspond to the narrative response, we recalculated this fee based on the narrative.

We added rebated duties pursuant to section 772(d)(1)(B) of the Act. When foreign market value was based on home market sales, pursuant to section 772(d)(1)(C) of the Act, we added the amount of value-added taxes which would have been collected if the merchandise had not been exported.

We noted that Fu Hsing reported parts in its U.S. computer tape sales list. However, since parts reported were an insignificant portion of the U.S.

database, we have not included these parts for purposes of calculating a dumping margin.

B. Tong Lung

For Tong Lung, we calculated purchase price based on packed f.o.b. and f.o.r. Taiwan port, c.i.f., and c.&f. prices to unrelated customers in the United States. We made deductions, where appropriate, for discounts, rebates, brokerage and handling, foreign inland freight, containerization expenses, ocean freight, marine insurance and harbor maintenance fees, in accordance with section 772(d)(2) of the Act. Tong Lung reported in its narrative response that harbor maintenance fees were 0.5 percent of gross unit price. As in the case of Fu Hsing, due to time constraints and the number of other adjustments to review, we did not examine this adjustment at verification. However, because the amount reported on the computer tape did not correspond to the narrative response, we recalculated this fee based on the narrative. Tong Lung reported an adjustment to U.S. price for a "surcharge". However, because no information describing this surcharge was submitted for the record prior to verification, we disallowed the claimed adjustment. See also Comment 12 in the "Interested Party Comments" section of this notice.

We added rebated duties pursuant to section 772(d)(1)(B) of the Act. When foreign market value was based on home market sales, pursuant to section 772(d)(1)(C) of the Act, we added the amount of value-added taxes which would have been collected if the merchandise had not been exported.

C. Posse

For Posse, we calculated purchase price based on packed f.o.b. Taiwan port prices to unrelated customers in the United States. We made deductions, where appropriate, for brokerage and handling, foreign inland freight, harbor maintenance fees, and containerization expenses. Posse reported in its narrative response that harbor maintenance fees were 0.5 percent of gross unit price. At verification, company officials stated that they calculated the amount on the tape based on the actual NT\$ amount they paid, converted using the exchange rate in effect on the shipment date. Because this calculation involved exchange rates other than those in effect on the date of sale, we have recalculated this fee based on the narrative.

We added rebated duties pursuant to section 772(d)(1)(B) of the Act. When foreign market value was based on

home market sales, pursuant to section 772(d)(1)(C) of the Act, we also added the amount of value-added taxes which would have been collected if the merchandise had not been exported.

Foreign Market Value

In accordance with section 773(a) of the Act, we calculated foreign market value based on home market or third country sales, as appropriate.

A. Fu Hsing

For Fu Hsing, for the such or similar categories of tubular and cylindrical locksets, and sectional-handled and interconnected locksets, we used sales in the home market as the basis for foreign market value. We calculated foreign market value based on the packed, delivered prices to unrelated customers in the home market. We made deductions, where appropriate, for cash discounts, quantity discounts, other discounts, rebates, and inland freight. We deducted home market packing costs and added U.S. packing costs.

We made circumstances of sale adjustments for differences in warranties, credit terms, which included bank charges and transit interest, and a special rebate from China Steel Corporation, pursuant to § 353.56 of the Department's regulations. In the preliminary determination, we treated this special rebate in the same manner we treated duty drawback, as an addition to U.S. price. However, after further consideration of the way this rebate is paid, and review of our treatment of similar claimed adjustments in prior investigations, we have determined that this rebate is more appropriately treated as a circumstance of sale adjustment. See *Light Walled Rectangular Tubing from Taiwan, Final Determination of Sales at Less Than Fair Value*, 54 FR 5532, February 3, 1989 and *Certain Welded Carbon Steel Standard Pipe and Tube from India, Final Determination of Sales at Less Than Fair Value*, 52 FR 9089, March 17, 1987.

We made an upward adjustment to tax-exclusive home market prices for the value-added tax computed for the United States price.

Where appropriate, we made further adjustments to the home market price to account for differences in the physical characteristics of the merchandise, including differences in consumer packaging, in accordance with § 353.57 of the Department's regulations.

For the such or similar category of dead bolts and dead locks, we used sales to third countries as the basis for foreign market value. We calculated

foreign market value based on the packed, f.o.b. prices to unrelated customers in the third countries. We made deductions, where appropriate, for discounts, brokerage and handling, foreign inland freight, ocean freight, marine insurance, harbor maintenance fees and containerization expenses. Fu Hsing reported in its narrative response that harbor maintenance fees were 0.5 percent of gross unit price. As discussed in the United States Price section of this notice, due to time constraints the amount reported on the computer tape did not correspond to the narrative response, we recalculated this fee based on the narrative. We deducted third country packing costs and added U.S. packing costs.

We made circumstances of sale adjustments, where appropriate, for differences in warranties, credit terms, which included bank charges and transit interest, commissions, and a special rebate from the China Steel Corporation. See above discussion of this adjustment.

We added rebated duties pursuant to section 772(d)(1)(B) of the Act.

Where appropriate, we made further adjustments to the third country price to account for differences in the physical characteristics of the merchandise (differences), including differences in consumer packaging, in accordance with § 353.57 of the Department's regulations.

B. Tong Lung

For the such or similar category of tubular and cylindrical locksets, we used sales in the home market as the basis for foreign market value. We calculated foreign market value based on the packed, delivered prices to unrelated customers in the home market. We made deductions, where appropriate, for inland freight. We deducted home market packing costs and added U.S. packing costs. We made an adjustment for home market indirect selling expenses, which included salesmen's salaries and transportation expenses, to offset the amount of commission paid on U.S. sales, in accordance with § 353.56(b)(1) of the Department's regulations.

We made circumstance of sale adjustments for differences in credit terms, including bank charges and transit interest, and a special rebate from the China Steel Corporation. See above discussion of this adjustment for Fu Hsing.

We made an upward adjustment to tax-exclusive home market prices for the value-added tax computed for the United States price.

Where appropriate, we made further adjustments to the home market price to account for differences in the physical

characteristics of the merchandise, including differences in consumer packaging, in accordance with § 353.57 of the Department's regulations.

For the such or similar categories of dead bolts and dead locks, and sectional-handled and interconnected locksets, we used sales to third countries as the basis for foreign market value. We calculated foreign market value based on the packed, f.o.b. prices to unrelated customers in the third countries. We made deductions, where appropriate, for discounts, brokerage and handling, foreign inland freight, harbor maintenance fees and containerization expenses. Tong Lung reported in its narrative response that harbor maintenance fees were 0.5 percent of gross unit price. As discussed in the United States Price section of this notice, due to time constraints and the number of other adjustment to review, we did not examine this adjustment at verification. However, because the amount reported on the computer tape did not correspond to the narrative response, we recalculated this fee based on the narrative. We deducted third country packing costs and added U.S. packing costs.

We made circumstance of sale adjustments, where appropriate, for differences in credit terms, including bank charges and transit interest, commissions, and a special rebate from the China Steel Corporation. See above discussion of this adjustment for Fu Hsing.

We added rebated duties pursuant to section 772(d)(1)(B) of the Act.

Tong Lung reported an adjustment to third country price for a "surcharge." However, because no information describing this charge was submitted for the record prior to verification, we disallowed the claimed adjustment. See also Comment 12 in the "Interested Party Comments" section of this notice.

Where appropriate, we made further adjustments to the third country price to account for differences in the physical characteristics of the merchandise, including differences in consumer packaging, in accordance with § 353.57 of the Department's regulations.

C. Posse

For the such or similar categories of tubular and cylindrical locksets, and dead bolts and dead locks, we used sales in the home market as the basis for foreign market value. We calculated foreign market value based on the packed, delivered prices to unrelated customers in the home market. We made deductions, where appropriate, for inland freight. Posse included packing costs and consumer packaging costs in

the adjustment for physical differences in merchandise. By accepting Posse's adjustment for physical differences in merchandise, which already accounted for differences in packing costs and consumer packaging costs, we have in effect subtracted home market packing costs and added U.S. packing costs. See also Comment 14 in the "Interested Party Comments" section of this notice.

We made circumstance of sale adjustments for differences in credit terms, including bank charges and transit interest, and a special rebate from the China Steel Corporation. See above discussion of this adjustment for Fu Hsing.

We made an upward adjustment to tax-exclusive home market prices for the value-added tax computed for the United States price.

Where appropriate, we made further adjustments to the home market price to account for differences in the physical characteristics of the merchandise, including differences in consumer packaging, in accordance with § 353.57 of the Department's regulations.

For the such or similar category sectional-handled and interconnected locksets, we used sales to the third country as the basis for foreign market value. We calculated foreign market value based on the packed, f.o.b. Taiwan port prices to unrelated customers in the third country. We made deductions, where appropriate, for foreign inland freight and containerization expenses. Posse included packing costs and consumer packaging costs in the adjustment for physical differences in merchandise. By accepting Posse's adjustment for physical differences in merchandise, which already accounted for differences in packing costs and consumer packaging costs, we have in effect subtracted third country packing costs and added U.S. packing costs. See also Comment 14 in the "Interested Party Comments" section of this notice.

We made circumstance of sale adjustments, where appropriate, for differences in credit terms, which included bank charges and transit interest, and a special rebate from the China Steel Corporation. See above discussion of this adjustment for Fu Hsing.

We added rebated duties to the third country price pursuant to section 772(d)(1)(B) of the Act.

Where appropriate, we made further adjustments to the third country price to account for differences in the physical characteristics of the merchandise, including differences in consumer

packaging, in accordance with § 353.57 of the Department's regulations.

Currency Conversion

We used the official exchange rates in effect on the dates of U.S. sales, in accordance with section 773(a)(1) of the Act. All currency conversions were made at the rates certified by the Federal Reserve Bank.

Verification

Except where noted, we verified all information used in making our final determinations in accordance with section 776(b) of the Act. We used standard verification procedures including examination of relevant accounting records and original source documents of the respondents. Our verification results are outlined in the public versions of the verification reports which are on file in the Central Records Unit (room B-099) of the Main Commerce Building.

Interested Party Comments

Comments Relating to All Respondents

Comment 1

Petitioner contends that "function" (*i.e.*, entrance, privacy, or passage) should be the primary criterion for matching U.S. and foreign market products because there is a significant difference in the cost of producing locks with different functions. Petitioner states that the majority of locks sold in the United States are tubular while the majority of locks sold in the home market are cylindrical, and strict adherence to the Department's current criteria thus would require that a large number of U.S. sales transactions be compared with a limited number of home market transactions. Petitioner argues that the resulting comparisons would be unreliable and meaningless.

Respondents argue that there is no significant cost differential in producing locks of different functions. They state that the difference between the cost of producing a passage lock and the cost of producing a privacy lock is quite small. Respondents also argue that the Department cannot change its product matching criteria at this point in the investigation because it would require entirely new product matches for all three respondents. This would be difficult since respondents only reported difference in merchandise adjustment for the matched products.

DOC Position

Petitioner and respondents were afforded the opportunity to present their views on the product matching criteria in the early stages of the investigation.

By means of submissions to the Department and meetings with Department officials, petitioner and respondents made their comments known concerning product matches. The Department gave careful consideration to their views and to all other information on the record in establishing the product matching criteria. The product matching criteria contained in Appendix V of the questionnaire are a reasonable and objective basis for establishing the comparability of the products subject to this investigation. See also "DOC Position", Comment 2. No compelling reason exists for altering these criteria, particularly at this stage in the investigation.

Comment 2

Fu Hsing argues that the product matching criteria in Appendix V do not account for the fundamental differences between knob-operated locks and leversets. Fu Hsing argues that a lever is a fundamentally different article from a knob, in terms of method of production, raw material, finishing and appearance. Fu Hsing compared a U.S. knob-operated lock with a home market knob-operated lock, where the Department's matching criteria required comparison of a U.S. knob-operated lock to a home market leverset. Fu Hsing argues that the fact that the Department's methodology yields consistently larger difmers for product comparisons involving leversets demonstrates that the Department's methodology is flawed. Fu Hsing further argues that the Department's methodology yields difmers that are outside the 20 percent range generally considered unacceptable. Furthermore, the quantities of leversets sold in the home market are considerably smaller than the quantities of tubular locksets sold in the U.S. market.

Fu Hsing contends that its reported product matches enabled it to account for differences in knob style which are not covered in Appendix V of the Department's questionnaire. Fu Hsing states that it selected products based on the actual physical differences among the various knob styles and that the Department's methodology fails to account for these differences. Counsel for Fu Hsing, who is also counsel for the other two respondents, claims that since each respondent submitted its own product concordance computer tape and this information was verified the Department should use this information for purposes of the final determination.

Petitioner argues that the Department should reject Fu Hsing's proposed model matches because they are based on new information not presented to the

Department in a timely fashion. Specifically, petitioner argues that an explanation of the substantial differences in materials, finishing and production methods that distinguish leversets from knob-operated door locks was not presented to the Department until verification. Therefore, petitioner argues that this new information must be disregarded for purposes of the final determination.

Moreover, petitioner states that if knob-operated locks are not comparable to leversets, as Fu Hsing suggests, then Tong Lung's and Posse's comparisons between leversets and knob-operated locks should similarly be rejected. Petitioner argues that since Tong Lung and Posse sold leversets only in the United States, there would be no home market or third country leversets with which the U.S. products could be compared. Consequently, the Department would have to use best information available to calculate margins on leversets.

DOC Position

The model match criteria in Appendix V establish the following hierarchy for product comparability: (1) Comparison of tubular locks to tubular locks and cylindrical locks to cylindrical locks, (2) comparison of entrance locks to entrance locks, passage locks to passage locks and privacy locks to privacy locks, and (3) comparison of knob-operated locks to knob-operated locks and lever-operated locks to lever-operated locks. Because all leversets are, in fact, tubular locks, Fu Hsing's proposed model matches would effectively elevate the third criterion above the second criterion. This is clearly not in accordance with the instructions in Appendix V. No compelling reason has been presented to alter the instructions in Appendix V at this point in the investigation.

Respondent's contention that the Department's methodology leads to comparisons with unacceptably large difmers is inaccurate; the Department's methodology does not yield unacceptably high difmers. Furthermore, respondent's arguments concerning the relative quantities of leversets and tubular sets sold in each market is irrelevant. The quantity of sales of a given product is not a consideration used in selecting similar merchandise.

Moreover, respondent's argument that the Department's methodology is flawed lacks merit. Similarity in cost of production (*i.e.*, small difmers) does not automatically imply product similarity. The characteristics which most pointedly show product similarity are in

the operating mechanism. The operation of tubular and cylindrical locks are different and unaffected by whether the handle which operates them is a knob or a lever. See also "DOC Position", Comment 1.

Comment 3

Best Lock, a domestic manufacturer of door locks, argues that the Department should change the scope of the investigation with regard to the distinction between residential and commercial door locks. Best Lock recommends that the Department adopt the distinction between residential and commercial door locks used by the "American National Standards Institute" (ANSI). Under the ANSI standard, grade 3 locks are considered residential and grade 2 locks are considered commercial. The ANSI grades are based on strength tests, load tests, torque tests, and force tests. Absent such a change in the scope, Best Lock requests that the door lock components it imports from Taiwan be explicitly excluded from the scope of the investigation. Best Lock claims that these components are used in the production of commercial grade locks.

DOC Position

As with the product matching criteria, the Department carefully considered the views of petitioner and respondents, as well as other information on the record, in determining the scope of the investigation. No compelling reason exists for altering the scope, particularly at this point in the investigation. Furthermore, Best Lock's arguments were not submitted until November 28, 1989, too late to be considered for purposes of our final determination, and therefore can only be considered in the context of a formal scope clarification request.

Comment 4

Petitioner argues that all three respondents made incorrect product comparisons and that the Department should therefore use best information available for the product comparisons not made in accordance with the instructions in Appendix V of the questionnaire.

Tong Lung claims that its model matches are correct. In each instance where the Department selected model matches different from those proposed by Tong Lung, the Department's match was a medium-duty cylindrical lockset. These locksets are commercial locksets which are outside the scope of this investigation.

Furthermore, each of the three respondents claims that since it has

fully answered the department's questionnaire, and given that each response has been verified, it would be unlawful for the Department to use best information available for any element of the final determination, including product matches.

DOC Position

Except for certain of Fu Hsing's product comparisons involving leversets, all of the product matches made by the respondents were in accordance with the matching criteria in Appendix V of the questionnaire. See also the "Fair Value Comparisons" section of this notice for a discussion of the product matches that were not made in accordance with Appendix V.

Comment 5

Petitioner argues that the export sales totals reported by all three respondents are unverified because the Department was unable to trace these totals to the respondents' financial statements. Since the aggregate totals were not traceable to financial records, there is no way to establish whether all export sales were properly reported to the Department. Therefore, the Department should use best information available for the final determination.

Respondents claim that export sales totals reported for the POI cannot be tied *en masse* into the accounting records. They state that the totals reported to the Department are based on the contract date or date of sale. However, under Taiwan's value-added tax law, respondents claim that sales do not appear in the company's books until the goods are delivered. Respondents argue that, because there is a substantial time lag between the contract date and the date the sale is entered into the company's accounting records for export sales, it was impossible to trace total export contracts for a given period to the company's accounting books. Respondents further argue that export sales totals were verified using procedures deemed adequate in past antidumping investigations.

DOC Position

The Department normally requires respondents to reconcile the reported total quantity and value of sales to audited financial statements. In this case, respondents claimed to be unable to do this. After review of respondents' accounting records and the relevant portion of Taiwan's tax regulations, it appeared that such a reconciliation would be extremely difficult. The Department employed a variety of verification procedures to evaluate the

completeness of the reported total sales quantities and values. The results of these procedures supported the completeness of the responses. Consequently, we have used this information for purposes of the final determination. See also the public versions of the verification reports which are on file in the Central Records Unit (Room B-099) of the Main Commerce Building.

Comment 6

Petitioner asserts that the Department should deny an adjustment for home market credit expense for all three respondents because they were unable to provide any documentary support for their calculations. Petitioner states that the calculations were based solely on assumptions about when company salesmen collect payments from their customers. Petitioner also notes that payment dates for Tong Lung appear to be incorrect and that Fu Hsing incorrectly used a simple average interest rate.

Tong Lung states that the only discrepancy found at verification was adequately explained and there were no other discrepancies noted. Posse states that the claimed interest rates were conservative. Fu Hsing states that its claimed interest rate was within the range of rates that it actually experienced during the POI.

DOC Position

Respondents reported credit costs based upon an estimated number of days of credit outstanding. At verification, respondents provided no documentary support for this estimated number of days. However, we did verify the reported shipment and payment dates for each respondent. Additionally, based on our review of bank documents presented at verification, the reported interest rates appear to be a conservative estimate of the actual interest costs experienced by respondents during the POI. Therefore, we have used the verified shipment and payment dates and the reported interest rates as BIA to estimate the home market credit expense for purposes of the final determination.

Comments Relating to Specific Companies

Tong Lung

Comment 7

Petitioner argues that the viability of Tong Lung's home market is questionable because the company misreported sales of "EA" series locks. Petitioner contends that by including

"EA" series locks, which are not subject to the investigation, in its Section A response, Tong Lung increased the relative size of the home market, thereby causing a distortion of the home market viability test.

Petitioner also questions Tong Lung's statements regarding the sales of "EA" series locks. Petitioner states that it obtained information indicating that Tong Lung sells "E" series locks in the home market that appear to be residential door locks, but does not sell any "EA" series locks. Moreover, petitioner states that the Tong Lung home market price list contained in the petition has prices for "E" series locks and none for "EA" series locks. Petitioner contends that this information further calls into question Tong Lung's statements regarding home market sales of "EA" series locks.

Tong Lung contends that its home market remains viable even if "EA" locks are excluded from the viability calculation. Tong Lung also states that it does not sell non-residential locks other than the "EA" series.

DOC Position

With regard to home market viability, we agree with petitioner that "EA" products were incorrectly included in the Section A home market sales totals. However, excluding the "EA" locks from the aggregate sales data does not change the viability of the home market. With regard to the sale of "EA" series locks, we verified that all home market sales were correctly reported in the Section B and C sales listing.

Comment 8

Petitioner states that the results of Tong Lung's home market viability test are unreliable because the Department did not verify third country sales totals.

Tong Lung states that the Department did, in fact, verify Tong Lung's third country sales as demonstrated in verification exhibits TC-1 and TC-2.

DOC Position

We agree with respondent. As the Tong Lung verification report indicates, aggregate third country sales totals were verified.

Comment 9

Petitioner contends that Tong Lung failed to demonstrate that it made no sales through its two related selling agents, Consolidated Hardware and Cheng Yao, during the period of investigation.

Tong Lung argues that petitioner gives no reason to believe that there were Consolidated Hardware sales during the POI and that the fact a sale was not

made would not show in any accounting records. Tong Lung further argues that during the POI it sold directly to former customers of Consolidated Hardware. Tong Lung also states the Posse verification report contains a Tong Lung letter indicating that Tong Lung had ceased selling through Cheng Yao prior to the POI.

DOC Position

We agree with respondent. No sales during the POI through Consolidated Hardware and Cheng Yao were reported and none were found during verification. There is no information on the record to indicate any such sales were made during the POI.

Comment 10

Petitioner argues that the costs reported by Tong Lung for difmers are unreliable because Tong Lung's reported labor costs were considerably different than those of Fu Hsing.

Tong Lung contends that there is no reason to believe two different manufacturers would have the same production costs. Tong Lung further states that a company which relies strongly on outside subcontractors, as it does, will have lower labor costs than one that uses its own workers to produce components.

DOC Position

We agree with respondent. At verification, the Department examined Tong Lung's summary of cost of production worksheets, including the direct labor cost allocation worksheet, and the Direct Labor Subsidiary Ledger. These documents contained information about the total cost of labor for a particular lock, the total quantity of production, and the total labor figure. These documents indicate that the reported labor cost figure was obtained by dividing the total cost of labor for a particular lock by the total quantity of production for this lock. The reported methodology, and the results of verification, suggest that the reported labor costs are reliable.

Comment 11

Petitioner argues that the Department should deny an adjustment for Tong Lung's indirect selling expenses for purposes of the final determination. Petitioner further states that the Department incorrectly reduced Tong Lung's home market prices by an amount representing "indirect selling expenses" in the preliminary determination.

Tong Lung argues that, under Department of Commerce regulations, the indirect selling expenses in the home

market will be offset against U.S. commissions, to the amount of the commission paid.

DOC Position

We agree with respondent. Pursuant to § 353.56(b)(1) of the Department's regulations, the Department will normally make a reasonable allowance for indirect selling expenses in one of the markets under consideration if commissions are paid in the other market under consideration.

Comment 12

Petitioner contends that the adjustment for surcharge claimed by Tong Lung should be disallowed in the final determination because Tong Lung was unable to provide any documentation regarding this adjustment at verification.

Tong Lung states that the surcharge adjustment was verified and therefore should be granted.

DOC Position

Because no narrative description of this surcharge was submitted for the record prior to verification, we have disallowed it for purposes of the final determination.

Posse

Comment 13

Petitioner states that Posse misreported export sales because it only reported sales based on sales confirmations. Petitioner contends that by relying on sales confirmations to report sales, Posse may have excluded large number of sales.

Posse argues that the date of sale is the date when all the material terms of the contract are first established; until the sales confirmation is issued, the material terms of the contract are subject to change. The sales confirmation represents Posse's acceptance of the contract and is, therefore, the appropriate date of sale.

DOC Position

We agree with respondent. At verification, we examined Posse's method of reporting export sales, and observed that Posse's export sales are recorded into the accounting system, and tracked through the accounting system, by Posse's sales confirmation number. We verified that the terms of sale were finalized at the time the sale confirmation was issued and found no discrepancies with respect to Posse's reporting of export sales.

Comment 14

Petitioner argues that the Department should make separate packing adjustments since packing costs were found to be included in Posse's difference in merchandise adjustment calculations.

DOC Position

We did not make a separate adjustment for differences in packing costs or consumer packing costs for purposes of the final determination because these costs are included in Posse's difmer calculations; a separate adjustment would result in double-counting. See the "Foreign Market Value" section of this notice.

Comment 15

Petitioner argues that the costs reported by Posse for the adjustment for physical differences in merchandise are unreliable because Posse did not include any overtime costs for the first four months of 1989 in its calculation of direct labor costs, even though such costs were included in the last two months of 1989.

Posse argues that no basic exists for imputing a cost for overtime or for believing that any such imputation would have anything more than a negligible effect on the fair value comparisons.

DOC Position

We agree with petitioner that labor costs for Posse were underreported by the amount of overtime not allocated in the first four months of 1989. However, the verification exhibits indicate that overtime is a small portion of overall labor costs. Furthermore, this underreported cost relates to both export and home market sales. Consequently, any underreporting of labor costs that occurred would have a negligible effect on the fair value comparisons. Therefore, we are accepting Posse's labor costs for purposes of the final determination.

Comment 16

Petitioner contends that the Department should disallow the adjustment for inland freight on home market sales for Posse, since officials at Posse were unable to reconcile the difference between actual freight charges and those charges reported to the Department.

Posse contends that petitioner is confused by the language in the verification report. Posse did not base the numbers on the computer tape sales list on particular freight bills, but rather on the carrier's tariff sheet. Posse further argues that it is appropriate for a

respondent to base its inland freight adjustment on indirect data when it does not enter inland freight on its books on a sale-by-sale basis.

DOC Position

The verification report indicates that Posse's narrative description of the method for calculating inland freight did not correspond to the actual method used. The narrative description states that that this charge is based on the carriers' actual freight bill per sale. The actual method used to calculate this adjustment was based on the carriers' price list. Because the actual method used corresponded to the amount reported on the computer tape sales list, and because the carriers' price list closely corresponded to the actual freight charge on the sales examined, we have allowed this adjustment for purposes of the final determination.

Comment 17

Posse argues that the Department should allow a circumstance of sale adjustment for indirect selling expenses in the home market because of the unusual relationship between Posse and Cheng Yao. Although Posse owns a percentage of the shares of Cheng Yao, the actual control of Cheng Yao was exercised by a third-party competitor, Tong Lung. The indirect selling expenses incurred by Cheng Yao were a means by which Tong Lung could control Posse's home market channels of trade and divert profits to Tong Lung.

Posse further states that during the period of investigation, while it was selling through Cheng Yao, it also had its own complete sales department; the Cheng Yao sales department was in addition to Posse's own sales department. Thus, the Cheng Yao sales department was an additional layer of cost interposed between Posse and the arm's-length customers in the home market. When Posse ceased selling through Cheng Yao, it was able to eliminate this cost and use its own selling personnel to handle all home market sales. While Posse and Cheng Yao were "related parties," Posse asserts that the relationship was more adversarial than brotherly.

Petitioner argues that the Department should deny an adjustment for the indirect selling expenses of Cheng Yao because such an adjustment would violate established Department procedures. Petitioner states that payments to related parties are considered to be part of the general expenses of the company, not costs directly related to particular sales, as required by § 353.56(a) of the Department's regulations. In this case,

petitioner notes that an adjustment is sought for all of the expenses of the related party, not just for specific payments.

DOC Position

We agree with petitioner. The Department makes allowances for differences in circumstances of sale pursuant to section 353.56(a)(1) of the Department's regulations, which stipulates that such allowances be limited to circumstances which bear a direct relationship to the sales compared. Expenses that would have been incurred regardless of the sales under consideration, are not generally considered to be directly related to those sales. The expenses of Cheng Yao would have been incurred regardless of any home market sales. Thus, these indirect selling expenses are not directly related to the sales being compared. Furthermore, the categories of expenses claimed as a circumstance of sale by Posse (e.g., printing, newspapers, repairs and maintenance, and rent) are those associated with running a sales office, which are typically treated as indirect selling expenses. In fact, respondent admits that Cheng Yao is only a sales office. Respondent's arguments regarding the unusual relationship between Posse and Cheng Yao notwithstanding, there is no basis for making a circumstance of sale adjustment for Cheng Yao's indirect selling expenses.

Comment 18

Petitioner contends that Tong Lung exercised "absolute control" over Posse by means of Cheng Yao, the home market distributor of Posse. Petitioner argues that through Cheng Yao, Tong Lung dictated Posse's home market prices, and therefore Posse's home market sales should be treated as sales of Tong Lung.

DOC Position

In its comments, petitioner uses language from the respondents' case brief to describe the relationship between Posse and Tong Lung as one of "master and slave." However, respondents' counsel's characterization of this relationship does not correspond to the factual information on the record.

By urging the Department to view Posse's sales made through Cheng Yao as sales of Tong Lung, petitioner effectively requests that the Department "collapse" Posse and Tong Lung into a single commercial entity, subject to a single, weighted-average margin. Although not expressly required by the Act, the Department has a long-standing

practice of calculating a separate dumping margin for each manufacturer or exporter investigated. Past Department determinations of whether to "collapse" firms for purposes of margin calculations have focused on whether the firms in question operate as separate and distinct entities. See, e.g., *Final Determination of Sales at Less Than Fair Value: Hot Rolled Carbon Steel Plate and Sheet from Brazil*, 49 FR 3102 (January 25, 1984); *Final Determination of Sales at Less Than Fair Value: Brass Sheet and Strip from France*, 52 FR 812, 814 (January 9, 1987); *Final Determination of Sales at Less Than Fair Value: Certain Granite Products from Spain*, 53 FR 24355, 24337 (June 28, 1987); *Final Determination of Sales at Less Than Fair Value: Certain Granite Products from Italy*, 53 FR 27187, 27189 (July 19, 1988); *Final Determination of Sales at Less Than Fair Value: Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany*, 54 FR 18992, 19089 (May 3, 1989).

Central to a Department decision on whether to collapse companies for purposes of applying a single margin is the degree to which each firm in question operates in conjunction with the other relevant firms. Viewing this investigation in the context of the determinations discussed above, it becomes apparent that Posse and Tong Lung operated as separate and distinct entities. A common thread running through all the determinations above is the common ownership, or parent/subsidiary relationship, of the firms in question. In this case, Posse and Tong Lung are not commonly owned, nor do they stand as parent and subsidiary to each other. Instead, Posse and Tong Lung acted together only at a lower level, through their exclusive distributor in the home market, Cheng Yao. Though a blood relationship does exist between Posse and Tong Lung, each is independently owned, and both firms directly compete in both the home and U.S. markets.

Second, none of the factors present in *Granite from Italy* and *Granite from Spain* which led the Department to collapse firms in those cases are present here. There is no evidence on the record to indicate that Posse and Tong Lung operated closely together, were billed jointly, had their day-to-day operations directed by joint owners, or conducted transactions between themselves. While both firms do have similar production facilities, this alone is not enough to lead us to believe that Posse and Tong Lung should be considered as related

parties. This fact, and the fact that the firms are neither commonly owned nor in a parent/subsidiary relationship, would hinder shifting of manufacturing priorities from one firm to the other. In any case, these production facilities are separately owned and operated. Though Tong Lung does appear to have controlled Cheng Yao, which set Posse's prices in the home market, Posse and Tong Lung each separately negotiated prices with its U.S. customers. In these areas, the facts in this investigation seem more similar to those in *Hot Rolled Carbon Steel Plate and Sheet from Brazil*, where the Department declined to collapse the firms in question.

Thus, Posse and Tong Lung do not have the close, intertwined relationship which would lead the Department to collapse them for purposes of this investigation.

Fu Hsing

Comment 19

Petitioner asserts that the Department was unable to verify the reported total quantity of Fu Hsing's exporter's sales price (ESP) transactions, and that there were several errors and inconsistencies in Fu Hsing's reporting of ESP transactions. These include: (1) Questions of Fu Hsing USA taking title to goods that were reported as purchase price transactions; (2) the discrepancy between the gross unit prices on invoices examined by the Department and the gross unit prices reported by Fu Hsing on its computer tape; (3) the calculation of credit expenses; (4) the conflicting methods for calculating inventory carrying costs of Fu Hsing and Fu Hsing USA; (5) the reduction of Fu Hsing USA's indirect selling expenses; and (6) the calculation of commissions.

Fu Hsing claims that these ESP totals were in fact verified because the verifiers reviewed sequential invoice files for ESP transactions and found that every sale was properly reported. Fu Hsing states that this method has been used by the Department in the past. Fu Hsing further states that the Department's verifiers compared the reported total sales values to financial records and found almost no discrepancies.

DOC Position

We agree with petitioner. As detailed in the verification report, Fu Hsing's total quantity of ESP transactions could not be verified. Therefore, we have used best information available for ESP transactions pursuant to section 776(c) of the Act. See also "Fair Value Comparisons" section of this notice.

Comment 20

Petitioner states that best information available should be used for Fu Hsing's diffrers since the Department was unable to verify that the transactions between Fu Hsing and related companies were at arm's length.

Fu Hsing maintains that there is no evidence on the record to suggest that transactions between related parties were not at arm's-length prices. Therefore, the Department should use the information reported by Fu Hsing.

DOC Position

At verification, Fu Hsing did provide a limited number of invoices from both related and unrelated suppliers in order to demonstrate the arm's-length nature of its related-supplier transactions. Accordingly, we have treated these as arm's-length transactions and accepted Fu Hsing's reported material costs for purposes of the final determination.

Comment 21

Petitioner argues that the costs reported by Fu Hsing for the adjustment for physical differences in merchandise are unreliable because they are not based on actual costs. Petitioner states that Fu Hsing used a "hybrid of actual material purchases and standard material usages" instead of actual material costs.

Fu Hsing argues that the method it used to calculate the reported material cost is reasonable because it is primarily based on actual costs. Fu Hsing further argues that these costs were fully verified and should be used in the final determination.

DOC Position

We agree with respondent. As the verification report indicates, Fu Hsing reported material costs for the diffrer based on the product of "average actual material costs" incurred during the POI and the "standard material usage", a factor used by Fu Hsing in its cost accounting system. Thus, it appears that the reported material costs are not actual costs, but rather are based on actual costs. The Department normally requires respondents to report actual, not standard, costs. However, because the standard material usages are part of the company's regular cost accounting system and the actual material purchases were verified, we have used the reported material costs as best information available for purposes of the final determination.

Comment 22

Petitioner states that Fu Hsing's labor costs differ substantially from those of

Tong Lung, which produces virtually identical locks.

Respondent contends that there is no reason that different companies should have the same labor costs and that differences in products would lead to different labor costs.

DOC Position

We agree with respondent. The verified information on the record concerning the entire labor cost for Fu Hsing provides no evidence that the costs reported by Fu Hsing for the adjustment for physical differences in merchandise are unreliable.

Comment 23

Petitioner claims that the Department should deny an adjustment for home market quantity discounts because Fu Hsing provided contradictory descriptions of its quantity discount policy. Furthermore, petitioner states that the company incorrectly calculated the amount of the discount by using the gross unit price instead of the discounted unit price of the free lock as the value of the discount.

Respondent claims that the reported quantity discounts were fully verified and should be used in the final determination.

DOC Position

We agree with respondent. At verification, the Department examined the method employed by Fu Hsing to calculate quantity discounts. The discounts on the computer tape sales list corresponded with the verification exhibits and no discrepancies were found. Therefore, we have allowed the quantity discount adjustment for purposes of the final determination.

Comment 24

Petitioner argues that the Department should disallow the rebate adjustment for Fu Hsing because it provided various contradictory statements about the availability of rebates and was unable to provide any documentation regarding its rebate policy.

Fu Hsing argues that the reported rebates were fully verified and should be used in the final determination.

DOC Position

We agree with respondent. At verification, the Department examined the method employed by Fu Hsing to calculate rebates. The rebate on the computer tape sales list corresponded with the verification exhibits and no discrepancies were found. Therefore, we

have allowed the rebate adjustment for purposes of the final determination.

Continuation of Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the U.S. Customs Service to continue to suspend liquidation of all entries of residential door locks, as defined in the "Scope of Investigation" section of this notice, that are entered or withdrawn from warehouse for consumption on or after the date of publication of this notice in the Federal Register. The U.S. Customs Service shall continue to require a cash deposit or posting of a bond equal to the estimated amounts by which the foreign market value of residential door locks exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturer/Producer/Exporter	Weighted-average margin percentage
Fu Hsing	17.59
Tong Lung	1.27
Posse	17.75
All others	8.24

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, pursuant to section 735(c)(1) of the Act, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Investigations, Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist with respect to any of the products under investigation, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled as to those products. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on residential door locks from

Taiwan entered, or withdrawn from warehouse, for consumption, on or after the effective date of the suspension of liquidation, equal to the amount by which the foreign market value exceeds the U.S. price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

December 18, 1989.

Eric I. Garfinkel,
Assistant Secretary for Import
Administration.

[FR Doc. 89-29929 Filed 12-28-89; 8:45 am]

BILLING CODE 3510-06-M

APPENDIX B

LIST OF PARTICIPANTS IN THE COMMISSION'S HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Certain Residential Door Locks
and parts Thereof

Inv. No. : 731-TA-433 (Final)

Date and time : December 21, 1989 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main Hearing Room (room 101) of the United States International Trade Commission, 500 E Street, S.W., Washington, DC.

In support of the imposition of antidumping duties

Steptoe and Johnson--Counsel
Washington, DC
on behalf of--

The Ad Hoc Committee of Door Lock Manufacturers

Olin Wethington)
Deborah Lamb) --OF COUNSEL

Economic Consulting Services, Inc.
Bruce Malashevich, President

Ingersoll-Rand Company
David W. Lasier, President, Door Hardware Group

NI Industries, Inc.
David Hirsch, Vice President and Senior Counsel

Dexter Lock Company
Robert A. Marotto, Vice President for Engineering

Kwikset Corporation
Jack F. Wood, Vice President for Business Development

Weiser Lock Company
James J. Connors, President

National Lock Corporation
Arthur Leva, President

Builders Hardware Manufacturers Association
Richard A. Hudnut, Standards Coordinator

In opposition to the imposition of antidumping duties

Grunfeld, Desiderio, Lebowitz and Silverman
Washington, DC
on behalf of--

Tong Lung Metal Ind. Co., Ltd.
Posse Lock Mfg. Co., Ltd.
Taiwan Fu Hsing Ind. Co., Ltd.
Jesse Lin, President

David L. Simon)
Philip S. Gallas) --OF COUNSEL

The Butter Company
Michael Sigmund, Merchandise Manager

Skadden, Arps, Slate, Meagher, and Flom
Washington, DC
on behalf of--

Hechinger Company

Gerald W. Brase, Vice President, Divisional Merchandise Manager

William E. Perry--OF COUNSEL

Brownstein, Zeidman and Schomer
Washington, DC
on behalf of--

The Home Depot, Inc.

Riggle, Keating & Craven
Chicago, IL
on behalf of--

Majestic Brass, Inc.

David Riggle--OF COUNSEL

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the eleventh is the fact that the

APPENDIX C

COMMENTS RECEIVED FROM U.S. PRODUCERS ON THE IMPACT OF IMPORTS FROM
TAIWAN ON THEIR EXISTING DEVELOPMENT AND PRODUCTION EFFORTS,
GROWTH, INVESTMENTS, ABILITY TO RAISE CAPITAL, AND THE EFFECTS OF IMPORTS
ON THEIR SCALE OF CAPITAL INVESTMENTS

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

Kwikset

* * * * *

National Lock Corp.

* * * * *

Weiser

* * * * *

Weslock

* * * * *

Dexter

* * * * *

Schlage

* * * * *

Arrow

* * * * *

APPENDIX D

COMPARISON OF IMPORT DATA AS REPORTED IN QUESTIONNAIRES
OF THE U.S. INTERNATIONAL TRADE COMMISSION AND DATA
REPORTED IN THE OFFICIAL STATISTICS OF THE
U.S. DEPARTMENT OF COMMERCE

Table D-1

Door locks: Comparison of import data as reported in Commission questionnaires with official statistics of the U.S. Department of Commerce, 1986-88, January-September 1988, and January-September 1989

(In thousands of dollars, except as noted)					
	1986	1987	1988	January-September--	
				1988	1989
Official statistics:					
Taiwan.....	41,474	47,975	46,870	35,105	37,430
All other countries....	63,373	83,245	97,975	74,448	92,085
Total.....	104,847	131,220	144,845	109,553	129,515
Reported:					
Taiwan.....	32,905	41,686	41,781	30,485	36,302
All other countries....	38,497	68,118	94,451	74,529	77,119
Total.....	71,402	109,804	137,232	105,014	113,421
As a share of the					
official statistics:			Percent		
Taiwan.....	79.3	86.9	89.1	86.8	97.0
All other countries.....	60.7	81.8	96.4	100.1	83.7
Total.....	68.1	83.7	94.7	95.9	87.6

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

APPENDIX E
PRICE DATA REPORTED BY PURCHASERS

Price Data Reported by Purchasers

Price trends

Price trends for the domestic and subject imported door locks are based on the reported quarterly weighted-average net f.o.b. purchase prices for the largest quarterly purchases of each of the four products. The weighted-average purchase prices of each product were based on total quantities of each of the specified representative door lock products purchased by each class of customer.

Domestic prices show an uptrend for purchases by home centers/mass merchandisers and by contractor hardware wholesalers. Purchase prices reported by hardware wholesalers are skewed by quantity differences but generally show a price downtrend. The data from door manufacturers reflect a rather flat price trend, overall. In contrast, the purchase prices of imported door locks from Taiwan generally reflect a rising trend in all purchaser categories and for each representative product.

U.S. domestic door locks: purchases by home centers/mass merchandisers.--Weighted-average prices of domestically produced door locks purchased by home centers/mass merchandisers are shown in table E-1. During the subject period, the trend in prices was similar for three of the four representative residential door locks. Prices for entry, privacy, and passage locks (products 1, 2, and 3) trended upward annually by amounts that ranged from roughly 3 to 5 percent per year. During each year, however, quarterly prices generally remained rather flat. The data show a sharper price increase for these three door locks in January-September 1989, roughly 7 to 8 percent.

Deadbolt lock (product 4) prices show an increase of about 5 percent that held through April-June 1987 and a steady decline through mid-1988. Then despite a reversal in pattern, prices remained below the 1986 average until 1989, at which time the average price increased, reaching 4 percent above the base-period price level at the end of the subject period.

Table E-1

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

Period	Product 1	Product 2	Product 3	Product 4
Weighted-average price per door lock				
1986:				
Jan.-Mar.....	\$8.78	\$5.74	\$5.23	\$7.71
Apr.-June.....	8.80	5.77	5.25	7.78
July-Sept.....	8.83	5.77	5.25	7.87
Oct.-Dec.....	8.80	5.75	5.25	7.80
1987:				
Jan.-Mar.....	9.13	5.96	5.43	8.11
Apr.-June.....	9.15	6.03	5.45	8.10
July-Sept.....	9.18	6.02	5.45	7.87
Oct.-Dec.....	9.04	5.89	5.35	7.71
1988:				
Jan.-Mar.....	9.54	6.01	5.62	7.66
Apr.-June.....	9.53	6.02	5.67	7.49
July-Sept.....	9.53	6.02	5.67	7.61
Oct.-Dec.....	9.50	6.04	5.65	7.73
1989:				
Jan.-Mar.....	10.18	6.42	5.99	7.91
Apr.-June.....	10.25	6.44	6.05	7.90
July-Sept.....	10.35	5.08	6.04	8.01
Quantity sold (units)				
1986:				
Jan.-Mar.....	145,543	37,106	43,029	20,692
Apr.-June.....	146,277	38,477	43,920	21,433
July-Sept.....	150,948	40,030	46,006	24,241
Oct.-Dec.....	150,371	37,382	46,453	22,473
1987:				
Jan.-Mar.....	161,033	42,604	48,912	24,139
Apr.-June.....	159,485	42,745	48,234	24,434
July-Sept.....	162,893	44,198	49,772	24,929
Oct.-Dec.....	171,785	48,362	52,654	25,735
1988:				
Jan.-Mar.....	198,613	56,643	60,102	36,138
Apr.-June.....	194,840	55,055	58,992	35,717
July-Sept.....	204,204	57,759	60,400	38,985
Oct.-Dec.....	204,396	57,820	60,382	36,611
1989:				
Jan.-Mar.....	224,428	65,945	71,580	46,369
Apr.-June.....	218,154	61,675	68,223	44,060
July-Sept.....	226,172	64,691	70,911	45,688

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

U.S. domestic door locks: purchases by hardware wholesalers.--A very narrow data base limits trend analysis of purchase prices paid by wholesalers. During the period 1986-87, prices were * * * and quantities were * * * for entry, privacy, and passage locks bought by the single respondent wholesaler. In 1988, the purchase prices of these three door locks * * * (table E-2). For the period January-September 1989, responses from three to four wholesalers provide data that generally reflect * * * weighted-average prices for entry, privacy and deadbolt locks.¹ Passage lock prices, however, show * * *.

U.S. domestic door locks: purchases by contractor wholesale hardware houses.--Prices reported by a single respondent contractor hardware company * * * in 1987 at levels * * * (table E-3). Prices remained * * * during January-September 1989 at levels that ranged from *** percent to *** percent * * the base-period price of the four representative door locks.

U.S. domestic door locks: purchases by door manufacturers.--Usable price data for purchases by one to two firms in this end-user category of purchaser included prices of entrance, privacy, and deadbolt door locks, although data did not cover all quarters of the subject period. Entrance door lock (product 1) prices for 8 scattered quarters during the period April 1986-June 1989 reveal * * * (table E-4). The price * * * in January-March 1989, then * * *.

Privacy door lock (product 2) prices spanned 4 quarters in 1986 and 2 in 1987. Gradually, the price * * * in 1986, then * * * in 1987 to * * * in 1986. Deadbolt (product 4) purchase prices covered all quarters of the period January 1986-December 1988 and a single quarter, April-June in 1989. Purchase prices from the single respondent door manufacturer * * *.

Imports from Taiwan: purchases by home centers/mass merchandisers.--Weighted-average prices of door locks imported from Taiwan and purchased by home centers/mass merchandisers are shown in table E-5. During the subject period, purchase prices for the four representative door locks reflect an early decline then an irregular rising trend. The prices fell from 2 to 7 percent in 1986. The trend reversed and prices increased somewhat erratically in 1987 and reached January-March 1988 levels 7 to 17 percent above the 1986 base-period price. Purchase prices declined during the remainder of 1988, but rose in the first or second quarter of 1989 to end the subject period 8 to 21 percent above the base-period price. Figures E-1 and E-2 show the weighted-average purchase prices paid by this category of purchasers.

¹ Differences in quantity purchased partly explain * * *.

Table E-2

Residential door locks: Average f.o.b. purchase prices paid by hardware wholesalers for door locks produced in the United States, weighted by total sales quantities, by quarters, January 1986-September 1989

<u>Period</u>	<u>Product 1</u>	<u>Product 2</u>	<u>Product 3</u>	<u>Product 4</u>
	*	*	*	*

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

Table E-3

Residential door locks: Average f.o.b. purchase prices paid by contractor hardware wholesalers for door locks produced in the United States, weighted by total sales quantities, by quarters, January 1986-September 1989

Period	Product 1	Product 2	Product 3	Product 4
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*	*	*	*	*	*	*
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Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table E-4

Residential door locks: Average f.o.b. purchase prices paid by door manufacturers for door locks produced in the United States, weighted by total sales quantities, by quarters, January 1986-September 1989

<u>Period</u>	<u>Product 1</u>	<u>Product 2</u>	<u>Product 3</u>	<u>Product 4</u>
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*	*	*	*	*	*	*
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Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table E-5

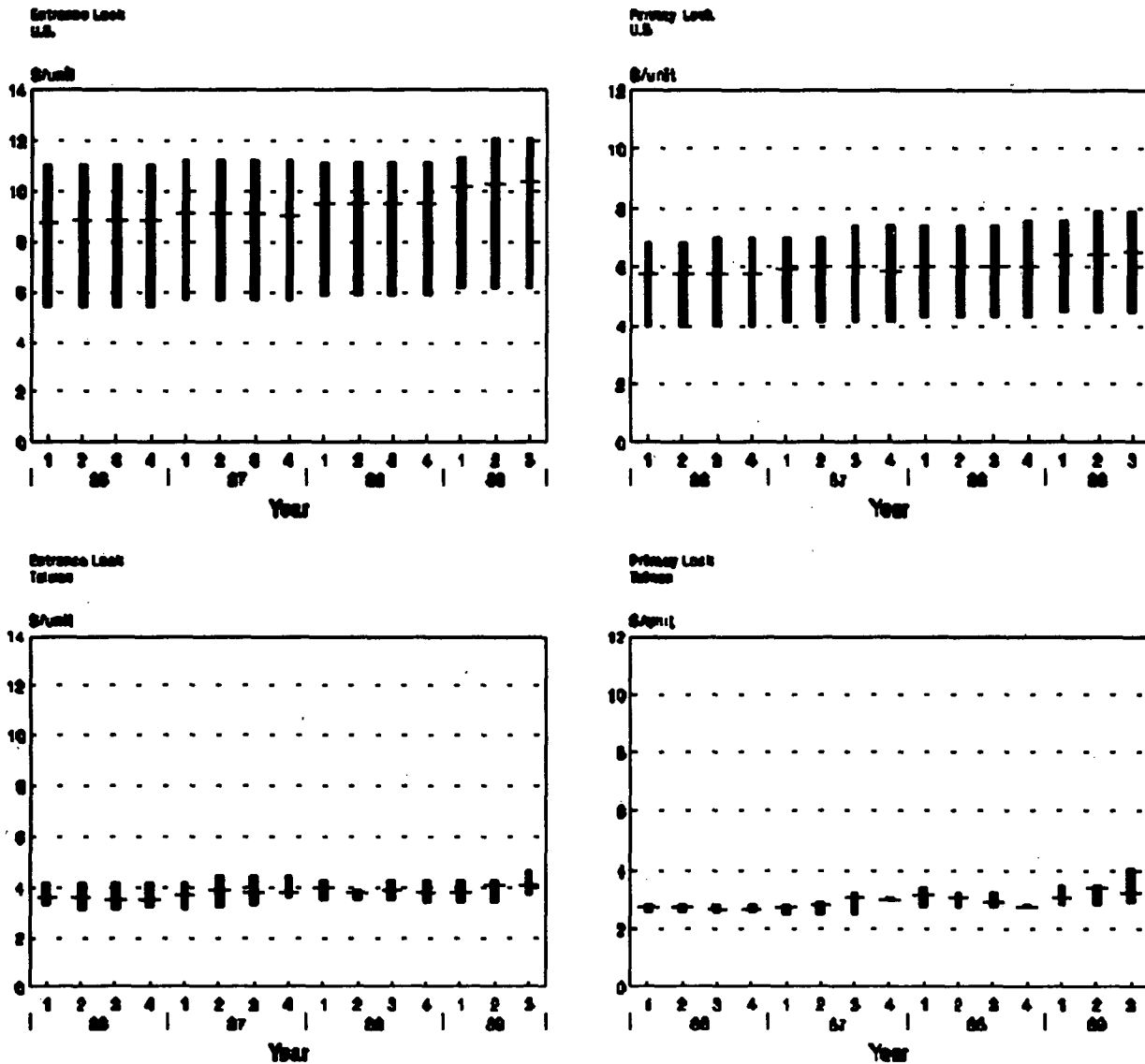
Residential door locks: Average f.o.b. purchase prices paid by home centers/mass merchandisers for door locks imported from Taiwan, weighted by total sales quantities, by quarters, January 1986-September 1989

Period	Product 1	Product 2	Product 3	Product 4
<u>Weighted-average price per door lock</u>				
1986:				
Jan.-Mar.....	\$3.55	\$2.78	\$2.68	\$3.81
Apr.-June.....	3.56	2.79	2.68	3.74
July-Sept.....	3.46	2.67	2.61	3.53
Oct.-Dec.....	3.51	2.71	2.63	3.59
1987:				
Jan.-Mar.....	3.71	2.74	2.68	3.79
Apr.-June.....	3.85	2.80	2.80	3.95
July-Sept.....	3.76	3.12	2.88	3.94
Oct.-Dec.....	3.74	3.02	2.97	3.77
1988:				
Jan.-Mar.....	3.94	3.18	3.14	4.07
Apr.-June.....	3.83	3.10	3.03	4.05
July-Sept.....	3.87	2.90	3.02	4.10
Oct.-Dec.....	3.82	2.79	3.07	3.86
1989:				
Jan.-Mar.....	3.83	3.10	2.98	3.97
Apr.-June.....	4.09	3.40	3.31	4.17
July-Sept.....	4.11	3.25	3.25	4.13
<u>Quantity sold (units)</u>				
1986:				
Jan.-Mar.....	94,666	25,776	30,004	18,574
Apr.-June.....	73,224	26,892	31,064	23,528
July-Sept.....	79,168	32,634	42,996	38,074
Oct.-Dec.....	100,570	26,128	26,420	31,718
1987:				
Jan.-Mar.....	26,310	14,986	12,612	17,476
Apr.-June.....	75,226	19,684	25,160	20,062
July-Sept.....	61,478	36,996	43,432	28,284
Oct.-Dec.....	96,640	20,796	41,292	24,604
1988:				
Jan.-Mar.....	59,072	33,100	36,794	12,470
Apr.-June.....	91,688	38,249	38,593	17,774
July-Sept.....	94,536	14,848	24,376	11,004
Oct.-Dec.....	35,000	5,000	6,696	15,996
1989:				
Jan.-Mar.....	80,552	19,008	18,072	15,648
Apr.-June.....	51,936	25,492	26,304	17,136
July-Sept.....	89,664	28,800	41,340	15,984

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

Figure E-1

Residential entrance door locks (products 1 and 2): Range and weighted-average purchase prices of domestic locks and locks imported from Taiwan purchased by home centers/mass merchandisers, by quarters, January 1986-September 1989



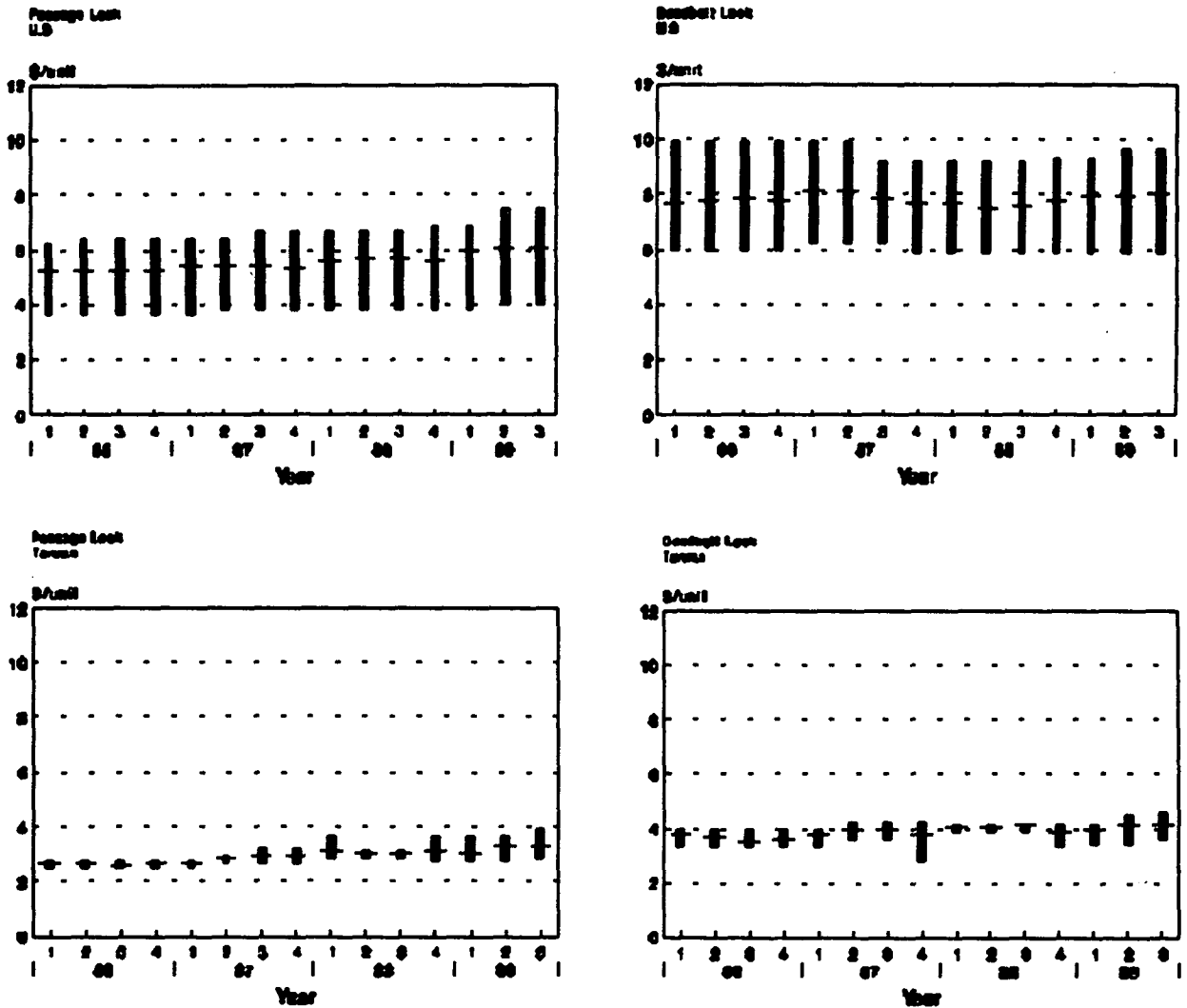
Legend: - denotes weighted-average price.

(Note: The absence of a range bar indicates a single observation.)

Source: Tables E-1 and E-5, products 1 and 2.

Figure E-2

Residential entrance door locks (products 3 and 4): Range and weighted-average purchase prices of domestic locks and locks imported from Taiwan purchased by home centers/mass merchandisers, by quarters, January 1986-September 1989



Legend: - denotes weighted-average price.

(Note: The absence of a range bar indicates a single observation.)

Source: Tables E-1 and E-5, products 3 and 4.

Imports from Taiwan: purchases by hardware wholesalers.--The prices of entrance and deadbolt locks (products 1 and 4) purchased by these wholesalers also reveal * * *. * * * occurred in 1986 that generally held through January-March 1987 (table E-6). Prices * * * during the remaining of 1987, then * * * in 1988. An * * * marked the period January-September 1989 as prices * * * in January-March 1986. Prices of privacy and passage locks (products 2 and 3) were * * * during 1986-March 1987, then * * * throughout the remainder of the subject period. At period end they were *** and *** percent, respectively, * * * the base-period price levels. Figures E-3 and E-4 show the range and weighted-average purchase prices paid by this category of purchasers.

Imports from Taiwan: purchases by door manufacturers.-- Data on purchase prices paid for entrance door locks covered each quarter of the subject period. Data on purchase prices of privacy and deadbolt locks were incomplete and covered only certain quarters of the period January 1988-September 1989. Entrance lock (product 1) prices were * * * during 1986 and January-March 1987 (table E-7). Subsequent prices through March of 1988 were * * * than those in 1986. In the next quarter the price * * * by about *** percent, * * * for one quarter, then * * * in October-December 1988 to * * * in 1986. During January-September 1989, the quarterly weighted-average prices * * *, to * * * from *** to *** percent * * * the base-period price. Figure E-5 shows the range and weighted-average purchase prices paid by this category of purchasers.

Table E-6

Residential door locks: Average f.o.b. purchase prices paid by hardware wholesalers for door locks imported from Taiwan, weighted by total sales quantities, by quarters, January 1986-September 1989

<u>Period</u>	<u>Product 1</u>	<u>Product 2</u>	<u>Product 3</u>	<u>Product 4</u>
	*	*	*	*
	*	*	*	*
	*	*	*	*
	*	*	*	*
	*	*	*	*

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

Figure E-3

Residential entrance door locks (products 1 and 2): Range and weighted-average purchase prices of domestic locks and locks imported from Taiwan purchased by hardware wholesalers, by quarters, January 1986-September 1989

* * * * *

Legend: - denotes weighted-average price.

(Note: The absence of a range bar indicates a single observation.)

Source: Tables E-2 and E-6, products 1 and 2.

Figure E-4

Residential entrance door locks (products 3 and 4): Range and weighted-average purchase prices of domestic locks and locks imported from Taiwan purchased by hardware wholesalers, by quarters, January 1986-September 1989

* * * * *

Legend: - denotes weighted-average price.

(Note: The absence of a range bar indicates a single observation.)

Source: Tables E-2 and E-6, products 3 and 4.

Table E-7

Residential door locks: Average f.o.b. purchase prices paid by door manufacturers for door locks imported from Taiwan, weighted by total sales quantities, by quarters, January 1986-September 1989

<u>Period</u>	<u>Product 1</u>	<u>Product 2</u>	<u>Product 3</u>	<u>Product 4</u>
	*	*	*	*

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

Figure E-5

Residential entrance door locks (products 1 and 2): Range and weighted-average purchase prices of domestic locks and locks imported from Taiwan purchased by door manufacturers, by quarters, January 1986-September 1989

* * * * *

Legend: - denotes weighted-average price.

(Note: The absence of a range bar indicates a single observation.)

Source: Tables E-4 and E-7, products 1 and 2.

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 purchase prices paid by home centers/mass merchandisers, hardware wholesalers, and end users, respectively, during the period January 1986-September 1989. The data were based on net purchase prices for the largest transaction to each class of purchaser, weighted by the total quantities of all transactions for the representative product in each quarter in which data were reported. Tables E-8 through E-10 show the margins of under/over selling in dollars and in percent for purchases of the four representative door locks, by class of purchaser.

Home centers/mass merchandisers.--Based on questionnaire responses, purchase price data enabled comparisons of domestic and import prices for each of the 4 representative residential door lock products purchased by this class of customer in each of the 15 quarters of the subject time period. The purchase price comparisons reveal underselling in each instance (table E-8).

Price comparisons for keyed entrance locks (product 1) indicate that the imported locks were priced below the domestic product by margins that ranged from \$5.24 to \$6.35, or from 60 to 62 percent. Comparisons of domestic and import prices for privacy locks (product 2) revealed a pattern of underselling by the imported locks from Taiwan that ranged from \$2.83 to \$3.33, or from 47 to 52 percent. Quarterly price comparisons of product 3 (passage locks) show that locks imported from Taiwan undersold the domestic product by margins that ranged from \$2.37 to \$3.00, or from 44 to 50 percent. Purchase price comparisons for deadbolt locks (product 4) reflect underselling by the imported door locks from Taiwan by margins that ranged from \$3.41 to \$4.34, or from 46 to 55 percent.

Hardware wholesalers.--Based on questionnaire responses, purchase price data from hardware wholesalers enabled comparisons of prices paid for domestic and imported door locks from Taiwan in 55 quarters (table E-9). Comparisons covered each of the four door lock products and revealed underselling by the imported products in every instance.

Prices of keyed entrance locks (product 1) indicated that the imported locks from Taiwan were priced lower than the domestic door locks in each of the 14 quarters in which comparisons were possible. Margins of underselling ranged from \$*** to \$***, or from 43 to 70 percent. Comparisons of product 2 (privacy locks) revealed underselling by the imported Taiwan door locks in each of the 15 quarters. Margins ranged from \$*** to \$***, or from 33 to 62 percent. Quarterly price comparisons of product 3 (passage locks) were possible in 14 instances. They showed underselling by the imported passage locks from Taiwan in every comparison. Margins ranged from \$*** to \$***, or from 51 to 59 percent. Price comparisons for product 4 (deadbolt locks) indicated that the imported Taiwan locks were priced below the domestic locks in each of the 11 quarters in which comparisons were possible. Margins of underselling ranged from \$*** to \$***, or from 52 to 65 percent.

Table E-8

Residential door locks: Margins of under/over selling ^{1/} based on comparison made between net U.S. f.o.b. purchase 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, by quarters, January 1986-September 1989

Period	Product 1		Product 2		Product 3		Product 4	
	(\$/unit)	(Per-cent)	(\$/unit)	(Per-cent)	(\$/unit)	(Per-cent)	(\$/unit)	(Per-cent)
1986:								
Jan.-Mar.....	\$5.23	60	\$2.96	52	\$2.55	49	\$3.90	51
Apr.-June.....	5.24	60	2.98	52	2.57	49	4.04	52
July-Sept.....	5.37	61	3.11	54	2.64	50	4.34	55
Oct.-Dec.....	5.29	60	3.04	53	2.63	50	4.21	54
1987:								
Jan.-Mar.....	5.43	59	3.22	54	2.75	51	4.31	53
Apr.-June	5.29	58	3.22	53	2.65	49	4.15	51
July-Sept.....	5.41	59	2.90	48	2.56	47	3.92	50
Oct.-Dec.....	5.30	59	2.88	49	2.37	44	3.94	51
1988:								
Jan.-Mar.....	5.59	59	2.83	47	2.48	44	3.59	47
Apr.-June.....	5.71	60	2.92	49	2.65	47	3.41	46
July-Sept.....	5.66	59	3.12	52	2.65	47	3.51	46
Oct.-Dec.....	5.68	60	3.25	54	2.58	46	3.86	50
1989:								
Jan.-Mar.....	6.35	62	3.33	52	3.00	50	3.94	50
Apr.-June.....	6.16	60	3.04	47	2.74	45	3.73	47
July-Sept.....	6.24	60	3.24	50	2.79	46	3.88	48

^{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.

Table E-9

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

Period	Product 1		Product 2		Product 3		Product 4	
	(\$/unit)	(Per-cent)	(\$/unit)	(Per-cent)	(\$/unit)	(Per-cent)	(\$/unit)	(Per-cent)
1986:								
Jan.-Mar.....	***	67	***	62	***	59	***	-
Apr.-June.....	***	68	***	62	***	59	***	-
July-Sept.....	***	70	***	62	***	59	***	-
Oct.-Dec.....	***	70	***	62	***	59	***	65
1987:								
Jan.-Mar.....	***	70	***	62	***	59	***	-
Apr.-June.....	***	69	***	60	***	57	***	57
July-Sept.....	***	69	***	60	***	57	***	52
Oct.-Dec.....	***	-	***	58	***	54	***	-
1988:								
Jan.-Mar.....	***	66	***	54	***	53	***	56
Apr.-June.....	***	65	***	53	***	-	***	62
July-Sept.....	***	65	***	56	***	53	***	61
Oct.-Dec.....	***	64	***	54	***	51	***	62
1989:								
Jan.-Mar.....	***	50	***	38	***	57	***	53
Apr.-June.....	***	49	***	33	***	54	***	54
July-Sept.....	***	43	***	54	***	53	***	52

^{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.

Purchase prices paid by door manufacturers.--Based on questionnaire responses, purchase price data received from door manufacturers enabled a total of 12 quarterly comparisons of prices paid for two of the four representative door lock products, keyed entrance locks and deadbolt locks. With a single exception, the comparisons revealed underselling by the imported door locks from Taiwan (table E-10).

Price comparisons for product 1 (keyed entrance locks) indicated that the imported door locks were priced below the domestic product in 7 of the 8 quarters in which comparisons were made. Margins of underselling ranged from \$*** to \$***, or from 10 to 21 percent. The single instance in which the imported price was higher than the domestic price reflected an overselling margin of \$***, or 46 percent. Comparisons of domestic and import prices for product 4 (deadbolt locks) indicate underselling in each of the 4 quarters for which data enabled comparisons. The margins ranged from \$*** to \$***, or from 16 to 31 percent.

Table E-10

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

Period	Product 1		Product 2		Product 3		Product 4	
	(\$/unit)	Per- cent)	(\$/unit)	(Per- cent)	(\$/unit)	(Per- cent)	(\$/unit)	(Per- cent)
1986:								
Jan.-Mar.....	-		-	-	-	-	-	-
Apr.-June.....	\$***	16	-	-	-	-	-	-
July-Sept.....	***	17	-	-	-	-	-	-
Oct.-Dec.....	-	-	-	-	-	-	-	-
1987:								
Jan.-Mar.....	***	22	-	-	-	-	-	-
Apr.-June.....	***	16	-	-	-	-	-	-
July-Sept.....	-	-	-	-	-	-	-	-
Oct.-Dec.....	***	19	-	-	-	-	-	-
1988:								
Jan.-Mar.....	-	-	-	-	-	-	***	27
Apr.-June.....	-	-	-	-	-	-	***	31
July-Sept.....	***	21	-	-	-	-	***	16
Oct.-Dec.....	-	-	-	-	-	-	***	16
1989:								
Jan.-Mar.....	(***)	(46)	-	-	-	-	-	-
Apr.-June.....	***	10	-	-	-	-	-	-
July-Sept.....	-	-	-	-	-	-	-	-

^{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.

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