Bicycles from China

Investigation No. 731-TA-731 (Preliminary)

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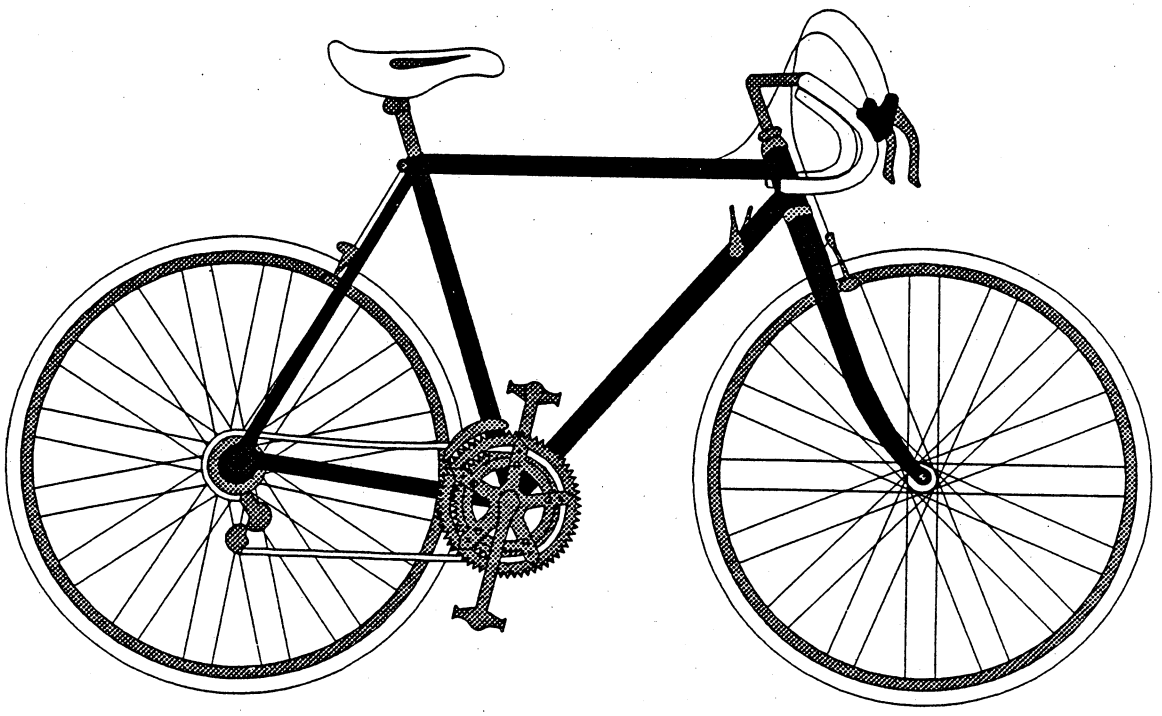
U.S. International Trade Commission



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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

PART I

DETERMINATION AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-731 (Preliminary)

BICYCLES FROM CHINA

Determination

On the basis of the record[1] developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports from China of bicycles,[2] provided for in subheadings 8712.00.15, 8712.00.25, 8712.00.35, 8712.00.44, and 8712.00.48 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On April 5, 1995, a petition was filed with the Commission and the Department of Commerce by Huffy Bicycle Co., Dayton, OH; Murray Ohio Manufacturing Co., Brentwood, TN; and Roadmaster Corp., Olney, IL, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of bicycles from China. Accordingly, effective April 5, 1995, the Commission instituted antidumping investigation No. 731-TA-731 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 12, 1995 (60 F.R. 18611). The conference was held in Washington, DC, on April 26, 1995, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Commissioner Carol T. Crawford determines that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of bicycles.

VIEWS OF THE COMMISSION

Based on the record in this preliminary investigation, we find that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of bicycles from the People's Republic of China ("China") that are allegedly sold in the United States at less than fair value ("LTFV").[3] [4]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping duty investigations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of the allegedly LTFV imports.[5] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that any contrary evidence will arise in a final investigation."[6]

II. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

A. In General

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission first defines the "domestic like product" and the "industry."[7] Section 771(4)(A) of the Act defines the relevant industry as the "producers as a whole of a domestic like product, or those producers whose collective output of the domestic like product constitutes a major proportion of the total domestic production of that product."[8] In turn, the Act defines "domestic like product" as: "[a] product that is like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation."[9]

Our decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and we apply the statutory standard of "like" or "most similar in

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[3] Commissioner Crawford determines that there is a reasonable indication that an industry in the United States is materially injured by reason of the allegedly LTFV imports. See her Concurring Views. She joins Sections I-III of the Views of the Commission.

[4] This investigation is subject to the Uruguay Round Agreements Act ("URAA") amendments to the Tariff Act of 1930 ("the Act"). P.L. 103-465, approved Dec. 8, 1994, 108 Stat. 4809, amending section 701 et seq. of the Trade Act of 1930, 19 U.S.C. § 1671 et seq.

Whether there is a reasonable indication that the establishment of an industry in the United States is materially retarded is not an issue in this investigation.

[5] 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986); Calabrian Corp. v. USITC, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

[6] American Lamb Co. v. United States, 785 F.2d at 1001; see also Torrington Co. v. United States, 790 F. Supp. 1161, 1165 (Ct. Int'l Trade 1992), aff'd, 991 F.2d 809 (Fed. Cir. 1993).

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(4)(A).

[9] 19 U.S.C. § 1677(10).

characteristics and uses" on a case-by-case basis.[10] The Commission looks for "clear dividing lines among possible like products" and disregards minor variations.[11]

In its notice of initiation, the Department of Commerce (Commerce) has defined the imported products subject to this investigation as "bicycles of all types, whether assembled or unassembled, complete or incomplete, finished or unfinished . . . ."[12] For the purposes of this investigation, Commerce defines an "incomplete bicycle" as "a frame and fork set, assembled or unassembled, finished or unfinished, and imported in the same shipment with any two of the following components, whether or not assembled with the frame and fork set: rear or front wheel; rear or front derailleur; brake; brake lever and shifter; crankset; and seat."[13]

B. Analysis of Domestic Like Product Issues

Two like product issues have been raised in this investigation: (1) whether bicycles sold through the two primary channels of distribution (mass merchandisers and independent bicycle dealers (IBDs)) should be considered separate domestic like products; and (2) whether adult and children's bicycles should be considered to be separate domestic like products. For the purposes of this preliminary investigation, we find one domestic like product consisting of all bicycles.[14]

1. Whether Bicycles Sold in the IBD Channel and Bicycles Sold in the Mass Merchant Channel Constitute Two Separate Domestic Like Products

a. Overview of the Two Channels

Respondent Coalition for Fair Bicycle Trade (the "Coalition")[15] asserts that the Commission should find two separate domestic like products based on differing channels of distribution. In general, there are two channels of distribution for bicycles: (1) mass merchandisers who typically sell large quantities of juvenile and other low-priced bicycles; and (2) independent bicycle dealers (IBDs), who traditionally have focused on higher quality, more sophisticated bicycles and have offered

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[10] See Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes and production employees; (5) customer or producer perceptions; and, where appropriate, (6) price. Calabrian Corp. v. United States, 794 F. Supp. 377, 382 n.4 (Ct. Int'l Trade 1992); Torrington, 747 F. Supp. at 749. No single factor is dispositive, and the Commission may consider other factors relevant to a particular investigation. E.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[11] Torrington, 747 F. Supp. at 748-49.

[12] Notice of Initiation of Antidumping Duty Investigation; Bicycles from the People's Republic of China, 60 Fed. Reg. 21065, 21066 (May 1, 1995).

[13] Id.

[14] Commissioner Bragg notes that, although she concurs in the Commission's domestic like product definition based on information gathered in this preliminary investigation, there is still a considerable amount of uncertainty as to what constitutes the domestic like product. In any final investigation, she intends to examine in closer detail each of the like product factors to determine whether bicycles sold in the two channels of distribution constitute separate like products.

[15] The Coalition, which opposes the petition, is an ad hoc group comprised of importers of bicycles sold in the IBD channel and of the National Bicycle Dealers Association (NBDA), a trade association representing the IBDs. See Coalition's Brief at n.1.

considerably more service than the mass merchandisers.[16] Several very large retailers dominate the mass merchandiser channel, while the IBD consists of over 6,000 small retail establishments that specialize in bicycles.[17] The bulk of retail prices in the mass merchandisers channel generally do not exceed $200, while most prices in the IBD channel range from $200 to over $1,000.[18] The IBD channel of distribution accounts for approximately 20-30 percent of sales volume but about 50 percent of sales value in the United States.[19] Marketing strategies for the two channels also differ, as a single sale to the mass merchandiser channel can involve more than 100,000 units while single sales to IBDs are generally ***.[20]

b. Analysis

We find a significant overlap in the physical characteristics and uses of bicycles sold in the two channels of distribution. The frames of bicycles sold in both the mass merchant and IBD channels may contain chrome-molybdenum (chromoly) or high-tensile steel, although the percentage of the frame containing these metals varies along the price spectrum.[21] In addition, although the componentry used on bicycles sold in the IBD channel typically is of better quality than that used on bicycles sold to mass merchandisers, both channels stock bicycles with comparable types of components.[22] In the IBD market, most bicycles with 26-inch and larger wheels come in a variety of frame sizes, while bicycles sold by mass merchandisers are produced and shipped (or imported) in a single frame size. However, some IBD-distributed bicycles within a particular wheel size may have a frame size identical to their counterpart bicycles sold in the mass merchant channel (e.g., an 18-inch frame on a 26-inch-wheel mountain bike).[23]

Further, the evidence in this preliminary investigation does not indicate that the uses for bicycles differ by channel of distribution. Whether distributed through IBDs or mass merchandisers, most bicycles regularly are used for recreation and transportation on sidewalks, bike paths and roads as well as in off-road conditions. Accordingly, the channel of distribution does not generally affect the interchangeability of bicycles.

There are, however, important distinctions between the mass merchant and IBD channels of distribution, particularly concerning marketing strategies. Paralleling these differences, with very limited exceptions, U.S. producers currently serve either the mass merchandise or IBD channel

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[16] Confidential Staff Report (CR) at I-8; Public Staff Report (PR) at II-5.

[17] CR at I-8-9; PR at II-5. The dominant mass merchandisers include Wal-Mart, Toys "R" Us, Target Stores, Sears and K-Mart.

[18] CR at I-46; PR at II-31.

[19] CR at I-8; PR at II-5.

[20] Transcript of Hearing (April 26, 1995) (Tr.) at 118; CR at I-79; PR at II-44, and Questionnaire Responses.

[21] Tr. at 154-155; CR at I-7; PR at II-5. The majority of bicycles sold in the IBD channel have frames made of chromoly or other higher-cost materials (e.g., aluminum, titanium or carbon fiber), whereas bicycles sold in the mass merchant market typically are fabricated with steel frames.

[22] CR at I-81; PR at II-42. Compare Questionnaire Response of *** with Questionnaire Response of ***. These components can be as important to the overall value of a bicycle as the frame and fork. CR at I-6; PR at II-4.

[23] Moreover, a significant portion of bicycles actually sold in the IBD channel falls outside the definition proposed by the Coalition. Specifically, some bicycles with wheel sizes below 26 inches, which comprise approximately *** percent of reported sales in the IBD channel, are not offered in multiple frame sizes. Coalition Brief at 23, n.21 and Questionnaire responses.

almost exclusively.[24] Notwithstanding these distinctions, retailers in the two channels of distribution compete for sales with one another,[25] and the three major U.S. producers claim that they are capable of selling into either channel.[26] Moreover, the distinction between channels is blurred by the emergence of sporting goods chains and discount warehouses which, at any given time, may sell bicycles that otherwise would be sold through either the mass merchandise or IBD channels.[27]

The same production facilities, processes, and employees can be used to manufacture bicycles sold in either channel.[28] In fact, Murray produced its Spectra brand line of bicycles for sale through the IBD channel at the same facility where its Murray brand bicycles are made for sale to the mass merchandisers.[29]

Although IBD bicycles usually sell for higher prices, there is an overlap in the prices commanded for the lower-end IBD bicycles and the upper-end mass merchandise bicycles.[30] In turn, there is price-based competition between channels of distribution for sales to consumers of bicycles that fall within similar price ranges.[31] Moreover, a number of models of bicycles with the same specifications are distributed through both channels at varying price points.[32]

In sum, while there are differences in traditional marketing and customer perceptions between bicycles sold in the two channels of distribution, we do not believe these differences create a clear dividing line warranting a finding of separate domestic like products. For the purposes of this preliminary investigation, we find that bicycles sold through mass merchandisers and bicycles sold through IBDs constitute one like product, based on the commonality in physical characteristics and uses, production, sales competition, and mid-range prices.

2. Whether Adult Bicycles and Children's Bicycles Constitute Two Domestic Like Products

Respondents Toys "R" Us and Royce Union Bicycle Company argue that children's bicycles (which they define to consist of bicycles with wheel sizes of less than 20 inches) and adult bicycles (defined to include all bicycles with wheel sizes of 20 inches or larger) constitute two separate

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[24] CR at I-12; PR at II-7. Most importers also reported serving either one or the other channel. CR at I-46; PR at II-31.

[25] Tr. at 144-147. See Importers' Questionnaire Response of *** at 27.

[26] Petitioners' Post-Conference Brief at 15, Tr. at 27-29. One large U.S. producer (Murray) that usually serves the mass merchandise channel sold its Spectra line of juvenile bicycles in the IBD channel from 1992 until recently. Tr. at 66, 88, 134; Petitioners' Post-Conference Brief at 16 and Appendix A. In addition, four importers reported sales to both the mass merchandise and IBD channels. CR at I-46; PR at II-31.

[27] CR at I-8-9; PR at II-5. In any final investigation, the Commission intends to look more closely at the extent to which sales to these retailers blur the distinction between bicycles sold to mass merchandisers and those sold to the IBDs.

[28] CR at I-6; PR at II-4.

[29] Tr. at 63.

[30] There appear to be variations of greater magnitude (e.g., in terms of physical characteristics and price) among bicycles within the IBD than between many IBD and mass merchandise bicycles. For example, the prices for bicycles in the IBD channel of distribution can range from $200 to more than $1,000. CR at I-46; PR at II-31.

[31] Tr. at 156-157.

[32] CR at I-8; PR at II-5; Tr. at 67.

domestic like products.[33] Application of the Commission's traditional domestic like product analysis does not support treatment of children's and adult's bicycles as separate domestic like products.

The record in this investigation suggests an extensive overlap between the physical characteristics and uses of bicycles of differing wheel sizes. Although this overlap is especially pronounced for adjacent wheel sizes, it also is true throughout the entire spectrum of sizes and models. Bicycles of different wheel sizes share common frames, forks, major components and other features.[34] In addition, whether ridden by children or by adults, all bicycles are put to the same uses -- for sport, recreation, exercise, or transport.[35] Although bicycles of various sizes are not perfectly fungible, there is a broad range within which they can be used interchangeably.[36]

There is a significant overlap within, and even between, channels of distribution for children's and adult bicycles.[37] In general, the same production facilities, processes, and employees are used to manufacture all sizes of bicycles sold in the United States.[38] Although producers and customers recognize differences between children's and adult bicycles at the ends of the size spectrum, they do not appear to perceive a clear dividing line between children's and adult bicycles.[39]

Finally, there is substantial overlap of the prices at which bicycles of different wheel sizes are sold. Some juvenile bikes may be sold at the same or even higher prices than some adult bicycles. In fact, both the price lists for domestic bicycles and the weighted-average f.o.b. prices for the imported bicycles provide evidence of this overlap in prices across bicycle wheel sizes.[40] Based on the foregoing, we find that neither size nor other distinctions create clear dividing lines between children's and adult bicycles. We therefore find one domestic like product in this preliminary investigation, encompassing all bicycles.

C. Domestic Industry

In making its determination, the Commission is directed to consider the effect of the imports on the domestic industry, defined as "the producers as a whole of a domestic like product. . . "[41] Two issues arise in this preliminary investigation with respect to the definition of the domestic industry: (1) whether, as argued by respondent Coalition, Raleigh USA Bicycle Co. (Raleigh) should not be considered a member of the domestic industry because it does not fabricate its bicycle frames in the United States;[42] and (2) whether Raleigh and GT Bicycles, Inc. should be excluded from the domestic industry as related parties.

In considering whether a firm qualifies as a domestic producer, the Commission generally considers six factors relating to the overall nature of a firm's production-related activities in the

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[33] Postconference Brief of Toys "R" Us, Inc. and Royce Union Bicycles Company (Toys "R" Us/Royce Union Brief) at 5-6. There are seven commonly consumed sizes of bicycles based on wheel size: 12-inch, 16-inch, 20-inch, 24-inch, 26-inch, 27-inch and 27.56-inch or 700C wheel bicycles. CR at I-4-5; PR at II-4.

[34] See e.g., Questionnaire Responses of ***.

[35] CR at I-45; PR at II-31.

[36] Cf., Asociacion Colombiana de Exportadores de Flores, et al. v. United States, 693 F. Supp. 1165, 1168 (Ct. Int'l Trade 1988) ("someone who wears a size ten skirt is not going to accept a size six, but this does not make the two garments unlike for purposes of injury determinations").

[37] CR at I-45-46; PR at II-31.

[38] CR I-6; PR at II-4. See also, Tr. at 62, 71-72, 167.

[39] See, e.g., Tr. at 95.

[40] See e.g., Questionnaire Responses of ***; see also CR at I-55-73; PR at II-36-41.

[41] 19 U.S.C. § 1677(4)(A).

[42] See Coalition's Brief at 18-22.

United States.[43] Raleigh's new capital investments over the period of investigation were, as would be expected, low in comparison to those of the three petitioners, who together accounted for 94 percent of U.S. production.[44] However, Raleigh's investments were ***.[45]

Moreover, Raleigh's U.S. production operations involve considerable technical expertise,[46] and Raleigh adds substantial value to the imported frames.[47] Raleigh's assembly operation is also capital intensive and employs substantial labor.[48] During the period of investigation, Raleigh employed between *** production and related workers producing bicycles, and between *** total employees in its bicycle production facility. Based on the foregoing, we find for the purposes of this preliminary investigation that Raleigh is a domestic producer.[49]

We also find that appropriate circumstances do not exist to warrant exclusion of GT and Raleigh as related parties. Each of these domestic bicycle producers imported the subject bicycles during the period of investigation, and is thus a related party producer.[50] The related parties provision, 19 U.S.C. § 1677(4)(B), as amended by the URAA, authorizes the exclusion of certain

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[43] The six factors the Commission examines are: (1) source and extent of the firm's capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. See, e.g., Honey from the People's Republic of China, Inv. No. 731-TA-722 (Preliminary), USITC Pub. 2832 (Nov. 1994) at I-10-12; Certain Cased Pencils from Thailand, Inv. No. 731-TA-670 (Final), USITC Pub. 2816 (Oct. 1994) at I-8 n.23.

[44] See CR at I-11; PR at II-6, and Table 14, CR at I-35; PR at II-23. Raleigh invested *** in new capital expenditures for its U.S. plant and equipment since 1992.

[45] Raleigh's expenditures are relatively consistent with *** but ***. See Table 14, CR at I-35; PR at II-23.

The value of Raleigh's fixed assets devoted to bicycle production are ***. On the basis of original cost, the value of Raleigh's fixed assets were ***.

[46] ***. Staff Field Trip Notes.

[47] Petitioners provided some confidential estimates of costs they have paid for components. These estimates show that the components (which do not include the frame, fork, or wheels) account for a substantial portion of the bicycle cost. See Petition at Exhibits B and C.

[48] Staff Field Trip Notes. ***.

[49] See Honey from China (Preliminary), USITC Pub. at I-10-11; Certain Cased Pencils from Thailand (Final), USITC Pub. 2816 at I-9.

[50] CR at I-11; PR at II-6-8.

producers from the domestic industry if "appropriate circumstances" exist.[51] Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case.[52]

Given the relatively small percentage of domestic production attributable to GT and Raleigh,[53] their inclusion does not skew the data for the industry as a whole. GT and Raleigh also each accounted for small percentages of total subject imports,[54] although subject imports did account for *** shares of their 1994 shipments.[55] Their reasons for importing are not clear from the preliminary record,[56] and there is currently no evidence that their interests lie in importation rather than in domestic production. Therefore, we do not exclude any producer as a related party for the purposes of this preliminary investigation.[57]

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of allegedly LTFV imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[58] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and

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[51] 19 U.S.C. § 1677(4)(B). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and

(3) the position of the related producer vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interest of the related producer lies in domestic production or importation. See, e.g., Sebacic Acid from the People's Republic of China, Inv. No. 731-TA-653 (Final), USITC Pub. 2793 at I-7-8 (July 1994).

[52] See Torrington Co. v. United States, 790 F. Supp. at 1168.

[53] In 1994, GT accounted for *** percent of domestic production, and Raleigh accounted for *** percent. Table 1, CR at I-12; PR at II-7.

[54] In 1994, GT's imports of Chinese bicycles accounted for *** percent of total subject imports. In 1994, Raleigh's imports of Chinese bicycles accounted for *** percent of total subject imports.

[55] The ratio of GT's 1994 shipments of imported Chinese bicycles to its total 1994 U.S. shipments of bicycles was *** percent. The ratio of GT's 1994 subject imports to its 1994 total imports combined with production was *** percent. The ratio of Raleigh's 1994 shipments of imported Chinese bicycles to its total 1994 U.S. shipments of bicycles was *** percent. The ratio of Raleigh's 1994 subject imports to its 1994 total imports combined with production was *** percent.

[56] Although GT appears to have performed *** (see Table 12, CR at I-32-33; PR at II-22), ***. Id. and ***. ***. Table 12, CR at I-32-33; PR at II-22.

[57] We intend to seek further information about GT's and Raleigh's reasons for importing subject imports in any final investigation.

[58] 19 U.S.C. § 1677(7)(C)(iii).

development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[59]

We note certain conditions of competition pertinent to our analysis of the domestic bicycle industry. First, bicycle purchases are discretionary and tend to increase with the level of general household income. Bicycle consumption increased with the economic recovery in the mid-1980s. This increase was especially prevalent with respect to mountain bicycles and all-terrain bicycles, which have accounted for the majority of adult bicycle sales since the mid-1980s.[60]

At the retail level, five mass merchandisers are responsible for two-thirds of the bicycles sold in the United States.[61] These retail buyers purchase large volumes of bicycles, often in single sales transactions, from those qualified sellers that are able to meet their price and volume requirements. These retailers have the market power to negotiate the lowest possible prices from their suppliers, whether these suppliers are U.S. producers or importers. Some of these retailers have "Buy-American" policies or preferences, but are committed to these policies only to the extent that there are comparable U.S.-made quality products available at competitive prices.[62]

Apparent U.S. consumption of bicycles increased 8.1 percent over the period of investigation, from 15.4 million bicycles in 1992 to 16.6 million bicycles in 1994, with a peak of 16.8 million bicycles in 1993.[63] The value of apparent U.S. consumption followed the same pattern, but increased overall by 10.4 percent.[64]

The quantity of domestic producers' U.S. shipments increased from 9.1 million bicycles in 1992 to 9.7 million bicycles in 1993 before decreasing to 9.6 million bicycles in 1994.[65] By value, domestic producers' U.S. shipments increased by 8.7 percent from 1992 to 1993 and then by another 0.4 percent in 1994.[66]

Domestic producers' share of the market, by both quantity and value, was relatively steady during the period of investigation. By quantity, domestic producers' market share dropped from 59.0 percent in 1992 to 57.8 percent in 1993, and then remained at 57.8 percent in 1994.[67] By value, their market share dropped from 57.1 percent in 1992 to 56.0 percent in 1993 and then rose slightly to 56.4 percent in 1994.[68]

Domestic bicycle production increased from 9.2 million bicycles in 1992 to 10.5 million bicycles in 1993, before decreasing to 9.5 million bicycles in 1994.[69] Bicycle production capacity rose from 11.7 million bicycles in 1992 to 13.0 million in 1993 and then to 14.0 million in 1994.[70]

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[59] 19 U.S.C. § 1677(7)(C)(iii).

[60] CR at I-5-6, I-45; PR at II-4, II-31.

[61] CR at I-48; PR at II-32.

[62] CR at I-48 & n.26; PR at II-32.

[63] Tables 17 and A-1, CR at I-42 and A-3; PR at II-29 and A-3.

[64] Id. The value of U.S. consumption increased by 10.9 percent from 1992 to 1993 and then decreased by 0.4 percent in 1994.

[65] Table 3, CR at I-15; PR at II-10.

[66] Tables 3 and A-1, CR at I-15 and A-4; PR at II-10 and A-4.

[67] Table 17, CR at I-42; PR at II-29.

[68] Id.

[69] Table 3, CR at I-15; PR at II-10.

[70] Table 3, CR at I-15; PR at II-10. This increase in capacity is attributed to Huffy and Roadmaster acquiring new facilities during the period of investigation. CR at I-13; PR at II-8. These producers reported that they increased their capacity in anticipation of an expanding market. Id.

As a result, capacity utilization declined from 79.0 percent in 1992 to 68.2 percent in 1994.[71] Domestic producers' increase in production from 1992-1993 outpaced their increase in shipments and the increase in apparent consumption, thereby resulting in the doubling of inventories from 514,000 bicycles in 1992 to 1 million bicycles in 1993.[72] Inventories then declined to 704,000 bicycles in 1994.[73]

The number of production and related workers increased from 4,795 in 1992 to 5,602 in 1993 before decreasing to 5,479 in 1994. Hours worked rose from 9,732 in 1992 to 11,431 in 1993, before declining to 11,002 in 1994.[74] Total compensation followed the same pattern, increasing from $142.6 million in 1992 to $161.6 million in 1993 before decreasing to $150.0 million in 1994.[75] Hourly compensation, however, declined each year of the investigation, from $14.66 in 1992 to $13.63 in 1994.[76]

The financial performance indicators of the U.S. bicycle industry generally improved or remained stable from 1992 to 1993, but declined in 1994.[77] In 1992, the U.S. industry reported sales of 9.2 million bicycles valued at $745.7 million, with gross profits of $117.3 million.[78] Increased sales volume of 9.8 million bicycles valued at $816.9 million in 1993 resulted in higher net sales revenue and increased gross profits of $129.9 million.[79] In 1994, net sales value increased by 0.1 percent to $817.9 million, notwithstanding a slight decrease in sales volume to 9.7 million bicycles. As a result of this small increase in net sales value coupled with a 4.9 percent increase in cost of goods sold, gross profits decreased by 25.2 percent to $97.2 million.[80] Gross profit margins remained stable at 15.7 percent in 1992 and 15.9 percent in 1993, but dropped to 11.9 percent in 1994.[81] The domestic industry's operating income rose from $42.6 million in 1992 to $51.2 million in 1993, and then dropped to $13.3 million in 1994. The operating income margin increased from 5.7 percent in 1992 to 6.3 percent in 1993 before falling to 1.6 percent in 1994.[82]

Capital expenditures by the domestic industry increased each year, rising from $16.4 million in 1992 to $32.7 million in 1994.[83] Research and development spending by the domestic industry also increased each year, growing from $4.3 million in 1992 to $5.8 million in 1994.[84] [85] [86]

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[71] Table 3, CR at I-15; PR at II-10.

[72] Table 3, CR at I-15; PR at II-10.

[73] Id.

[74] Table 3, CR at I-15; PR at II-10.

[75] Table 3, CR at I-15; PR at II-10.

[76] Table 3, CR at I-15; PR at II-10.

[77] Table 11, CR at I-31; PR at II-21.

[78] Id.

[79] Id.

[80] Id. Cost of goods sold increased from $628.4 million in 1992 to $687.0 million in 1993 and then to $720.7 million in 1994, for an overall increase of 14.7 percent. See Table A-1, CR at A-4; PR at A-4.

[81] Table 11, CR at I-31; PR at II-21.

[82] Table 11, CR at I-31; PR at II-21. ***.

[83] Table 14, CR at I-35; PR at II-23.

[84] Table 15, CR at I-36; PR at II-24.

[85] Commissioner Rohr and Commissioner Newquist find that the condition of the domestic industry as reflected in the industry's financial performance showed signs of deterioration in 1994 following improvements from 1992 to 1993. In virtually all other indicators, including production, shipments, capacity utilization, and employment, the industry also showed declines from 1993 to 1994, although there was some improvement over the entire 1992-1994 period. Although the condition of the industry does not reflect one presently experiencing (continued...)

IV. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

In preliminary antidumping duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[87] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[88] [89]

Although the Commission may consider causes of injury to the industry other than the allegedly LTFV imports, it is not to weigh causes.[90] [91]

For the reasons discussed below, we find that there is no reasonable indication that the domestic bicycle industry is materially injured by reason of allegedly LTFV imports from China.

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[85] (...continued)
material injury, the financial decline in particular demonstrates the vulnerability of the domestic industry to the continuing adverse effects of allegedly LTFV imports. Accordingly, Commissioner Rohr and Commissioner Newquist do not join section IV of this opinion and proceed directly to an analysis of whether there is a reasonable indication that the domestic industry is threatened with material injury by reason of the allegedly LTFV imports.

[86] Commissioner Crawford does not join the remainder of the Commission's opinion.

[87] 19 U.S.C. § 1673b(a). The statute defines "material injury" as "harm which is not inconsequential, immaterial or unimportant." 19 U.S.C. § 1677(7)(A).

[88] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[89] As part of its consideration of the impact of imports, the statute as amended by the URAA now also specifies that the Commission is to consider in an antidumping proceeding, "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V). The Statement of Administrative Action, H.R. Doc. 316, Vol. 1, 103rd Cong., 2nd Sess. (1994) (SAA) indicates that the amendment "does not alter the requirement in current law that none of the factors which the Commission considers is necessarily dispositive in the Commission's material injury analysis." SAA at 180.

The statute, 19 U.S.C. § 1677(35)(C), defines the "magnitude of the margin of dumping" to be used by the Commission in a preliminary determination as "the dumping margin or margins published by the administering authority [Commerce] in its notice of initiation of the investigation." The average calculated dumping margin identified by Commerce in its notice of initiation is 74.95 percent. 60 Fed. Reg. 21065, 21066 (May 1, 1995).

[90] See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988). Alternative causes may include the following:

> [T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

[91] For Chairman Watson's interpretation of the statutory requirement regarding causation, see Certain Calcium Aluminate Cement Clinker from France, Inv. No. 731-TA-645 (Final), USITC Pub. 2772 at I-14 n.68 (May 1994).

A. Volume of Imports[92]

The quantity of subject imports increased from 2.2 million bicycles in 1992 to 4 million bicycles in 1994.[93] The market share, by quantity, of subject imports also increased from 14.6 percent in 1992 to 23.8 percent in 1994.[94] While standing alone these volumes and volume increases are substantial, their significance is mitigated in this case by the domestic producers' maintenance of a stable market share and the indication that the imports from China have thus far merely replaced imports from Taiwan as opposed to displacing domestically-produced bicycles.

Domestic bicycle producers consistently held between 58 and 59 percent of the quantity of U.S. apparent consumption throughout the period of investigation.[95] Moreover, although the value of subject imports increased throughout the period of investigation in both absolute terms and relative to apparent U.S. consumption, domestic producers' shipments also increased in value while market share remained relatively stable.[96]

The volume and market share of subject imports increased concurrent with decreases of similar magnitudes in the volume and market share of nonsubject imports, particularly imports from Taiwan.[97] This trend largely reflects the transfer of bicycle production by Taiwanese producers to China, often through joint ventures.

B. Price Effects of Imports

The data in this preliminary investigation do not indicate that the subject imports have had significant adverse effects on prices for the domestic like product. Although the price comparisons are generally indicative of the price trends in the U.S. market, we have viewed them with caution due to some differences in componentry and aesthetics among the various bicycles.[98] In any event, pricing data are mixed, showing a nearly even split between underselling and overselling by the subject imports.[99] In this case, we do not find significant underselling by the subject imports.

There are not clear trends in prices for sales to either the mass merchandisers or to the IBDs from January 1992 to December 1994. Prices for domestic bicycles increased for several categories

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[92] Imports of bicycles from China accounted for 56.4 percent of total 1994 imports. Table 16, CR at I-41; PR at II-28. Subject imports from China therefore are not "negligible" because they account for more than 3 percent of the volume of all merchandise imported into the United States in 1994. See 19 U.S.C. §§ 1673b(a) and 1677(24).

[93] Table 17, CR at I-41; PR at II-29. We have relied on combined import figures for China and Hong Kong. Undisputed record evidence indicates that there are no known bicycle producers in Hong Kong and that all of the bicycles shipped through Hong Kong are of Chinese origin. CR at I-39-40; PR at II-27. In any event, the volume of imports from Hong Kong is relatively small. Id.

[94] Table 17, CR at I-42; PR at II-29.

[95] Table 17, CR at I-42; PR at II-29. By quantity, the domestic producers' U.S. market share was 59.0 percent in 1992 and 57.8 percent in 1993 and 1994.

[96] Table 17, CR at I-42; PR at II-29. The value of subject imports increased from $108.3 million in 1992 to $221.3 million in 1994, and their market share increased from 14.6 percent to 23.8 percent during that period. The value of U.S. producers' shipments increased from $722.1 million in 1992 to $787.6 million in 1994; their share of the value of apparent consumption was 57.1 percent in 1992 and 56.4 percent in 1994.

[97] Table 17, CR at I-42; PR at II-29. The market share held by non-subject imports (almost all of which are from Taiwan) declined from 26.4 percent to 18.4 percent between 1992 and 1994.

[98] See CR at I-53, I-76, n.46; PR at II-35, II-42, n.46.

[99] Subject imports oversold the domestic like product in 35 of 57 price comparisons for bicycles sold to the mass merchandisers and in 26 of 61 comparison for sales to the IBDs. CR at I-75-76; PR at II-42.

of bicycles, but remained flat or declined for several others.[100] Prices for subject imports also showed mixed declines and increases, but do not correlate to those for the domestic bicycles.[101] In a number of instances, prices for Chinese bicycles increased during the period of investigation while prices for U.S. bicycles remained stable or decreased.[102] In several other instances, prices for both U.S. and Chinese bicycles dropped, but those for the domestic bicycles declined to a greater extent.[103]

Although the pricing comparisons suggest that the subject imports undersold the U.S. product in certain categories of bicycles,[104] the record does not indicate a causal link between this underselling and domestic producers' prices. First, in each instance where price declines were noted, prices for U.S. bicycles declined faster and further than prices for Chinese bicycles.[105] Based on this data, we are unable to attribute any significant price depression or suppression to the subject imports. Further, we note that the price trends appear to reflect, to a certain extent, competition among domestic producers, rather than the effects of subject imports. In particular, one domestic producer, Roadmaster, appears to have competed vigorously for sales with its domestic competitors through aggressive marketing tactics.[106]

The record in this preliminary investigation therefore does not indicate that subject imports had significant adverse effects on prices for the domestic product.[107]

C. Impact of Imports on the Domestic Industry

Finally, the present impact of the subject imports on the domestic industry is not sufficiently adverse to constitute present material injury. As noted above, the subject import volume and market share, while increasing, are not significant in light of the substantial and stable share of the market held by U.S. producers.[108] Moreover, the evidence does not indicate that subject imports have had significant adverse effects on domestic prices.

There is not a significant correlation between the volumes of subject imports and the condition of the domestic industry. In 1993, when the volume of subject imports showed the largest

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[100] CR at I-54, I-65; PR at II-35, II-40.

[101] Id. The average unit values for the subject imports rose by 19.1 percent, from $48.26 to $55.88, during the period of investigation. Table 16, CR at I-41; PR at II-28. Unit values for domestic bicycles also rose during that period, but only by 3.1 percent, from $79.53 to $81.99. Table 3, CR at I-15; PR at II-10.

[102] CR at I-54-75; PR at II-35-42. See, e.g., ***.

[103] CR at I-54-75; PR at II-35-42. See, e.g., ***.

[104] See, e.g., ***.

[105] CR at I-54-75; PR at II-35-42. See, e.g., ***.

[106] See Tr. at 118 (Toys-R-Us testimony concerning Roadmaster's aggressive price undercutting) and CR at I-54, n. 44; PR at II-35 (noting that ***.) The effects of Roadmaster's tactics may be inferred from the fact that ***. Table 12, CR at I-32; PR at II-22.

Staff's discussion with purchasers concerning lost sales allegations also confirm that in some cases domestic producers lost sales to one another. See CR at I-80, I-82; PR at II-42, II-44.

[107] However, in any final investigation, we intend to examine the extent to which the relative price trends were affected by widespread changes in the major componentry offered on the various models of bicycles sold between 1992 and 1994 to determine whether prices generally should have increased in light of the use of higher-quality, more costly componentry on subject imports.

[108] We also note that apparent U.S. consumption increased from 15.4 million bicycles in 1992 to 16.6 million bicycles in 1994. Table 17, CR at I-42; PR at II-29. Although the domestic producers' market share remained flat, their sales and shipments increased as apparent consumption increased.

percentage increase, the financial performance of the domestic industry peaked.[109] In 1994, when the volume of subject imports increased by a much smaller amount, the domestic industry's profitability declined sharply.[110] [111]

While the U.S. industry's financial condition deteriorated in 1994, this decline appears to be attributed primarily to domestic industry restructuring rather than to the effects of subject imports. In particular, the declines in financial performance reflect increasing cost of goods sold (COGS) and SG&A expenses while the value of net sales remained flat. On a unit basis, these costs increased 8.5 percent and 6.3 percent, respectively, from 1992 to 1994.[112] These cost increases outpaced the 3.7 percent increase in unit sales value, which in turn resulted in the large decrease in operating income.[113] These unit SG&A and COGS increases are attributable to actions by the U.S. producers, as the domestic industry increased capacity and built up significant inventories between 1992 and 1993.[114]

We therefore determine that there is no reasonable indication that the U.S. industry producing bicycles is materially injured by reason of the subject imports of bicycles from China.[115]

V. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

Section 771(7)(F) of the Act directs the Commission to consider whether the U.S. industry is threatened with material injury by reason of the subject imports "on the basis of evidence that the threat of material injury is real and that actual injury is imminent."[116] The Commission may not make such a determination "on the basis of mere conjecture or supposition."[117] Further direction is provided by the amendment to the statute, 19 U.S.C. § 1677(7)(F)(ii), which adds to the prior provision that the Commission consider the threat factors "as a whole" in making its determination "whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued. . . ."[118]

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[109] See Tables 11, 17 and A-3, CR at I-31, I-42, and A-3-4; PR at II-21, II-29 and A-3-4.

[110] See id. The financial condition of the industry appears to track consumption trends, with operating income peaking in 1993, the same year that apparent consumption peaked, and declining in 1994 with declining consumption. Table 3, CR at I-15; PR at II-10.

[111] Vice Chairman Nuzum further notes however, that in 1994, subject imports continued to increase in the face of declining consumption, which increased the vulnerability of the domestic industry to continued LTFV imports.

[112] Tables 11 and A-1, CR at I-31 and A-4; PR at II-21 and A-1.

[113] See id.

[114] Table 3, CR at I-15; PR at II-10. The unit COGS and SG&A increases reflect ***, ***, and ***. See Tables 12 and 14, CR at I-32-33 and I-35; PR at II-22 and II-23; and Producers' Questionnaire Responses.

[115] Vice Chairman Nuzum notes that her concurrence on a negative present injury finding is based only on the information in the record at this stage of the investigation, and she will reconsider any basis for present material injury in a final investigation based on the more substantial evidence in a final record.

[116] 19 U.S.C. §§ 1673b(a) and 1677(7)(F)(ii).

[117] 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallverken Nederland B.V. v. U.S., 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire, 8 CIT at 28, 590 F. Supp. at 1280. See also Calabrian Corp. v. United States, 794 F. Supp. 377, 387 and 388 (Ct. Int'l Trade 1992) (citing, H.R. Rep. No. 1156, 98th Cong., 2d Sess. 174 (1984)).

[118] While the language referring to imports being imminent (instead of "actual injury" being imminent and the threat being "real") is a change from the prior provision, the SAA indicates the "new language is fully consistent with the Commission's practice," the existing statutory language, "and judicial precedent interpreting the statute." SAA at 184.

In making our determination, we have considered, in addition to other relevant economic factors,[119] all statutory factors[120] that are relevant to this investigation.[121]

The record indicates that capacity in China to produce bicycles suitable for the U.S. market increased each year, from 15.8 million bicycles in 1992 to 19.3 million bicycles in 1994, for a three-year increase of 22 percent.[122] According to information supplied by respondents, capacity is projected to remain stable in 1995 and 1996.[123] However, petitioners supplied evidence of new plant construction and statements by Chinese producers concerning projected production increases in 1995.[124]

Capacity expansion in China was outpaced by Chinese production, which increased by 30 percent from 1992 to 1994.[125] Notwithstanding this fact, there is a significant amount of reported underutilized capacity to produce export quality bicycles in China. Reported capacity utilization increased somewhat from 79.5 percent in 1992 to 82.7 percent in 1993, before dropping slightly to 82.3 percent in 1994.[126] Excess 1994 Chinese capacity represented 20.5 percent of U.S. apparent consumption and 35.6 percent of U.S. producers' domestic shipments in 1994.[127] The existing underutilized capacity indicates a likelihood of substantially increased imports of the subject merchandise into the United States.[128]

Exports have accounted for a large and increasing share of Chinese producers' total shipments and are projected to increase in the future. Exports to the United States increased from 1.2 million bicycles in 1992 to 3.7 million bicycles in 1994, while total exports increased from 4.2 million in 1992 to 7.3 million in 1994 and are projected to increase to 8.2 million in 1995 and 8.8

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[119] Suramerica de Aleaciones Laminadas, C.A. v. United States, 44 F.3d 978 (Fed. Cir. 1994). The Federal Circuit held that 19 U.S.C. § 1677(7)(F)(i) requires the Commission to consider "all relevant factors" that might tend to make the existence of a threat of material injury more probable or less probable. 44 F.3d at 984.

[120] The statutory factors have been amended to more closely track the language concerning threat of material injury in the Antidumping and Subsidies Agreements, although "[n]o substantive change in Commission threat analysis is required." SAA at 185.

[121] 19 U.S.C. § 1677(7)(F)(i). In addition, the Commission must consider whether dumping in markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or merchandise manufactured or exported by the same party as under investigation) suggest a threat of material injury to the domestic industry. 19 U.S.C. § 1677(7)(F)(iii)(I).

Two statutory threat factors have no relevance to this investigation and need not be discussed. Because there are no subsidy allegations, factor I is not applicable. Factor VII regarding raw and processed agriculture products is also inapplicable to the products at issue.

[122] CR at I-38; PR at II-26.

[123] Id.

[124] Petition at 48-49. In large part, the discrepancy between the information cited by petitioners and that reported by respondents focuses on whether existing and projected capacity is capable of producing, or being converted to produce bicycles suitable for the U.S. market. Compare Petition at 49 (most listed companies have no difficulty in performing at the quality levels necessary for the export market) with China Bicycles/China Chamber Brief at 5-6 (approximately 75-80 percent of Chinese capacity alleged by petitioners is incapable of producing, and incapable of being converted to produce, export quality bicycles.) In any final investigation, we intend to examine further the extent to which existing and projected capacity is used to produce export quality bicycles and the potential for shifting from production of single-speed "black" bikes sold in China to export-quality bicycles.

[125] CR at I-38; PR at II-26.

[126] Id.

[127] See id. and Table A-1, CR at A-3-4; PR at A-3-4.

[128] As noted above, there is mixed evidence concerning imminent substantial increases in capacity. We intend to explore this question further in any final investigation.

million in 1996.[129] Joint venture firms (which account for much of the increased Chinese production) are, at a minimum, encouraged to sell their products in foreign markets.[130]

Within the past three years, Canada, the European Union (EU), and Mexico imposed antidumping duties, ranging from 31 to 144 percent, on Chinese bicycles.[131] These duties are significantly higher than existing U.S. duties on Chinese bicycles, which range from 5.5 to 11 percent.[132] As such, these three Western markets for Chinese bicycles are unlikely to absorb additional exports of Chinese bicycles. To the contrary, Chinese bicycles formerly exported to these countries may be diverted to the United States.[133]

Although the volume and market penetration of subject imports are not currently injurious, the current rate of increase indicates a likelihood of substantially increased imports. As discussed above, the pressure on joint ventures to export and the antidumping duties imposed in other markets make it likely that Chinese producers will export increased quantities of their bicycles to the United States. Further increases at the same rate are likely to be at the expense of the U.S. producers' shipments and market share.[134]

Although we have found that the subject imports have not had significant adverse price effects,[135] there is an indication that the subject imports are entering the United States at prices that are likely to have significant suppressing effects on domestic prices and are likely to increase demand for further imports. For the highest volume category of bicycles for which pricing comparisons were obtained (entry level mountain bicycles sold to mass merchandisers), the subject imports consistently undersold the U.S. product.[136] Likewise, in the IBD channel, subject imports of the higher volume items (18- and 21-speed mountain bicycles) undersold the domestic product in all but one of 24 price comparisons.[137]

The tenuous financial condition of the U.S. bicycle industry makes it likely that increased imports of large volume items at lower prices will have significant adverse price effects on the comparable U.S. product and will increase the demand for such imports. As noted in the condition of the industry discussion, high volume bicycle sales are often made in single transactions to one of only a few retailers. Given the dependency of the U.S. industry on revenue from these high volume items, increased imports at lower prices are likely to have significant adverse consequences on the financial condition of the U.S. industry.[138]

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[129] CR at I-39; PR at II-26. In any final investigation, we intend to explore further respondents' assertions that increases in capacity to produce export-quality bicycles are directed toward an increasing Chinese domestic market for multi-speed, export-quality bicycles, and that exports of lower quality bicycles are directed toward export markets other than the United States (i.e., Japan, Latin America, Eastern Europe and Australia). See China Bicycles/China Chamber Brief at 15-28.

[130] See Petition at 46, 50; Brief of China Bicycles/China Chamber at 23 and Exhibits 25 and 26.

[131] CR at I-39; PR at II-26.

[132] CR at I-10, I-39; PR at II-6, II-26.

[133] An experienced industry representative indicated that the EU was previously the largest market for Chinese bicycles. Tr. at 21. In any final investigation, we intend to explore further the significance and effects of these countries' antidumping remedies.

[134] We find that the "Buy American" policies and preferences of some U.S. mass merchandisers are not likely to limit the volume of subject imports, because some of the companies that adhere to these policies will buy imports if the U.S. product is not competitively priced. CR at I-48 & n.26; PR at II-32; Tr. at 49.

[135] Commissioner Rohr and Commissioner Newquist note that they do not join the discussion of present material injury.

[136] Table 21, CR at I-58; PR at II-38.

[137] Tables 28 and 29, CR at I-70 and I-71; PR at II-41.

[138] One U.S. purchaser that maintains a "Buy American" policy provided an example of the likely price suppressing effects of continued increases in lower-priced high volume bicycles from China. That retailer, Wal-Mart, indicated that the lower prices commanded by subject imports for high volume bicycle models has (continued...)

Finally, inventories in the United States of subject imports are not high, but we note that end-of-period inventories of the subject imports increased substantially from 157,000 bicycles in 1992 to 287,000 bicycles in 1994.[139]

CONCLUSION

For the foregoing reasons, we determine there is a reasonable indication that the domestic bicycle industry is threatened with material injury by reason of allegedly LTFV imports from China.

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[138] (...continued)
enabled Wal-Mart's competitors to sell bicycles to end consumers at prices that Wal-Mart will be able to meet only if U.S. producers lower their prices for sales to Wal-Mart. See Tr. at 48-49, quoting Wal-Mart's April 6, 1995, letter to the Commission and Commerce.

[139] CR at I-37; PR at II-25.

VIEWS OF COMMISSIONER CAROL T. CRAWFORD

On the basis of information obtained in this preliminary investigation, I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of bicycles from the People's Republic of China ("China") that are allegedly sold in the United States at less-than-fair-value ("LTFV"). I concur in the conclusions of my colleagues regarding like product and domestic industry, and I join their discussion of the condition of industry. However, I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of the allegedly LTFV imports of bicycles from China. Because my injury determination in this investigation differs from my colleagues', my separate views follow.

I. ANALYTICAL FRAMEWORK

In determining whether there is a reasonable indication that a domestic industry is materially injured by reason of the alleged LTFV imports, the statute directs the Commission to consider:

(I) the volume of imports of the merchandise which is the subject of the investigation,
(II) the effect of imports of that merchandise on prices in the United States for like products, and
(III) the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States....[1]

In making its determination, the Commission may consider "such other economic factors as are relevant to the determination."[2] In addition, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry ... within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[3]

The statute directs that we determine whether there is a reasonable indication of "material injury by reason of the dumped imports." Thus we are called upon to evaluate the effect of allegedly dumped imports on the domestic industry and determine if there is a reasonable indication that they are causing material injury. There may be, and often are, other "factors" that are causing injury. These factors may even be causing greater injury than the alleged dumping. However, the statute does not require us to weigh or prioritize the factors that are independently causing material injury. Rather, the Commission is to determine whether there is a reasonable indication that any injury "by reason of" the allegedly dumped imports is material. That is, the Commission must determine if there is a reasonable indication that the subject imports are causing material injury to the domestic industry. "When determining the effects of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry."[4] It is important, therefore, to assess the effects of the allegedly dumped imports in a way that distinguishes those effects from the effects of other factors unrelated to the dumping. To do this, I compare the current condition of the industry to the industry conditions that would have existed without the dumping, that is, had subject imports all been fairly

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[1] 19 U.S.C. § 1677(7)(B)(I). As part of its consideration of the impact of imports, the statute as amended by the URAA now also specifies that the Commission is to consider in an antidumping proceeding, "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V).

The statute, 19 U.S.C. § 1677(35)(C), defines the "magnitude of the margin of dumping" to be used by the Commission in a preliminary determination as "the dumping margin or margins published by the administering authority (Commerce) in its notice of initiation of the investigation." The average calculated dumping margin identified by Commerce in its notice of initiation is 74.95 percent. 60 Fed. Reg. 21065, 21066 (May 1, 1995).

[2] 19 U.S.C.§ 1677(7)(B)(ii).

[3] 19 U.S.C. § 1677(7)(C)(iii).

[4] S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987)(emphasis added).

priced. I then determine whether the change in conditions constitutes material injury. The Court of International Trade has held that the "statutory language fits very well" with my mode of analysis.[5]

In my analysis of material injury, I evaluate the effects of the alleged dumping on domestic prices, domestic sales, and domestic revenues. To evaluate the effects of the alleged dumping on domestic prices, I compare domestic prices that existed when the imports were allegedly dumped with what domestic prices would have been if the imports had been priced fairly. Similarly, to evaluate the effects of dumping on the quantity of domestic sales,[6] I compare the level of domestic sales that existed when imports were allegedly dumped with what domestic sales would have been if the imports had been priced fairly. The combined price and quantity effects translate into an overall domestic revenue impact. Understanding the impact on the domestic industry's prices, sales and overall revenues is critical to determining the state of the industry, because the impact on other industry indicators (e.g., employment, wages, etc.) is derived from the impact on the domestic industry's prices, sales, and revenues.

I then determine whether the price, sales and revenue effects of the alleged dumping, either separately or together, demonstrate that there is a reasonable indication that the domestic industry would have been materially better off if the imports had been priced fairly. If so, there is a reasonable indication that the domestic industry is materially injured by reason of the allegedly dumped imports.

For the reasons discussed below, I determine that there is a reasonable indication that the domestic industry producing bicycles is materially injured by reason of allegedly LTFV imports of bicycles from China.

II. CONDITIONS OF COMPETITION

To understand how an industry is affected by unfair imports, we must examine the conditions of competition in the domestic market. The conditions of competition constitute the commercial environment in which the domestic industry competes with unfair imports, and thus form the foundation for a realistic assessment of the effects of the dumping. This environment includes demand conditions, substitutability among and between products from different sources, and supply conditions in the market.

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[5] U.S. Steel Group v. United States, 873 F.Supp. 673, 695 (Ct. Int'l Trade 1994), appeal docketed, No. 95-1245 (Fed. Cir. March 22, 1995).

[6] In examining the quantity sold, I take into account sales from both existing inventory and new production.

A. Demand Conditions

An analysis of demand conditions tells us what options are available to purchasers, and how they are likely to respond to changes in market conditions, for example an increase in the general level of prices in the market. Purchasers generally seek to avoid price increases, but their ability to do so varies with conditions in the market. The willingness of purchasers to pay a higher price will depend on the importance of the product to them (e.g., necessity or luxury), whether they have options that allow them to avoid the price increase, for example by switching to alternative products, or whether they can exercise buying power to negotiate a lower price. An analysis of these demand-side factors tells us whether demand for the product is elastic or inelastic, that is, whether purchasers will reduce the quantity of their purchases if the price of the product increases. For the reasons discussed below, I find that the elasticity of demand for bicycles is somewhat high.

Importance of the Product. The first factor that measures the willingness of purchasers to pay higher prices is the importance of the product to purchasers. This importance will depend on whether the product is considered a necessity" or a luxury" by the consumer. When the end use product is considered a necessity, changes in the price of the product are less likely to alter demand by the consumer. When the end use product is considered a luxury or non-essential good, changes in the price of the product are more likely to alter demand by the consumer.

Generally speaking, bicycles are considered to be more of a non-essential purchase, rather than a necessary product, such as food. Elasticity of demand for non-essential purchases are generally higher. In addition, there are some differences in the elasticity of demand across the two major bicycle market sectors, the mass merchandiser market sector and the independent bicycle distributor (IBD) market sector.[7] The mass merchandiser market is the largest U.S. market sector, accounting for 70 to 80 percent of apparent U.S. consumption by volume and about 50 percent by value.[8] Since this market sector sells mostly lower end bicycles to price conscious consumers,[9] consumer demand in this market sector appears to be sensitive to small changes in price.[10] In the smaller IBD market sector, demand appears to be somewhat less elastic. These retailers sell lower volume, higher quality, more costly bicycles with numerous frame and feature variations and focus primarily on the adult market.[11]

Alternative Products. A second important factor in determining whether purchasers would be willing to pay higher prices is the availability of viable alternative products. Often purchasers can avoid a price increase by switching to alternative products. If such an option exists, it can impose discipline on producer efforts to increase prices.

In this investigation the record is not clear on the availability of alternative products that provide the same or similar recreational and transportational benefits derived from bicycles. There is some evidence that alternative recreational activities such as in-line skating may be a substitute for bicycles.[12] However, the record is largely silent on the availability of alternative transportation

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[7] It is important to discuss buying preferences of the mass merchandisers and the IBDs, which act as intermediaries, as well as those of consumers, since in this industry the large mass merchandiser intermediaries appear to exercise some buying power. Under such circumstances, consumers can be thought of as setting limits on the overall demand conditions -- the intermediaries will not pay more than their customers are willing to pay -- while the buying power of intermediaries creates an additional price sensitivity. The buying power of intermediaries is discussed below.

[8] CR at I-43; PR at II-27.

[9] CR at I-8; PR at II-5.

[10] Demand for this consumer durable product also depends on the level of general household income. The higher the level of income, the more consumers tend to purchase bicycles.

[11] CR at I-48; PR at II-32. Despite some differences between bicycles sold in the two market sectors, there exist significant actual and potential overlap. See discussion of like product in Commission majority's views, which I join.

[12] CR at I-45; PR at II-31.

devices that can substitute for bicycles on a price basis. I intend to explore these issues further in any final investigation.

Buying Power. Another important demand factor is the apparent buying power exhibited by the largest mass merchandisers. There are five large mass merchandisers that purchase two-thirds of all bicycles sold in this market segment.[13] The evidence indicates that these buyers are able to influence the selling price of domestic like product producers and imports. For example, Wal-Mart, which has a buy American policy, is able to force domestic producers to sell at prices that are competitive with import prices.[14] Kmart and Sears have buy American preferences. The remaining two big mass merchandisers, Target and Toys "R" Us, purchase 65 percent of all imports for the mass merchandiser market sector and therefore have considerable buying power.[15]

I find that the non-necessity nature of the product and the availability of alternatives indicates an elastic demand for bicycles. The apparent buying power of the large mass merchandisers further increases the price sensitivity of demand. Thus, I find that the elasticity of demand for bicycles appears to be somewhat high. That is, retail purchasers and consumers will reduce significantly the amount of bicycles they buy in response to a general increase in the price of bicycles.

B. Substitutability

Simply put, substitutability measures the similarity or dissimilarity of products from the purchaser's perspective. Substitutability depends upon 1) the extent of product differentiation, measured by product attributes such as physical characteristics, suitability for intended use, rate of defects, convenience or difficulty of usage, quality, etc.; 2) differences in other non-price considerations such as reliability of delivery, technical support, and lead times; and 3) differences in terms and conditions of sale. Products are close substitutes and have high substitutability if product attributes, other non-price considerations and terms and conditions of sale are similar.

While price is nearly always important in purchasing decisions, non-price factors that differentiate products determine the value that purchasers receive for the price they pay. If products are close substitutes, their value to purchasers is similar, and thus purchasers will respond more readily to relative price changes. On the other hand, if products are not close substitutes, relative price changes are less important and are therefore less likely to induce purchasers to switch from one source to another.

Because demand for bicycles appears to be elastic, overall purchases will decline significantly if the overall prices of bicycles increase. However, purchasers can avoid price increases from one source by seeking other sources of bicycles. In addition to any changes in overall demand for bicycles, the demand for bicycles from different sources will decrease or increase depending on their relative prices and their substitutability. If bicycles from different sources are substitutable, purchasers are more likely to shift their demand when the price from one source (i.e. subject imports) increases. The magnitude of this shift in demand is determined by the degree of substitutability among the sources.

Purchasers have three potential sources of bicycles: domestically produced bicycles, subject imports, and nonsubject imports. Purchasers are more or less likely to switch from one source to another depending on the similarity, or substitutability, between and among them. I have evaluated the substitutability among bicycles from different sources as follows.

For purposes of this preliminary investigation, I have made the following determinations regarding substitutability. First, I find that subject imports of bicycles from China are good substitutes for most domestic bicycles. Second, I find that nonsubject imports are only somewhat good substitutes for domestic bicycles and for subject imports. Thus, the shift in demand away from subject imports would increase demand for domestic bicycles, and to a lesser extent nonsubject imports.

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[13] CR at I-48; PR at II-32.

[14] CR at I-78-88; PR II-43-46.

[15] CR at I-78-88; PR at II-43-46.

Subject imports and domestic bicycles intended for the mass merchandiser market generally conform to the same specifications, are used in similar applications and are sold through similar channels of distribution. U.S. and Chinese producers make all current basic bicycle types and wheel sizes and offer competitive models in the U.S. market.[16] Differences in styling, weight and other distinguishing characteristics only somewhat reduce substitutability between them. Substitutability appears to be particularly good in the mass merchandiser market sector. Approximately 72 percent of subject import volume is sold in the mass merchandiser market segment, while 94 percent of domestic production is sold in the same market.[17] Producer and importer questionnaires indicate that they believe the U.S. and Chinese products designated for the mass merchandiser market are comparable in terms of quality, though imports were credited by some as having higher quality graphics, paint jobs, and finished frames.[18] The record shows that even mass merchandisers that have a Buy American policy will choose domestic bicycles instead of subject imports only when domestic producers match prices of available imports.[19] Substitutability appears to be somewhat lower in the IBD market sector, where there is greater specialization and where U.S. producers compete on a limited basis. Approximately six percent of domestic production and 28 percent of subject imports by volume are sold in this market sector. There does appear to be some cross-over of demand between the mass merchandiser and IBD markets.[20] Based on this information, I find that on balance subject imports and domestic bicycles appear to be good substitutes.

Nonsubject imports appear to be only somewhat good substitutes for subject imports and domestic production. Most nonsubject imports are sold in the higher end IBD market sector,[21] while most subject imports and domestic bicycles are sold in the lower end mass merchandiser market sector. Consequently, I conclude that nonsubject imports appear to be only somewhat good substitutes for subject imports and domestic bicycles.

Therefore, based on the available information, I find that purchasers would shift their purchases to domestic bicycles and, to a lesser extent, nonsubject bicycles if the price of subject Chinese bicycles increases.

C. Supply Conditions

Supply conditions in the market are a third condition of competition. Supply conditions determine how producers would respond to an increase in demand for their product, and also affect whether producers are able to institute price increases and make them stick. Supply conditions include producers' capacity utilization, their ability to increase their capacity readily, the availability of inventories and products for export markets, production alternatives and the level of competition in the market. For the reasons discussed below, I find that the elasticity of supply of bicycles appears to be high.

Capacity Utilization and Capacity. Unused capacity can exercise discipline on prices, if there is a competitive market, as no individual producer could make a price increase stick. Any attempt at a price increase by any one producer would be beaten back by its competitors who have the available capacity and are willing to sell more at a lower price. The domestic industry increased its capacity by nearly 20 percent from 1992 to 1994.[22] In 1994, 32 percent of the domestic industry's capacity to

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[16] CR at I-6; PR at II-4.

[17] CR at Table 1 and I-40; PR at Table 1 and II-27. 70 to 80 percent of bicycles sold in the U.S. go through the mass merchandiser market sector, with the remainder being sold through the IBD market sector. CR at I-43; PR at II-27.

[18] CR at I-50-51; PR at II-34.

[19] CR at I-78-88; PR at II-43-46.

[20] A 1994 Toys "R" Us study showed that 33 percent of bicycle shoppers at its outlets also shopped at competitive retailers including IBDs. Tr. at 147. See also the discussion of like product in the Commission majority's views, which I join.

[21] CR at I-40; PR at II-27.

[22] CR at A-4, Table A-1; PR at A-4.

produce bicycles was not used and therefore was available to increase production. This available capacity exceeded the total quantity of subject imports in 1994.

Inventories and Exports. The domestic industry had significant inventories available at the end of 1994 and exported some bicycles which it could have shipped to the U.S. market.[23] Thus the domestic industry had available inventories and some exports that would allow it to fill the demand supplied by subject imports.

Level of Competition. The level of competition in the domestic market has a critical effect on producer responses to demand increases. A competitive market is one with a number of suppliers in which no one producer has the power to influence price significantly. The domestic bicycle industry is highly concentrated. Three large domestic producers account for 94 percent of production and sell exclusively to the mass merchandiser market sector.[24] Nonetheless, the domestic bicycles market is somewhat competitive. The large domestic producers have substantial unused capacity. One of the big three, ***, has increased its capacity *** percent during the POI. Testimony from ***, Toys "R" Us, indicates that Roadmaster has ben significantly undercutting the prices of its domestic and import competitors.[25] *** more than doubled *** value of sales from 1992 to 1994 while *** sales fell.[26]

Five smaller producers that ship exclusively to the IBD market sector supply most of the remaining six percent of domestic production not accounted for by the three major producers. In addition, nonsubject imports, which primarily supply the IBD market, have a significant presence in the U.S. market, accounting for 18.4 percent of consumption in 1994.[27] The record thus indicates that there is some competition, primarily in the domestic IBD market sector, among domestic producers and producers of nonsubject imports.

III. MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS OF BICYCLES FROM CHINA

The statute requires us to consider the volume of subject imports, their effect on domestic prices, and their impact on the domestic industry. I consider each requirement in turn.

A. Volume of Subject Imports[28]

Subject imports increased from 2.25 million units in 1992, to 3.58 million units in 1993 and 3.96 million units in 1994. The value of subject imports of bicycles was $108.3 million in 1992, $194.1 million in 1993, and $221.3 million in 1994.[29] By quantity, subject imports held a market share of 14.6 percent in 1992, 21.3 percent in 1993, and 23.8 percent in 1994. Their market share by value was 8.6 percent in 1992, 13.8 percent in 1993 and 15.9 percent in 1994.[30] While it is clear that the larger the volume of subject imports, the larger the effect they will have on the domestic industry, whether the volume is significant cannot be determined in a vacuum, but must be evaluated in the context of its price and volume effects. Based on the market share of subject imports in 1994

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[23] CR at A-4, Table A-1; PR at A-4.

[24] CR at I-11; PR at II-6.

[25] Tr. at 118.

[26] CR at Table 8; PR at Table 8.

[27] CR at A-3, Table A-1; PR at A-3.

[28] I have relied on combined import figures for China and Hong Kong. Undisputed record evidence indicates that there are no known bicycle producers in Hong Kong and that all of the bicycles shipped through Hong Kong are of Chinese origin. CR at I-39-40; PR at II-26-27. In any event, the volume of imports from Hong Kong is relatively small. Id.

[29] CR at A-3, Table A-1; PR at A-3.

[30] CR at A-3, Table A-1; PR at PR at A-3.

and the conditions of competition in the domestic bicycles market, I find that the volume of subject imports is significant in light of its price and volume effects.

B. Effect of Subject Imports on Domestic Prices

To determine the effect of subject imports on domestic prices I examine whether the domestic industry could have increased its prices if the subject imports had not been dumped. As discussed, both demand and supply conditions in the bicycles market are relevant. Examining demand conditions helps us understand whether purchasers would have been willing to pay higher prices for the domestic product, or buy less of it, if subject imports had been sold at fairly traded prices. Examining supply conditions helps us understand whether available capacity and competition among suppliers to the market would have imposed discipline and prevented price increases for the domestic product, even if subject imports had not been unfairly priced.

If the subject imports had not been dumped, their prices in the U.S. market would have increased. Thus, if subject imports had been fairly priced, they would have become more expensive relative to domestic bicycles and nonsubject imports. In such a case, if the bicycles are substitutable, purchasers would have shifted towards the relatively less expensive products.

In this investigation, the alleged dumping margins for subject imports from China are large, so that subject imports likely would have been priced significantly higher had they been fairly traded. It is likely that, at the higher, fairly traded prices, most of the subject imports from China would have been priced out of the market. Since subject imports and domestic bicycles are good substitutes, and nonsubject imports are only somewhat good substitutes for subject imports and domestic bicycles, most of the demand for subject imports would have shifted to domestic bicycles. Since subject imports held a significant market share of 23.8 percent by quantity in 1994, such a shift in demand to domestic bicycles would have been substantial. However, the elasticity of consumer demand and the buying power of mass merchandisers indicate that any price increases by domestic suppliers in response to this shift in demand would have been resisted.[31]

In addition to demand conditions, supply-side conditions would have prevented any attempt by the domestic industry to increase its prices significantly. There is sufficient competition among bicycle suppliers in the U.S. market and to a lesser extent from nonsubject imports. The major domestic producers compete among themselves as well as to a limited extent with nonsubject imports.[32] There is also significant excess production capacity, inventories, and some exports available for increasing shipments to the U.S. market. In these circumstances, any effort by a producer to raise its prices would have been beaten back by competitors. Price increases would not have stuck even without unfairly priced subject imports.[33]

Therefore, significant effects on domestic prices cannot be attributed to the unfair pricing of subject imports. Consequently, I find that subject imports are not having significant effects on prices for domestic bicycles.

C. Impact of Subject Imports on the Domestic Industry

To assess the impact of subject imports on the domestic industry, I consider output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors.[34]

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[31] I note that the ability of *** to successfully demand that domestic producers match import prices provides evidence of price suppression. See discussion above and CR at I-78-88; PR at II-43-46.

[32] Seven U.S. producers, Huffy, Murray, Roadmaster, Cannondale, GT, Raleigh, and Trek represent nearly 100 percent of domestic production.

[33] I note that there is a possibility of small price increases in the more highly differentiated IBD market sector. I intend to explore this more closely in any final investigation.

[34] 19 U.S.C. § 1677(7)(C)(iii).

These factors together either encompass or reflect the volume and price effects of the dumped imports, and so I gauge the impact of the dumping through those effects.

As discussed above, the domestic industry would not have been able to increase its prices significantly if subject imports had been sold at fairly traded prices.[35] Therefore, any impact of dumped imports on the domestic industry would have been on the domestic industry's output and sales.

In 1994, the market share of subject imports of bicycles was 23.8 percent by quantity, a significant volume. At the same time, the market share of nonsubject imports was 18.4 percent, and the domestic industry's market share was 57.8 percent.

As discussed above, had subject imports not been dumped, the demand for subject imports from China would have declined and demand for the domestic product would have increased. Domestic producers could easily have increased their production and sales to satisfy the increased demand. For the reasons discussed above, the domestic industry likely would have captured most of the sales lost by subject imports. As a result, the domestic industry's output and sales, and therefore its revenues, would have increased significantly. I therefore find that, had subject imports not been dumped, the impact on the domestic industry's output and sales would have been significant.

Had subject imports not been dumped, the domestic industry would have been able to increase its output and sales, and therefore its revenues, significantly. Consequently the domestic industry would have been materially better off if the subject imports had been fairly traded. Therefore, I find that there is a reasonable indication that the domestic industry producing bicycles is materially injured by reason of allegedly LTFV imports of bicycles from China.

IV. CONCLUSION

On the basis of the foregoing analysis, I determine that there is a reasonable indication that the domestic industry producing bicycles is materially injured by reason of allegedly LTFV imports of bicycles from China.

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[35] As discussed above, the alleged dumping margins for subject imports from China are large, so that subject imports likely would have been priced significantly higher had they been fairly traded. It is likely that, at the higher, fairly traded prices, most of the subject imports from China would have been priced out of the market.

PART II

INFORMATION OBTAINED IN THE INVESTIGATION

INTRODUCTION

This investigation results from an antidumping petition filed by Huffy Bicycle Co., Dayton, OH; Murray Ohio Manufacturing Co., Brentwood, TN; and Roadmaster Corp., Olney, IL, on April 5, 1995, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of bicycles from China.[1] Information relating to the background of the investigation is provided below.[2]

Date	*Action*
April 5, 1995	Petition filed with Commerce and the Commission;[3] institution of Commission investigation (60 FR 18611, April 12, 1995)
April 26	Commission's conference[4]
May 1	Commerce's notice of initiation (60 FR 21065)
May 19	Commission's vote
May 22	Commission's determination transmitted to Commerce

The Commission has conducted several previous investigations on bicycles. In 1955, pursuant to an investigation under section 7 of the Trade Agreements Extension Act of 1951 (a now superceded escape-clause provision), the Commission determined that bicycles were being imported in such increased quantities as to seriously injure the domestic industry. As a result, the President partially suspended a 1947 tariff concession on items that caused the injury, thereby raising the tariff level. The suspension remained in effect until 1968. Antidumping investigations were conducted in 1964 (Hungary), 1971 (West Germany), and 1982-83 (Korea and Taiwan). All resulted in negative determinations by the Commission.[5]

THE PRODUCT AND THE U.S. MARKET

The product within this investigation's scope is bicycles of all types,[6] whether assembled or unassembled, complete or incomplete, finished or unfinished. (An unfinished bicycle is wholly or partially unpainted or lacking decals or other essentially aesthetic material. An incomplete bicycle, according to this investigation's scope, is a frame and fork set imported in the same shipment with any two of the following components: the rear wheel, the front wheel, the rear derailleur, a front derailleur, any one caliper or cantilever brake, an integrated brake lever and shifter or separate brake lever and click stick lever, crankset, handlebars with or without a stem, chain, pedals, and seat (saddle) with or without a seatpost and pin.) The scope of this investigation is not intended to

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[1] A summary of the data collected in the investigation is presented in app. A.

[2] *Federal Register* notices cited in the tabulation are presented in app. B.

[3] The petition alleged LTFV margins ranging from 38.56 percent to 103.61 percent on six models of Chinese-produced bicycles. The alleged average margin is 74.95 percent.

[4] A list of witnesses appearing at the conference is presented in app. C.

[5] The Commission's views and corresponding staff reports for its investigations on Korea and Taiwan are contained in *Bicycles from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-110 and 111 (Preliminary)*, USITC publication 1311, November 1982; and in *Bicycles from Taiwan, Inv. No. 731-TA-111 (Final)*, USITC publication 1417, August 1983.

[6] A bicycle is generally defined as any two-wheeled (in line) vehicle designed to be propelled solely by the rider(s).

include bicycle parts except to the extent that they are attached to or in the same shipment as an unassembled or incomplete bicycle, as defined.

Bicycles are first and most generally classified by wheel size (diameter), basic type, and number of speeds. Wheel sizes commonly range from 12 inches to about 28 inches. The most widely used are 12 inches, 16 inches, 20 inches, 24 inches, 26 inches, 27 inches, and 27.56 inches (70 cm, commonly referred to as 700C bikes), depending on the type of bicycle. The most common types today include: (1) Sidewalk bicycles, or children's bikes, lacking safety features necessary for street use, with wheel sizes generally of 12 or 16 inches; (2) Motocross (BMX) or Hi-Rise bicycles, also a juvenile bike but made for the street and generally with a wheel size of 16, 18, or 20 inches; (3) Mountain (MTB) or All-Terrain (ATB) bicycles, a mostly recreational bike designed for use on multiple surfaces, with wheel sizes generally of 24 or 26 inches; (4) Lightweight Road bicycles, a highway and/or racing bike with a wheel size generally of 26, 27, or 27.56 inches; (5) Hybrid or Cross bikes, combining the features of Mountain and Lightweight Road bikes with wheel sizes of 26, 27, and 27.56 inches; (6) Middleweights/Cruisers, a recreational bike designed more for appearance than for performance, with wheel size usually of 26 inches; and (7) all others, which include tandem bicycles, industrial bicycles, recumbent bicycles, folding bicycles, custom-made bicycles, and other specialty types that constitute a relatively small portion of current consumption. The speeds available for bicycles, depending on the type, range from 1 to more than 20.

While bicycle wheel sizes have remained relatively consistent in recent periods, the basic types, relative mix of types, and number of speeds available have changed markedly. From 1991 to 1994, for example, Lightweight Road bicycles fell from an estimated 8 percent of the U.S. market to less than 1 percent.[7] (In the early 1980s they constituted the bulk of U.S. consumption). In the same period, Mountain bikes and Cruisers rose from an estimated 44 percent to 52 percent.[8] Hybrid or Cross bikes are a relatively recent phenomenon, designed to have the recreational versatility of the Mountain/All-Terrain bike and the roadability of the Lightweight. The number of speeds available has tended to increase in recent years.

Within the basic characteristics of wheel size, type, and number of speeds there is a wide range of makes and models available, distinguished by brand name, styling characteristics, component makeup, fabrication techniques, weights, and price--all of which are highly important from a competitive point of view in the U.S. market. Certain types of components, which themselves vary greatly in composition and design, are as important to the marketability of the bicycle as the bicycle itself, and certain makes or models of bicycle components, such as those produced by Shimano of Japan, are shared by a large number of bicycle producers worldwide. No two manufacturers produce completely identical bicycles, and they further differ in terms of the range of product they individually offer. Collectively, however, U.S. and Chinese producers make all current basic bicycle types and wheel sizes and offer competitive models in the U.S. market.[9]

Notwithstanding the many varieties available, most bicycles sold in the U.S. market tend to be produced--in the United States as in China--with similar equipment by employees with similar skills. (This is not true of bicycle component manufacturers, which supply parts to the bicycle producers and require more specialized skills and equipment). Production procedures, tooling requirements, the age and quality of equipment, and skill level of employees vary somewhat depending on the producer and the specific bicycle produced; but, overall, bicycle production is not rigidly specific to type or design. Basically, the production of bicycles involves: (1) the fabrication or sourcing of components (including frame, fork and fork bearings, handlebar, handlebar stem, seat

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[7] *The 1994 Bicycle Market in Review*, Georgetown Economic Services.

[8] Ibid.

[9] The exception is the specialty types (tandems, recumbents, industrial, etc.), which have not been imported from China.

post, wheels (including hub, rim, spokes, and nipples), crank set (including pedal crank and pedals), brakes, derailleurs (for multi-speed bikes), seat (saddle), tires, sprockets, chain, chainguard, and other parts); (2) the finishing of components, including such operations as sandblasting, machining, welding, plating, painting, and/or decal application; and (3) the assembly of components. The fabrication and sourcing of a bicycle's components is critical to its relative standing in the market place--its quality (and price) tends to coincide with the quality (and cost) of its individual components. The current cost of a bicycle frame, for example, can range from $5 and up for carbon steel, $30 and up for chrome-molybdenum (chromoly), $100 and up for aluminum, and $200 and up for titanium or carbon fiber. Several components are no longer produced in commercial quantities in the United States and must be imported. Except for some children's bikes, these include derailleurs, multiple free-wheel sprockets, brake assemblies, tires and tubes, sprocket clusters, chains, and rear hubs. Other components may also be imported, depending on the specific bike and manufacturer. To facilitate shipping and packing, both U.S. and Chinese producers ship bicycles in some form of unassembled or "knocked-down" condition--it is the dealers, i.e., those that sell to the final consumer, that are for the most part responsible for final assembly and adjustments. (An exception is Sidewalk bicycles, which usually are finally assembled by the consumer).

In general, there are two types of dealers in the U.S. market, coinciding with the two channels of distribution for the products: mass merchandisers, such as Wal-Mart, Toys "R" Us, Target Stores, Sears, and K-Mart, which offer juvenile bikes and the generally lower-priced varieties of other bikes (meaning for the most part lower-cost components such as steel frames and less sophisticated features); and independent bicycle dealers (IBDs), which focus on the adult market and offer the generally higher-priced makes and models. For at least two types of mass merchandisers, however, this general distinction in product is not as pronounced: sporting goods chains and discount warehouse clubs offer an assortment of bikes that are otherwise distributed through one or the other channels of distribution. Estimates of the IBDs' share of the domestic market range from 20 to 30 percent of quantity and about 50 percent of value. In addition to offering generally more sophisticated and expensive bikes than the mass merchants, the IBDs offer considerably more service--including custom fitting the consumer to the bicycle (most models sold to the IBDs, for example, come in progressive frame sizes and may be readily equipped with different saddles), maintenance and repair, technical expertise, generally more experienced and knowledgeable personnel, and a full line of accessories. Despite the difference in average bicycle price between mass merchants and IBDs, there are a number of models selling for around $200 with roughly the same specifications that are distributed through both channels, though typically not of the same brand. In any case prices, particularly in the current market, can vary and should not be conclusive as to the nature of the bicycle. To varying degrees both U.S. and Chinese producers supply both markets--the U.S. producers directly and the Chinese producers indirectly through independent importers in the United States. Exceptions to these channels of distribution include custom-made and industrial bikes, which are made to order and sold directly to the consumer.

Respondents have argued to distinguish bicycles sold to mass merchants from those sold to IBDs, maintaining that the two channels do not compete for sales. To be sure, they are distinct channels of distribution and present vastly different marketing considerations for producers. The bulk of the mass merchant market consists of a relatively few retailers with nationwide outlets and sales; the IBD market consists of over 6,000 establishments with relatively local clientele. Clearly, the mass merchants offer greater sales volume and have been almost the exclusive focus of the largest U.S. producers (i.e., the petitioners). (The petitioners report that they have attempted to sell to IBDs from time to time, and in fact Murray has sold small quantities to this channel in recent years, but such efforts have not been successful).[10] As discussed previously, however, there is no

[10] Conference transcript (Transcript), pp. 66 and 88.

clear dividing line with respect to the product sold in these segments, particularly in light of the wide assortments sold by sporting goods chains and discount warehouses, and production facilities are generally capable of meeting a broad range of specifications. Production facilities are relatively flexible, and in any case many important components are purchased from common sources throughout the industry. While the serious bike enthusiast is not likely to satisfy his needs at K-Mart, and parents looking for their child's first bicycle are not likely to find it in a bike shop, there is probably enough uncertainty about these channels' products to cause some consumers, particularly first-time buyers, to visit both types of dealers (especially if they are both in proximate locations to the buyer and carry juvenile bikes), and, depending on the consumer's disposable income and other inclinations, enough of a product overlap to cause some uncertainty in his ultimate purchasing decision. (Toys "R" Us conducted a study in 1994 that showed that 33 percent of the people that shopped for bikes at its outlets also shopped at competitive retailers including IBDs).[11]

For tariff purposes the bicycles defined by this investigation's scope are classifiable in the *Harmonized Tariff Schedule of the United States* (HTS) under all subheadings for complete bicycles, which include 8712.00.15 (bicycles with both wheels not exceeding 63.5 cm (approximately 25 inches) in diameter, with a general duty rate of 11 percent ad valorem--applicable to most Sidewalk, BMX, and some MTB/ATB bikes); 8712.00.25 (bicycles with both wheels exceeding 63.5 cm, weighing less than 16.3 kg, and designed for tires not exceeding 4.13 cm in cross-sectional diameter, with a general duty rate of 5.5 percent ad valorem--applicable to most Lightweight Road bikes); 8712.00.35 (bicycles with both wheels exceeding 63.5 cm but weighing 16.3 kg or more and made for tire diameters of 4.13 cm or more, with a general duty rate of 11 percent ad valorem--applicable to most MTBs/ATBs, Cross bikes, and Cruisers); and 8712.00.44 and 8712.00.48 (bicycles with different-sized front and rear tires--applicable to only a very small number of bicycles currently entering the United States). The general rate for these subheadings is applicable to China. Incomplete bicycles may also be classified for tariff purposes under HTS subheadings 8714.91.20-8714.99.80, covering various bicycle parts.

U.S. PRODUCERS AND IMPORTERS

The petitioners account for the overwhelming bulk of production in the United States (table 1). In 1994 their combined operations accounted for about 94 percent of all bicycles produced domestically. All three sell a relatively complete line of bicycle wheel sizes and types, but almost exclusively to mass merchants. Five other producers account for most of the remaining production and sell exclusively to IBDs, as shown in table 1.

In addition to the producers listed in table 1, there are many known producers of custom-made bicycles, located mainly on the west coast, at least two producers of recumbent bicycles, and at least one producer of industrial bikes. Although their share of overall U.S. production is exceedingly small, they do serve niche markets that are not otherwise served by either U.S. or Chinese sources.

There are a large number of importers of Chinese bicycles, located mainly on the east and west coasts, serving both the mass merchant and IBD markets. Like the U.S. producers, they tend to serve primarily one or the other; however, there are many that serve both. Most are independent trading companies that add no value to the imported product--for the most part they ship packaged sets of semi-knocked-down or completely unassembled bicycles to retailers in exactly the same condition as they receive them. At least two producers--GT (Riteway) and Raleigh--are also

[11] Transcript, p. 147.

Table 1
Bicycles: U.S. producers, plant locations, and respective shares of domestic production (by quantity), 1994

Firm and plant location	Component fabrication/ finishing	Types produced	Share (*percent*) of domestic shipments to mass merchants/IBDs	Share (*percent*) of domestic production
Huffy Celina, OH Farmington, MO	Yes/yes	All major types	***	***
Murray Lawrenceburg, TN	Yes/yes	All major types except Cross	***	***
Roadmaster Olney, IL Effingham, IL Delavan, WI Opelika, AL	Yes/yes	Sidewalk, BMX, MTB/ATB	***	***
Cannondale[1] Georgetown, CT	Yes/yes	MTB/ATB, Cross, Lightweight Road	***	***
GT Bicycles[2] Santa Ana, CA	Yes/yes	BMX, MTB/ATB, Lightweight Road	***	***
Klein Bicycle[3] Chehalis, WA	Yes/yes	MTB/ATB, Cross, Lightweight Road	***	***
Raleigh USA[1] (Derby Cycle) Kent, WA	Yes/yes	MTB/ATB, Cross, Lightweight Road	***	***
Trek Bicycle[1] Waterloo, WI	Yes/yes	MTB/ATB, Cross, Lightweight Road	***	***
All others				*** 100

[1] ***.
[2] ***.
[3] ***.

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

importers of Chinese bicycles;[12] and a few mass merchandisers, including Target Stores and Lash Tamaron Distributors (a division of Toys "R" Us, Inc.), import at least part of their product line directly from China. Some of the largest importers and their respective shares of imports from China in 1994 are shown in table 2.

CONSIDERATION OF THE ALLEGED MATERIAL INJURY

The data in this section represent the operations of ***, or about *** percent of U.S. production during the period for which the data were collected (1992-94). ***. Data relating to mass merchant and IBD producers are shown separately.

U.S. Production, Capacity, Capacity Utilization, Shipments, Inventories, and Employment

Data for all producers combined are shown in table 3. For the most part the data reveal upturns from 1992 to 1993 combined with slightly more moderate downturns from 1993 to 1994 to show irregular increases overall from 1992 to 1994. A notable exception is capacity, which increased steadily throughout the period. Anticipating a growing market following the general recession of the early 1990s, both Huffy and Roadmaster added substantial capacity. Huffy opened a second and more efficient manufacturing facility in Farmington, MO, and Roadmaster acquired an additional facility in Effingham, IL. Production did not keep pace with capacity, however, resulting in a drop in capacity utilization in 1994 to a level below that in 1992. The total value of U.S. producers' shipments also increased throughout the period, but not as steeply as capacity. Exports, too, increased somewhat in 1992-94, but they remained at less than 3 percent of total shipments. As for other variables, productivity and the average hourly compensation paid to production and related workers declined.

Data for U.S. mass merchant producers and IBD producers are shown separately in tables 4 and 5, respectively. Because of the overwhelming dominance of the mass merchant producers, the data in table 4 are similar to the aggregate. The data for the IBD producers differ markedly, showing general increases throughout the period except for inventories and the average hourly compensation paid to production and related workers--which fell somewhat in 1994. Note also that exports play a much larger role in IBD producers' operations. Figures 1 and 2 summarize U.S. bicycle capacity, production, and capacity utilization, and U.S. domestic shipments and unit values of bicycles shipped to the mass merchant and IBD channels.

[12] In 1994 GT imported about *** bicycles from China, or about *** percent of total imports from China. In the same year, it produced *** bicycles in the United States. Chinese bicycles accounted for *** percent of its total U.S. shipments. Raleigh imported about *** bicycles from China in 1994, or about *** percent of total imports from that country. In the same year, it produced about *** bicycles domestically. Chinese bicycles accounted for *** percent of its total U.S. shipments.

Table 2
Bicycles from China: U.S. importers accounting for *** percent or more of imports (by quantity), 1994

Firm	Types imported	Share (*percent*) of domestic shipments to mass merchants/IBDs	Share (*percent*) of U.S. imports
Dynacraft Industries, Inc. Ashland, MA	Sidewalk, BMX, MTB/ATB	***	***
Kent International Parsippany, NJ	Sidewalk, BMX, MTB/ATB	***	***
Pinnacle Somerset Corp. Jersey City, NJ	Sidewalk, BMX, MTB/ATB	***	***
Rand International Farmingdale, NY	Sidewalk, BMX, MTB/ATB	***	***
Schwinn Cycling & Fitness, Inc. Boulder, CO	All major types	***	***
Target Stores Minneapolis, MN	Sidewalk, BMX, MTB/ATB	***	***
Western States Import Co., Ltd. Camarillo, CA	Sidewalk, BMX, MTB/ATB, Cross	***	***
All others from which the Commission received data (***)[1]	All major types except Lightweight Road	***	***
			***

[1] ***.

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

Table 3
Bicycles:[1] U.S. production, average practical capacity, capacity utilization, domestic shipments, exports, end-of-period inventories, average number of U.S. production and related workers, and hours worked by and compensation paid to such workers, 1992-94[2]

Item	1992	1993	1994
Production (*1,000 units*)	9,245	10,466	9,525
Capacity[3] (*1,000 units*)	11,707	12,957	13,969
Ratio of production to capacity (*percent*)	79.0	80.6	68.2
Domestic shipments:			
Quantity (*1,000 units*)	9,079	9,712	9,606
Value[4] (*1,000 dollars*)	722,074	784,611	787,586
Unit value (*per unit*)	$79.53	$80.79	$81.99
Exports:			
Quantity (*1,000 units*)	***	***	***
Value[4] (*1,000 dollars*)	***	***	***
Total shipments:			
Quantity (*1,000 units*)	***	***	***
Value[4] (*1,000 dollars*)	***	***	***
Inventories (*1,000 units*)	514	1,002	704
Ratio of inventories to total shipments during the period (*percent*)	***	***	***
Average number of production and related workers	4,795	5,602	5,479
Hours worked by production and related workers (*1,000 hours*)	9,732	11,431	11,002
Units produced per 1,000 hours worked	948.9	912.9	864.9
Total compensation paid to production and related workers (*1,000 dollars*)	142,639	161,581	149,912
Hourly compensation paid to production and related workers	$14.66	$14.14	$13.63

[1] Excluding industrial, recumbent, and custom-made bicycles.
[2] The data do not include ***.
[3] Producers estimated capacity on the basis of operating facilities 40 to 120 hours per week, 42-52 weeks per year.
[4] Net sales value, i.e., gross value less all discounts, allowances, rebates, and the value of returned goods.

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

Table 4
Bicycles shipped to mass merchants: U.S. production, average practical capacity, capacity utilization, domestic shipments, exports, end-of-period inventories, average number of U.S. production and related workers, and hours worked by and compensation paid to such workers, 1992-94

Item	1992	1993	1994
Production (*1,000 units*)	8,886	10,073	9,087
Capacity[1] (*1,000 units*)	11,200	12,430	13,402
Ratio of production to capacity (*percent*)	79.3	81.0	67.8
Domestic shipments:			
Quantity (*1,000 units*)	8,826	9,476	9,268
Value[2] (*1,000 dollars*)	635,511	695,237	671,369
Unit value (*per unit*)	$72.00	$73.37	$72.44
Exports:			
Quantity (*1,000 units*)	***	***	***
Value[2] (*1,000 dollars*)	***	***	***
Total shipments:			
Quantity (*1,000 units*)	***	***	***
Value[2] (*1,000 dollars*)	***	***	***
Inventories (*1,000 units*)	441	912	620
Ratio of inventories to total shipments during the period (*percent*)	***	***	***
Average number of production and related workers	4,125	4,934	4,689
Hours worked by production and related workers (*1,000 hours*)	8,319	10,082	9,347
Units produced per 1,000 hours worked	1,068.2	999.1	972.2
Total compensation paid to production and related workers (*1,000 dollars*)	125,494	145,131	130,856
Hourly compensation paid to production and related workers	$15.09	$14.40	$14.00

[1] Producers estimated capacity on the basis of operating facilities 40 to 120 hours per week, 48 weeks per year.
[2] Net sales value, i.e., gross value less all discounts, allowances, rebates, and the value of returned goods.

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

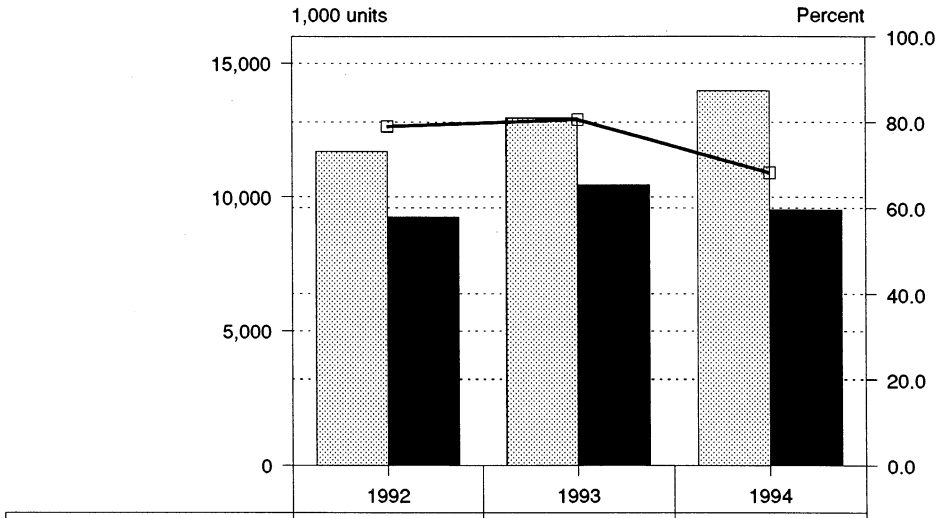
Table 5
Bicycles shipped to IBDs: U.S. production, average practical capacity, capacity utilization, domestic shipments, exports, end-of-period inventories, average number of U.S. production and related workers, and hours worked by and compensation paid to such workers, 1992-94[1]

Item	1992	1993	1994
Production (*1,000 units*)	359	373	437
Capacity[2] (*1,000 units*)	507	527	567
Ratio of production to capacity (*percent*)	70.8	70.8	77.1
Domestic shipments:			
Quantity (*1,000 units*)	253	237	338
Value[3] (*1,000 dollars*)	86,563	89,374	116,217
Unit value (*per unit*)	$341.79	$377.75	$343.64
Exports:			
Quantity (*1,000 units*)	81	104	127
Value[3] (*1,000 dollars*)	34,337	40,723	44,261
Total shipments:			
Quantity (*1,000 units*)	334	341	465
Value[3] (*1,000 dollars*)	120,900	130,097	160,478
Inventories (*1,000 units*)	73	90	83
Ratio of inventories to total shipments during the period (*percent*)	21.9	26.5	17.9
Average number of production and related workers	670	668	790
Hours worked by production and related workers (*1,000 hours*)	1,413	1,349	1,655
Units produced per 1,000 hours worked	246.7	268.9	258.7
Total compensation paid to production and related workers (*1,000 dollars*)	17,145	16,450	19,056
Hourly compensation paid to production and related workers	$12.13	$12.19	$11.51

[1] The data do not include ***.
[2] Producers estimated capacity on the basis of operating facilities 40 to 120 hours per week, 42-52 weeks per year.
[3] Net sales value, i.e., gross value less all discounts, allowances, rebates, and the value of returned goods.

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

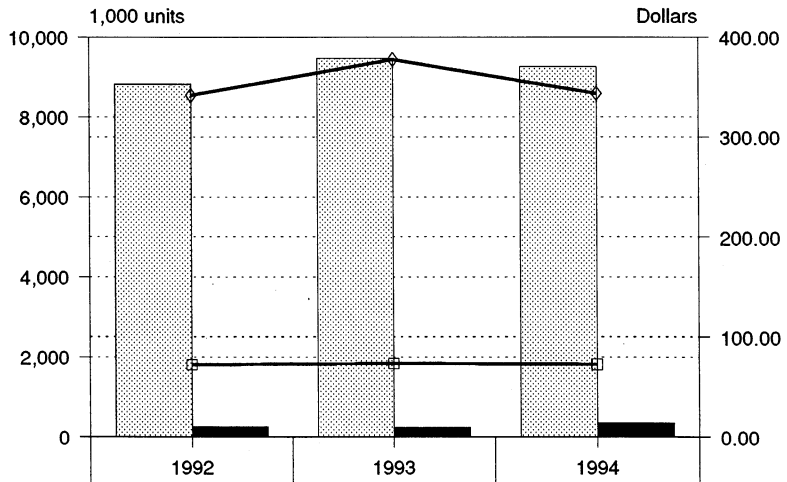
Figure 1
Bicycles: U.S. capacity, production, and capacity utilization, 1992-94



	1992	1993	1994
Capacity	11,707	12,957	13,969
Production	9,245	10,466	9,525
Cap. utilization (%)	79.0	80.6	68.2

Source: Table 3.

Figure 2
U.S. domestic shipments and unit values of bicycles shipped to the mass merchant (MM) and IBD channels, 1992-94



	1992	1993	1994
MM shipments	8,826	9,476	9,268
MM unit value	72.00	73.37	72.44
IBD shipments	253	237	338
IBD unit value	341.79	377.75	343.64

Source: Tables 4 and 5.

Financial Experience of U.S. Producers

All three producers that sell to the mass merchandise market--Huffy, Murray, and Roadmaster--and three producers that sell to the IBD market--***--supplied profit-and-loss data on their bicycle operations. These producers accounted for 100 percent of 1994 U.S. production of bicycles for the mass merchandise market, approximately *** percent of bicycles for the IBD market, and approximately *** percent of all bicycles for all markets. ***'s fiscal year ends September 30 and Murray's ends April 30; for the four others it ends December 31.

A summary of the producers, the locations of their establishments, other products produced at the establishments, and the share of establishment revenues accounted for by bicycles is as follows:

* * * * * * *

In addition to presenting profit-and-loss data on the producers' overall establishment operations, this section presents profit-and-loss data on the producers' (1) operations on bicycles sold to mass merchandisers, (2) operations on bicycles sold to IBDs, and (3) operations on bicycles sold to all markets.

Overall Establishment Operations

Profit-and-loss data on the producers' overall establishment operations are shown in table 6. *** producers experienced increased net sales from 1992 to 1993, resulting in an aggregate increase of over 10 percent. These increased sales in turn resulted in increased profitability at all levels. Aggregate net sales increased another 10 percent in 1994. Although most producers again reported individual sales increases, ***. However, the increased sales did not translate into increased profits. Instead, operating profits were off by about one-third and net profits by about two-thirds. ***. In 1994, sales of U.S.-produced bicycles accounted for 47 percent of overall establishment net sales.

Operations on Bicycles Sold to Mass Merchandisers

Profit-and-loss data on the producers' sales of bicycles to mass merchandisers are shown in table 7 and figure 3. Primarily because of an increase in sales quantities, net sales value increased 10 percent from 1992 to 1993. Small increases in unit sales values were negated by small increases in unit cost of goods sold. This resulted in virtually unchanged operating income margins (although the absolute level of operating profits did increase).

Industry results were all down in 1994. Although net sales value was down by less than 4 percent, gross profits were off by one-third, operating profits were down 80 percent, and the previous year's net income became a net loss. The main cause for the downturn was the combination of a small decrease in unit sales value and a moderate increase in unit cost of goods sold. The combined result was a $3.62-per-bike decrease in the gross profit margin. As a result, the absolute level of operating profits was substantially pared down and could not cover ***.

Selected financial data for the three producers are shown in table 8. ***.

* * * * * * *

Table 6
Income-and-loss experience of U.S. producers on the overall operations of their establishments wherein bicycles are produced, fiscal years 1992-94[1]

Item	1992	1993	1994
	Value (*1,000 dollars*)		
Net sales	1,417,214	1,568,949	1,734,877
Cost of goods sold	1,195,811	1,331,046	1,517,953
Gross profit	221,403	237,903	216,924
SG&A expenses	122,653	130,547	146,748
Operating income	98,750	107,356	70,176
Interest expense	13,005	16,117	30,381
Other expense items	12,028	14,100	13,141
Other income items	1,173	1,203	1,524
Net income before income taxes	74,890	78,342	28,178
Depreciation and amortization	20,590	24,633	29,900
Cash flow[2]	95,480	102,975	58,078
	Ratio to net sales (*percent*)		
Cost of goods sold	84.4	84.8	87.5
Gross profit	15.6	15.2	12.5
SG&A expenses	8.7	8.3	8.5
Operating income	7.0	6.8	4.0
Net income before income taxes	5.3	5.0	1.6
	Number of firms reporting		
Operating losses	***	***	***
Net losses	***	***	***
Data	6	6	6

[1] The producers are ***.
[2] 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.

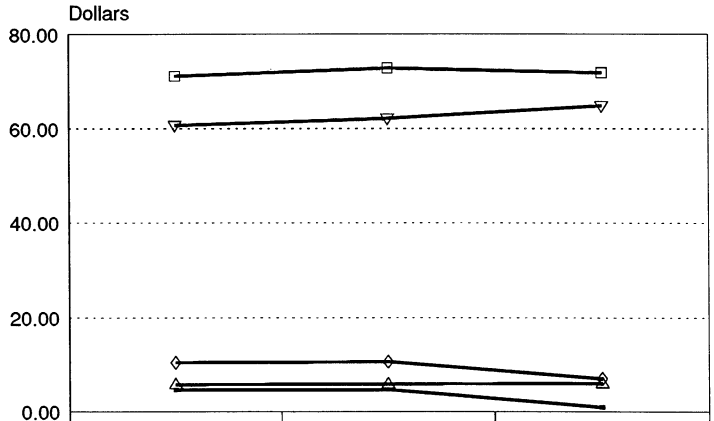
Table 7
Income-and-loss experience of U.S. producers on their operations producing bicycles for mass merchandisers, fiscal years 1992-94[1]

Item	1992	1993	1994
	Quantity (*1,000 units*)		
Trade sales	8,853	9,517	9,290
	Value (*1,000 dollars*)		
Net sales	629,518	692,527	667,066
Cost of goods sold	537,300	591,691	602,195
Gross profit	92,218	100,836	64,871
SG&A expenses	51,197	56,088	56,040
Operating income	41,021	44,748	8,831
Interest expense	3,621	5,373	13,520
Other expense items	1,196	3,089	966
Other income items	710	295	640
Net income or (loss) before income taxes	36,914	36,581	(5,015)
Depreciation and amortization	11,157	13,060	15,482
Cash flow[2]	48,071	49,641	10,467
	Ratio to net sales (*percent*)		
Cost of goods sold	85.4	85.4	90.3
Gross profit	14.6	14.6	9.7
SG&A expenses	8.1	8.1	8.4
Operating income	6.5	6.5	1.3
	Value (*per unit*)		
Net sales	$71.11	$72.77	$71.80
Cost of goods sold	60.69	62.17	64.82
Gross profit	10.42	10.60	6.98
SG&A expenses	5.78	5.89	6.03
Operating income	4.63	4.70	0.95
	Number of firms reporting		
Operating losses	***	***	***
Net losses	***	***	***
Data	3	3	3

[1] The producers are Huffy, Murray, and Roadmaster. Murray sold a small number of bicycles in the IBD market during 1992-94, but for purposes of this analysis all of its sales are treated as sales to mass merchandisers.
[2] 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.

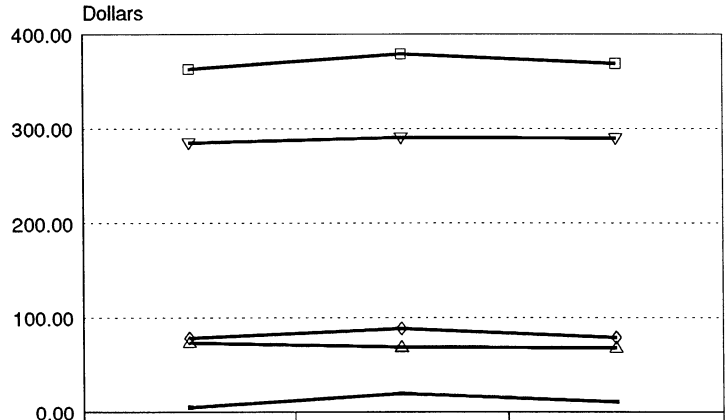
Figure 3
Income-and-loss experience of U.S. producers on their operations producing bicycles for mass merchandisers, on a per-unit basis, fiscal years 1992-94



	1992	1993	1994
Net sales	71.11	72.77	71.80
Cost of goods sold	60.69	62.17	64.82
Gross profit	10.42	10.60	6.98
SG&A expenses	5.78	5.89	6.03
Operating income	4.63	4.70	0.95

Source: Table 7.

Figure 4
Income-and-loss experience of U.S. producers on their operations producing bicycles for independent dealers, on a per-unit basis, fiscal years 1992-94



	1992	1993	1994
Net sales	363.00	379.03	368.72
Cost of goods sold	284.76	290.49	289.77
Gross profit	78.24	88.55	78.96
SG&A expenses	73.19	68.94	68.05
Operating income	5.05	19.60	10.91

Source: Table 9.

Table 8
Income-and-loss experience of U.S. producers on their operations producing bicycles for mass merchandisers, by firms, fiscal years 1992-94

* * * * * * *

Operations on Bicycles Sold to IBDs

Profit-and-loss data on the producers' sales of bicycles to IBDs are shown in table 9 and figure 4. Net sales increased moderately from 1992 to 1993, mostly because of the $16 increase in unit sales value. Since increases in unit cost of goods sold were almost fully negated by decreases in unit selling, general, and administrative (SG&A) expenses, nearly all of the increase in unit sales value flowed through to the operating income margin, which nearly quadrupled.

In 1994, despite a 20-percent increase in net sales, the producers' operating income declined. This occurred because the unit sales value decreased by $10 per bicycle while unit costs remained constant. Therefore, while the substantial increase in sales quantities caused the absolute value of net sales to increase markedly, it could not prevent the operating margin from falling to about one-half the previous year's figure.

When compared with the data in table 7, the differences between the products become notable. Bicycles sold to IBDs have unit sales values and unit cost of goods sold five times as high as the respective figures for bicycles sold to mass merchandisers. Although unit gross profits are considerably higher for bicycles sold to IBDs ($80 to $90 per bicycle as opposed to about $10), most of the higher profit margin is eroded by higher unit SG&A costs ($70 per bicycle vs. $6).

Selected financial data for the three producers are shown in table 10. ***.

Table 9
Income-and-loss experience of U.S. producers on their operations producing bicycles for independent dealers, fiscal years 1992-94[1]

Item	1992	1993	1994
	Quantity (*1,000 units*)		
Net sales	320	328	409
	Value (*1,000 dollars*)		
Net sales	116,161	124,323	150,808
Cost of goods sold	91,124	95,280	118,514
Gross profit	25,037	29,043	32,294
SG&A expenses	23,421	22,613	27,831
Operating income	1,616	6,430	4,463
Interest expense	3,306	3,590	1,200
Other expense items	7,121	6,765	6,852
Other income items	179	498	405
Net (loss) before income taxes	(8,632)	(3,427)	(3,184)
Depreciation and amortization	2,507	3,299	3,952
Cash flow[2]	(6,125)	(128)	768
	Ratio to net sales (*percent*)		
Cost of goods sold	78.4	76.6	78.6
Gross profit	21.6	23.4	21.4
SG&A expenses	20.2	18.2	18.5
Operating income	1.4	5.2	3.0
	Value (*per unit*)		
Net sales	$363.00	$379.03	$368.72
Cost of goods sold	284.76	290.49	289.77
Gross profit	78.24	88.55	78.96
SG&A expenses	73.19	68.94	68.05
Operating income	5.05	19.60	10.91
	Number of firms reporting		
Operating losses	***	***	***
Net losses	***	***	***
Data	3	3	3

[1] The producers are ***.
[2] 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 10
Income-and-loss experience of U.S. producers on their operations producing bicycles for independent dealers, by firms, fiscal years 1992-94

* * * * * * *

Operations on Bicycles Sold to Mass Merchandisers and IBDs

Profit-and-loss data on the producers' sales of bicycles to mass merchandisers and IBDs are shown in table 11, and selected company-by-company data are shown in table 12. The data in table 11 are the sum of the data in tables 7 and 9 while the data in table 12 are the sum of the data in tables 8 and 10. Because the quantity of bicycles sold to mass merchandisers is 25 to 30 times the quantity sold to IBDs, the unit values in table 11 are much closer to sales to mass merchandisers than sales to IBDs.

Investment in Productive Facilities

Data on the producers' investment in productive facilities and return on assets are shown in table 13. ***.

Capital Expenditures

The capital expenditures for producers are shown in table 14. *** dominated spending in this area.

Research and Development Expenses

The research and development (R&D) expenditures for producers are shown in table 15. ***.

Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of bicycles from China on their firms' growth, investment, ability to raise capital, and/or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix D.

Table 11
Income-and-loss experience of U.S. producers on their operations producing bicycles, fiscal years 1992-94[1]

Item	1992	1993	1994
	Quantity (*1,000 units*)		
Net sales	9,173	9,845	9,699
	Value (*1,000 dollars*)		
Net sales	745,679	816,850	817,874
Cost of goods sold	628,424	686,971	720,709
Gross profit	117,255	129,879	97,165
SG&A expenses	74,618	78,701	83,871
Operating income	42,637	51,178	13,294
Interest expense	6,927	8,963	14,720
Other expense items	8,317	9,854	7,818
Other income items	889	793	1,045
Net income or (loss) before income taxes	28,282	33,154	(8,199)
Depreciation and amortization	13,664	16,359	19,434
Cash flow[2]	41,946	49,513	11,235
	Ratio to net sales (*percent*)		
Cost of goods sold	84.3	84.1	88.1
Gross profit	15.7	15.9	11.9
SG&A expenses	10.0	9.6	10.3
Operating income	5.7	6.3	1.6
	Value (*per unit*)		
Net sales	$81.29	$82.97	$84.33
Cost of goods sold	68.51	69.78	74.31
Gross profit	12.78	13.19	10.02
SG&A expenses	8.13	7.99	8.65
Operating income	4.65	5.20	1.37
	Number of firms reporting		
Operating losses	***	***	***
Net losses	***	***	***
Data	6	6	6

[1] The producers are ***.
[2] 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 12
Income-and-loss experience of U.S. producers on their operations producing bicycles, by firms, fiscal years 1992-94

* * * * * * *

Table 13
Value of assets and return on assets of U.S. producers' establishments wherein bicycles are produced, fiscal years 1992-94

Item	1992	1993	1994
	Value (*1,000 dollars*)		
All products:			
Fixed assets:			
Original cost	229,735	285,127	326,103
Book value	116,273	138,359	181,782
Total assets[1]	828,496	916,739	1,119,153
Bicycles for mass merchandisers	***	***	***
Bicycles for IBDs	***	***	***
Bicycles:			
Fixed assets:			
Original cost	107,449	131,617	160,638
Book value	50,278	61,815	87,445
Total assets[2]	372,436	421,980	534,492
	Return on total assets (*percent*)		
All products:			
Operating return[3]	11.9	11.7	6.3
Net return[4]	9.0	8.5	2.5
Bicycles for mass merchandisers	***	***	***
Bicycles for IBDs	***	***	***
Bicycles:			
Operating return[3]	11.4	12.1	2.5
Net return[4]	7.6	7.9	(1.5)

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

Table 14
Capital expenditures by U.S. producers of bicycles, by products and by firms, fiscal years 1992-94

(1,000 dollars)

Item	1992	1993	1994
All products:			
Huffy	***	***	***
Murray	***	***	***
Roadmaster	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Total	28,683	36,020	41,864
Bicycles for mass merchandisers:			
Huffy	***	***	***
Murray	***	***	***
Roadmaster	***	***	***
Total	***	***	***
Bicycles for IBDs:			
***	***	***	***
***	***	***	***
***	***	***	***
Total	***	***	***
Bicycles:			
Huffy	***	***	***
Murray	***	***	***
Roadmaster	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Total	16,443	20,345	32,695

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

Table 15
Research and development expenses of U.S. producers of bicycles, by products and by firms, fiscal years 1992-94

(1,000 dollars)

Item	1992	1993	1994
All products:			
Huffy	***	***	***
Murray	***	***	***
Roadmaster	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Total	5,795	6,280	7,480
Bicycles for mass merchandisers:			
Huffy	***	***	***
Murray	***	***	***
Roadmaster	***	***	***
Total	***	***	***
Bicycles for IBDs:			
***	***	***	***
***	***	***	***
***	***	***	***
Total	***	***	***
Bicycles:			
Huffy	***	***	***
Murray	***	***	***
Roadmaster	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Total	4,260	4,900	5,801

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

CONSIDERATION OF THE ALLEGED THREAT OF MATERIAL INJURY

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(i)). Information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise is presented in the section of this report entitled "Consideration of the Causal Relationship Between the Alleged LTFV Imports and the Alleged Material Injury." Information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in the section entitled "Consideration of the Alleged Material Injury." Available information on U.S. inventories of the subject products; foreign producers' operations, including the potential for "product-shifting;" and any other threat indicators, if applicable, follows.

Information on inventories was received from importers representing about 75 percent of imports from China during the period for which data were collected. Their combined inventory data are shown in the following tabulation:

	1992	1993	1994
End-of-period inventories (*1,000 units*)	157	272	287
Ratio of inventories to shipments during the period (*percent*)	15.7	14.4	13.3

For the most part, U.S. importers order from Chinese producers according to the expected needs of their buyers and do not import large quantities for inventory. Their end-of-period inventories increased by 83 percent from 1992 to 1994, but actually declined as a share of their combined shipments, as shown.

The total number of bicycle producers in China is unknown; however, parties in opposition to the petition supplied usable data for 20 Chinese bicycle producers accounting for over 93 percent of U.S. imports from China in 1994. These firms probably represent the bulk of those firms in China producing the types of bicycles suitable for the U.S. market (the remaining firms produce the standard single-speed bicycle used in great numbers throughout China).[13] Their combined data are shown below:

[13] Mr. John Barker, executive director of Hong Kong Link Bicycles, a major shareholder of China Bicycle Co. (Holding) Ltd., Shenzhen, one of the largest producers of the types of Chinese bicycles marketed in the United States, testified at the conference that current annual production in China of 20-inch and over bicycles is about 41 million units. Transcript, p. 136.

	1992	1993	1994	Projected-- 1995	1996
Production (*1,000 units*)	12,235	13,781	15,906	18,310	18,560
Capacity (*1,000 units*)	15,773	16,656	19,321	19,218	19,621
Capacity utilization (*percent*)	79.5	82.7	82.3	95.3	94.6
Shipments:					
Home market (*1,000 units*)	7,829	7,788	8,857	9,136	9,748
Exports to--					
United States (*1,000 units*)	1,212	2,675	3,699	3,624	3,733
All others (*1,000 units*)	3,003	3,109	3,568	4,551	5,105
Total exports (*1,000 units*)	4,215	5,784	7,267	8,175	8,838
Total shipments (*1,000 units*)	12,044	13,572	16,124	17,311	18,586
Exports' share of total shipments (*percent*)	35.0	42.6	45.0	47.2	47.6
United States' share of total exports (*percent*)	28.8	46.2	50.9	44.3	42.2

According to the reported figures, China's capacity to produce bicycles is at least 27 percent higher than that of U.S. producers and increased by 22 percent from 1992 to 1994, although it is projected to stabilize in 1995 and 1996. Capacity was outpaced by production, which increased by 30 percent from 1992 to 1994, or from just under 80 percent of capacity to slightly over 82 percent, and is projected to increase further. Exports accounted for a large and increasing share of these firms' total shipments during this period and are projected to increase further. The United States' share of these exports increased markedly, but is projected to decrease somewhat in 1995 and 1996. One factor in the increased share of exports to the United States may have been the imposition of antidumping duties on Chinese bicycles by Canada in 1992, by the EC in 1993, and by Mexico in 1994. The duties imposed by these countries are 34 percent, 31 percent, and 144 percent, respectively--significantly higher than existing U.S. duties on the subject product.[14]

It should be noted that many of the Chinese producers are owned or jointly owned and controlled by Taiwanese firms. Like other firms in Hong Kong and Japan, those in Taiwan have sought to capitalize on cheaper production costs in China. Taiwan had been the largest exporter of bicycles to the United States in recent years, until surpassed by China in 1993 and 1994, as shown in the following section of this report. To expedite exports some of these firms and others have shipped bicycles through Hong Kong. Because there are no known producers in Hong Kong, it is believed that all imports of bicycles from Hong Kong are of Chinese origin. In any case the number of such bicycles is relatively small.

Like U.S. producers, Chinese producers source many of their components abroad--particularly from Japan and Taiwan. Unlike U.S. producers, many Chinese firms produce bicycles for both the mass merchant and IBD markets. At least one Chinese producer, China Bicycle Co. (Holding) Ltd., assembles both types on the same production lines in the same facility.[15]

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[14] Mr. James Pollock, bicycle buyer for Toys "R" Us, testified at the conference, however, that the Chinese bicycles exported to Mexico were of a "lower quality, government-owned type of product." Transcript, p. 165. The 31-percent antidumping duty on Chinese bicycles imposed by the EC is in addition to a 17-percent customs duty imposed in January 1992. The Canadian antidumping duty is applicable to bicycles having an entered value of $274 (Can$325) or less.

[15] Transcript, p. 167.

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN THE ALLEGED LTFV IMPORTS AND THE ALLEGED MATERIAL INJURY

Imports, U.S. Consumption, and Market Penetration

As shown in table 16, China and Taiwan accounted for the overwhelming majority of bicycle imports into the United States in 1992-94. China's share alone increased from 34 percent to over 55 percent. The actual number of units from China rose from 2.2 million to 4.0 million in the period, an increase of more than 76 percent. (Note that in table 16 imports from China are cumulated with imports from Hong Kong. As explained previously, to expedite their shipments some Chinese firms export through Hong Kong and are the only known producers to do so. There are no known producers in Hong Kong). The unit value of Chinese bicycles as a whole is well below that for Taiwan and other countries--most of the bicycles from Taiwan and other countries are for the IBD market. (According to counsel for petitioners, most if not all shipments China sends through Hong Kong are also destined for IBDs--hence the higher unit value than for China as a whole).[16] Of the imports from China reported to the Commission by questionnaire respondents (representing about 75 percent of total imports from China), about 28 percent are shipped to IBDs.

Over 16.6 million bicycles, valued at $1.4 billion, were consumed in the United States in 1994--a slight decline from 1993 but above levels in 1992 (table 17). Overall, consumption (by quantity) increased by 8 percent, albeit irregularly. As a share of consumption, U.S. producers' shipments fell by 1.2 percentage points to 57.8 percent in 1993 and held at that level through 1994. Meanwhile, Chinese imports' share increased from 14.6 percent to 23.8 percent while other imports' share declined from 26.4 percent to 18.4 percent. The exact extent to which imports from China gained market share at the expense of U.S. producers is unclear. More specific effects Chinese imports may have had on U.S. producers will be explored in the following sections on prices, lost sales, and lost revenues.

The exact quantities of bicycles consumed in the mass merchant and IBD markets separately are unknown; however, petitioners and respondents agree that the IBDs' share is currently between 20 and 30 percent in terms of quantity and about 50 percent in terms of value. They differ, however, as to whether that share is increasing or decreasing. Figures 5 and 6 show apparent consumption of bicycles and shares of the quantity of consumption by sources.

[16] Transcript, pp. 85-86.

Table 16
Bicycles: U.S. imports, by sources, 1992-94

Item	1992	1993	1994
	Quantity (*1,000 units*)		
China	2,141	3,466	3,870
Hong Kong	104	112	91
Subtotal	2,245	3,578	3,960
Taiwan	3,721	3,395	2,944
Other sources	337	122	116
Total	6,304	7,095	7,021
	Value (*1,000 dollars*)		
China	99,827	184,774	214,922
Hong Kong	8,516	9,315	6,381
Subtotal	108,343	194,090	221,302
Taiwan	390,201	400,381	371,412
Other sources	43,810	22,778	15,428
Total	542,355	617,249	608,142
	Unit value		
China	$46.63	$53.32	$55.54
Hong Kong	81.56	82.91	70.43
Average	48.26	54.25	55.88
Taiwan	104.85	117.94	126.15
Other sources	129.98	186.43	133.23
Average	86.04	87.00	86.62
	Share of total quantity (*percent*)		
China	34.0	48.8	55.1
Hong Kong	1.7	1.6	1.3
Subtotal	35.6	50.4	56.4
Taiwan	59.0	47.8	41.9
Other sources	5.3	1.7	1.6
Total	100.0	100.0	100.0
	Share of total value (*percent*)		
China	18.4	29.9	35.3
Hong Kong	1.6	1.5	1.0
Subtotal	20.0	31.4	36.4
Taiwan	71.9	64.9	61.1
Other sources	8.1	3.7	2.5
Total	100.0	100.0	100.0

Note.--Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

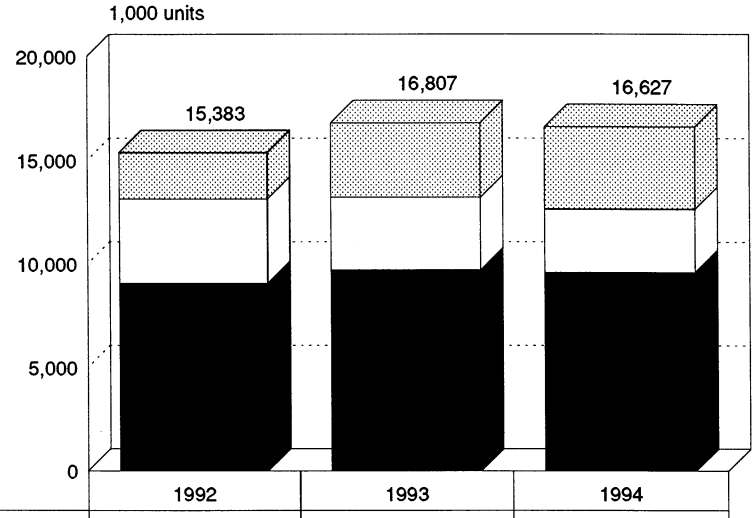
Table 17
Bicycles: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1992-94

Item	1992	1993	1994
	Quantity (*1,000 units*)		
Producers' U.S. shipments	9,079	9,712	9,606
U.S. imports from--			
China	2,141	3,466	3,870
Hong Kong	104	112	91
Subtotal	2,245	3,578	3,960
Taiwan	3,721	3,395	2,944
Other sources	337	122	116
Total	6,304	7,095	7,021
Apparent consumption	15,383	16,807	16,627
	Value (*1,000 dollars*)		
Producers' U.S. shipments	722,074	784,611	787,586
U.S. imports from--			
China	99,827	184,774	214,922
Hong Kong	8,516	9,315	6,381
Subtotal	108,343	194,090	221,302
Taiwan	390,201	400,381	371,412
Other sources	43,810	22,778	15,428
Total	542,355	617,249	608,142
Apparent consumption	1,264,429	1,401,860	1,395,728
	Share of the quantity of U.S. consumption (*percent*)		
Producers' U.S. shipments	59.0	57.8	57.8
U.S. imports from--			
China	13.9	20.6	23.3
Hong Kong	.7	.7	.5
Subtotal	14.6	21.3	23.8
Taiwan	24.2	20.2	17.7
Other sources	2.2	.7	.7
Total	41.0	42.2	42.2
	Share of the value of U.S. consumption (*percent*)		
Producers' U.S. shipments	57.1	56.0	56.4
U.S. imports from--			
China	7.9	13.2	15.4
Hong Kong	.7	.7	.5
Subtotal	8.6	13.8	15.9
Taiwan	30.9	28.6	26.6
Other sources	3.5	1.6	1.1
Total	42.9	44.0	43.6

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 and from official statistics of the U.S. Department of Commerce.

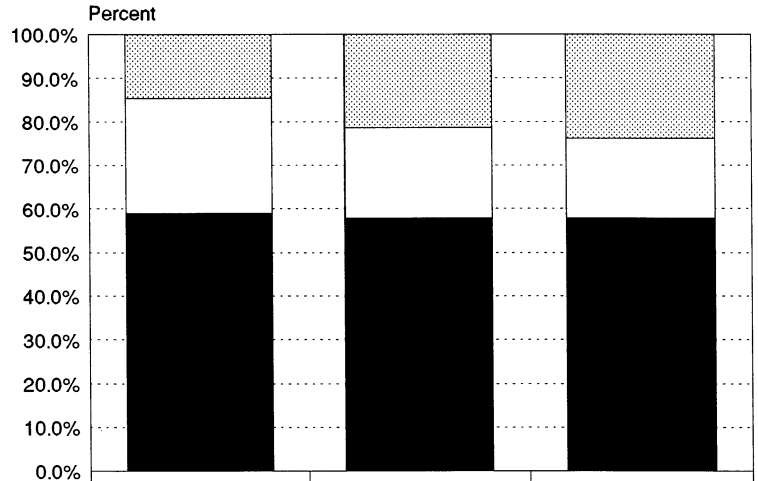
Figure 5
Bicycles: Apparent U.S. consumption, by sources, 1992-94



	1992	1993	1994
China/Hong Kong	2,245	3,578	3,960
Other imports	4,059	3,517	3,061
U.S. producers	9,079	9,712	9,606

Source: Table 17.

Figure 6
Bicycles: Shares of the quantity of U.S. consumption, by sources, 1992-94



	1992	1993	1994
China/Hong Kong	14.6%	21.3%	23.8%
Other imports	26.4%	20.9%	18.4%
U.S. producers	59.0%	57.8%	57.8%

Source: Table 17.

Prices

Marketing Characteristics

Bicycles are produced in a variety of sizes and styles and are used by consumers for sport, recreation, exercise, and transport. Producers' and importers' prices for bicycles vary widely depending on the size and style of bicycle. For any given product category, price may be affected by the number of gears on the bicycle, the diameter and width of its tires, the material used for frame construction, the types of features it offers, and the quality of its components.

Overall U.S. demand for bicycles remained fairly stable between 1992 and 1994. During this period, consumers primarily purchased juvenile bikes with wheels of 20 inches or below, and adult bicycles with wheels of 24 or 26 inches. Within the adult category, ATBs and MTBs accounted for the majority of sales. These products, recognized for their wide tires, upright handlebars, and sturdy frames, replaced the traditional Lightweight Road bike as the leading consumer bicycle in the mid-1980s and today account for the majority of adult bicycle production. Consumer demand for bicycles is generally highest in the second and fourth quarters of the year, reflecting spring and Christmas buying patterns. Other factors reportedly affecting demand include weather trends and competition from other sporting goods products, such as in-line skates.

The two primary channels of distribution for U.S. producers and importers of bicycles are the mass merchandiser market and the IBD market. Mass merchandisers (e.g., department stores, sporting goods stores, and toy stores) generally sell large quantities of standard-sized juvenile and adult bicycles, and offer a very limited range of after-sales services. In the United States, approximately 75 percent of bicycles are sold through the mass merchant channel, where retail prices are generally under $200.[17] IBDs, on the other hand, sell bicycles in a variety of frame sizes, offer a range of component options, and provide extensive after-sales services. Approximately 25 percent of bicycles in the United States are sold through the IBD channel, where retail prices range from about $200 to over $1,000.[18]

Suppliers of domestic and imported bicycles generally concentrate the majority of their sales on just one of the two abovementioned channels.[19] Among the domestic producers responding to the Commission's questionnaires, three reported supplying the mass merchant market almost exclusively[20] and three supply only the IBDs. A similar split occurred among importers, with 7 firms reporting sales primarily to mass merchandisers, and 10 reporting sales almost exclusively to IBDs.[21] Marketing strategies for the two distribution channels are notably different, and are discussed separately below.

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[17] Postconference brief on behalf of petitioners, Attachment 6. Some reports suggest that the share of bicycle sales accounted for by mass merchandisers has climbed to 80 percent (by unit volume) (Transcript, p. 25).

[18] An estimated 5 percent of IBD bicycles retail for less than $200, most of which are juvenile bicycles with wheel sizes of 20 inches or smaller (Transcript, p. 82). While IBDs account for 25 percent of sales by volume, they account for approximately 50 percent of sales by value, given their higher retail price points (Transcript, p. 110).

[19] According to available questionnaire data, approximately 40 percent of the reported mass merchant market and 79 percent of the IBD market were accounted for by imports from China in 1994. Percentages are based on unit volume, and total market size is based on domestic shipments and imports from China.

[20] Murray is the only domestic producer that reported sales to both channels, though the vast majority of the company's production went to mass merchandisers.

[21] Three importers--***--primarily supply mass merchandisers, but also reported some sales to IBDs. Similarly, *** primarily supplies the IBD market, but also reported some sales to mass merchandisers.

Supplying the mass merchant market

Bicycles sold to mass merchandisers are generally high-volume products with standard components and frame sizes. Most producers and importers that market bicycles in this channel use a combination of price lists, catalogs, sample models, and/or showroom displays to introduce products to their customers. While basic price points are established by the price lists, negotiations between the vendor and the buyer over the inclusion of specific features and components may alter the final purchase price.[22]

Price discounts may be negotiated for purchases over a certain unit quantity or, in some cases, over a certain dollar value. ***, for example, offers discounts for annual purchases totalling over ***.[23] In addition, most mass merchant suppliers offer some form of cooperative advertising discount. A purchaser generally receives a ***-percent rebate for newsprint or other media advertisements that promote the vendor's product.[24]

Prices are always quoted f.o.b. factory or warehouse and transportation expenses, which average between 1 and 5 percent of the delivered cost, are always paid by the purchaser. Most shipments occur as spot sales throughout the year, with lead times averaging 3 to 20 days for domestic suppliers, and 15 to 120 days for importers. Payment terms for this channel of distribution are similar among all suppliers, with net payments due within 30 or 60 days of billing.

The mass merchandiser market is further distinguished by its customers. Five U.S. national retail chains--Toys "R" Us, Wal-Mart, K-Mart, Target, and Sears--account for approximately two-thirds of the total market.[25] This high degree of concentration allows for considerable buying leverage in price negotiations. A large percentage of the petitioners' domestic sales go to Wal-Mart, K-Mart, and Sears. Wal-Mart has a "Buy America" policy, and the other two stores advertise a "Buy America" preference and reportedly have not purchased imported bicycles in recent years.[26] As a result, Target and Toys "R" Us absorb a large share of the imports entering this channel.[27] Overall, the petitioners accounted for an estimated 60 percent of total unit sales to the mass merchant market in 1994.[28]

Supplying the IBD market

Distribution and pricing practices are somewhat different for vendors selling to the IBD market. Bicycles sold through this channel are lower-volume products with numerous frame and feature variations. Annual bicycle shows, generally held during the third and fourth quarters of the

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[22] In some cases, vendors will develop specific lines of bicycles for their largest customers. For example, *** manufactures *** for exclusive sale in *** stores. *** may manufacture similar bikes for other mass merchandisers, but the features will be slightly altered and the model name will change.

[23] Staff interview with ***.

[24] Purchasers may use any form of media for the advertisements, but the vast majority occur through circulars (which are inserted in the Sunday paper), flyers, direct mail, and newsprint. Rebates are distributed once the purchaser submits a copy of the advertisement to the vendor. In general, domestic producers offer *** advertising rebates than importers (***).

[25] Postconference brief on behalf of Toys "R" Us and Royce Union, p. 27; and Transcript, p. 33.

[26] Wal-Mart reports a commitment to buy American to the extent that there are quality products at competitive prices. While the store purchases bicycles domestically, it does import some products (e.g., clothing).

[27] An estimated 65 percent of total imports entering the mass merchant market go to these two customers. Postconference brief on behalf of Toys "R" Us and Royce Union, p. 27.

[28] Total market size is based on domestic shipments and imports from China only, as reported in the questionnaires.

year, are used to introduce new product lines, price lists, and purchasing programs for customers. Unlike suppliers to the mass merchant market, IBD manufacturers do not alter model features at the request of customers and do not deviate from price lists.

Suppliers do, however, offer published price discounts through a variety of purchasing "programs." These programs are based on unit sales volume, and commonly include freight allowances and cooperative advertising rebates.[29] For example, while all suppliers to the IBD market quote prices on an f.o.b. basis, most offer free freight for purchases of 25 bikes or more.[30] In addition, most vendors offer cooperative advertising rebates in the range of *** percent of total purchase cost.

The IBD distribution channel is also differentiated by its payment options. Typical terms include a 2-percent discount for payments within 10 days of billing, with the remainder due after 24 or 30 days.[31] Additional terms are available for "pre-season" shipments, with rolling discounts of 1 to 4 percent for early payments.

Almost all sales in this market are spot sales, with delivery dates spanning several months. In general, shipments to IBDs tend to be much smaller in quantity than purchases by mass merchandisers due to the IBDs' limited inventory and storage capacity.

Customers in this channel of distribution are small bicycle stores scattered across the United States. Contrary to the high concentration found in the mass merchant channel, the IBD market is made up of over 6,500 independent businesses.[32] As a result, the leverage purchasers have over prices is much more limited in this market. Domestic production supplied 21 percent of the IBD market in 1994.[33]

Prices for both the mass merchant and IBD channels remained fairly stable during 1992-94, though many respondents noted that the quality of the products has improved during this time. For example, wholesale prices for 26-inch MTBs fluctuated only marginally in recent years, but there has been a notable improvement in the quality and value of the components on the product.[34] Most manufacturers attribute this phenomenon to advances made by the primary supplier of components in the industry, Shimano.[35]

Product Comparisons

Producers and importers were requested to discuss any differences between domestic and imported bicycles that would explain price variations. Both product and marketing considerations were considered in responding. Comments by these firms are discussed below.

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[29] For example, one level of prices and purchasing options may be offered for sales of 0 to 49 bikes, another for sales of 50 to 74 bikes, etc. Most vendors appear to offer anywhere from 3 to 5 different program levels.

[30] The purchase volume necessary for a freight allowance varies by vendor. Freight costs average 3 to 6 percent of the delivered cost of the bicycle.

[31] Such payment programs vary by vendor and by date of purchase.

[32] Transcript, p. 110. The majority of these stores are individually owned, though some metropolitan areas have bicycle chain stores.

[33] Total market size is based on domestic shipments and imports from China only, as reported in the questionnaires. Percentages are based on unit volume.

[34] Staff interview with ***.

[35] Shimano, a Japanese company, supplies over 95 percent of the derailleur components used in the bicycle industry.

The majority of the domestic producers and over half of the importers reported that domestic and imported bicycles are interchangeable.[36] For bicycles in the mass merchant channel, respondents indicated that the U.S. and Chinese products were comparable in terms of quality, though imports were credited by several respondents as having higher quality graphics, paint jobs, and finished frames.[37] For IBD bicycles, two respondents noted that quality was comparable for U.S. and Chinese bicycles below a certain price point (i.e., $400), but that the quality of very high-end bicycles produced in the United States was higher than for those produced in China. *** indicated that China's facilities lacked the technology, engineering, and quality control necessary to produce the highest-end products in the industry.[38]

Domestic and imported products also were differentiated by certain other factors. Several importers noted that U.S. producers have the value-added advantage of using "Made-in-America" terminology in their advertising efforts. Similarly, domestic producers have an advantage with customers that buy primarily "Made-in-America" products, such as Wal-Mart, K-Mart, and Sears. Other advantages attributed to domestic producers included their proximity to the market, flexibility to respond to changing demand patterns, shorter lead times for "just-in-time delivery," and availability of domestic servicing centers. Advantages attributed to the imported product included foreign producers' proximity to the supply of components.

Price Trends

The Commission requested price and quantity information from U.S. producers and importers for their sales of bicycles during the period January 1992-December 1994. Producers and importers were asked to submit separate pricing data for their sales to the mass merchandiser market and sales to the IBD market. Product specifications for which pricing data were requested are listed below:[39]

Product 1: 16-inch Motocross (BMX) or Hi-Rise bicycle; opening price point or entry-level model, single speed.

Product 2: 20-inch Motocross (BMX) or Hi-Rise bicycle; opening price point or entry-level model, single speed.

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[36] Several importers indicated that the petitioners' mass merchant bicycles and those bicycles imported for IBDs were not directly interchangeable due to differences in quality.

[37] *** noted that graphics and paint designs on imports often are superior to domestic products. Several purchasers supported this assessment, indicating that environmental regulations limit the type and amount of paint used by U.S. producers, and that labor costs associated with certain paint techniques are prohibitively expensive for U.S. producers.

[38] *** reported that U.S.-produced high-end bicycles were lighter due to more efficient welding techniques, and more aesthetic due to superior finishing capabilities. *** indicated that U.S.-produced bicycles generally have better quality steel and alloy in their frames and forks.

[39] Commission questionnaires contained more detailed product descriptions to ensure comparability in the collected price data. Staff did not collect pricing data for Lightweight Road bicycles (27-inch wheels) or Hybrid bicycles (700C wheels). In 1994, Lightweight Road bicycles accounted for less than 1 percent of unit sales in both the mass merchant market and the IBD market. Hybrid bicycles, which are only sold through IBDs, accounted for only 12 percent of this channel's total unit sales. These two product categories combined accounted for only 1 percent of total imports from China in 1994 (Bicycle Manufacturers Association of America, Inc. *Composite Sales Report*, Dec. 1994; "BWDA Annual Statistical Report," *Cycle Press*, Mar. 1995; and *1994 U.S. Bicycle Imports*, Apr. 1, 1995).

Product 3: 20-inch Motocross (BMX) or Hi-Rise bicycle; step-up model, 5 or more speeds.

Product 4: 24/26-inch All-Terrain bicycle (ATB) or Mountain bicycle (MTB); opening price point or entry-level model, 10 speeds or less.

Product 5: 24/26-inch All-Terrain bicycle (ATB) or Mountain bicycle (MTB); step-up model, 18 or more speeds.

Product 6: 24/26-inch All-Terrain bicycle (ATB) or Mountain bicycle (MTB); step-up model, 21 or more speeds.

Usable pricing data were received from 5 U.S. producers and 14 importers of bicycles; prices were reported for all 6 products and for both channels of distribution.[40] Reported pricing data accounted for approximately 15 percent of U.S. producers' domestic shipments during 1994. Pricing for the imported products accounted for approximately 33 percent of total imports from China during 1994.

Respondents in this case have expressed concern about the utility of the pricing data given the "differences in bicycle characteristics, price averaging, model aggregation, and selective use of models...."[41] Staff concedes that exact comparisons are difficult in this industry where slight variations in product specifications can have a significant impact on price. However, staff believes that data provided by producers and importers match the product descriptions outlined in the questionnaires as closely as possible and, as such, provide reasonable comparisons.[42] Weighted-average f.o.b. prices based on total sales are presented in the following sections.[43] Prices vary perceptibly between the two channels of distribution and are therefore presented and discussed separately.

Sales to mass merchandisers[44]

Weighted-average f.o.b. prices for products 1 through 4 sold by U.S. producers declined irregularly from January 1992 to December 1994, while weighted-average prices for products 5 and 6 increased irregularly during the period (tables 18-23 and figures 7-9). Weighted-average f.o.b.

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[40] A total of 6 domestic producers and 17 importers responded to Commission questionnaires, but several were unable to provide price data.

[41] Transcript, pp. 99-100, and postconference brief for the Coalition for Fair Bicycle Trade, p. 38. Respondents also expressed concern that not all reported price data were net of advertising rebates ***. Staff checked with each supplier to the mass merchant market to ensure that such discounts had been netted out. Only *** had not reported net prices, so staff adjusted their data according to their estimated discounts.

[42] In response to respondents' concerns over model aggregation, staff notes that several models had to be reported in certain cases to account for changes in model names from year to year (where presumably the bicycle features remained the same or similar). In addition, domestic producers may offer different model names for different customers (e.g., Murray's "Mountain Climber" for Wal-Mart and the "Free Spirit Marauder" for Sears) where, again, the bicycle features are similar. Finally, staff has attempted to diminish price discrepancies that may have resulted from aggregation of slightly different models by using average sale prices based on total sales rather than largest quarterly sales.

[43] Average prices are calculated from the total f.o.b. value and the total quantity shipped. Prices are presented on an f.o.b. basis, which is the standard format for price quotes in the bicycle industry.

[44] ***.

Table 18
Product 1: Weighted-average net f.o.b. prices and quantities for sales to mass merchandisers, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	$/unit	*Units*	*$/unit*	*Units*	*Percent*
1992:					
Jan.-Mar	$47.32	42,596	$43.19	58,320	8.7
Apr.-June	48.35	61,029	43.60	64,773	9.8
July-Sept	43.70	140,146	42.92	74,357	1.8
Oct.-Dec	40.96	50,569	36.63[1]	136,307	10.6
1993:					
Jan.-Mar	45.23	38,300	37.75[1]	78,577	16.5
Apr.-June	41.52	42,698	42.27	80,210	(1.8)
July-Sept	44.60	42,215	42.24	116,917	5.3
Oct.-Dec	43.75	64,669	42.38	64,543	3.1
1994:					
Jan.-Mar	44.01	57,625	43.22	55,156	1.8
Apr.-June	44.28	58,055	42.76	88,622	3.4
July-Sept	43.96	51,317	43.25	66,597	1.6
Oct.-Dec	43.38	130,187	43.55	53,652	(0.4)

[1] ***.

Note.--Percentage margins are calculated from unrounded figures; thus, margins cannot always be directly calculated from the rounded figures in the table.

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

prices for imports of bicycles from China followed similar trends, with prices decreasing for products 2 through 4 between January 1992 and December 1994, and increasing for products 1 and 5 during this period.

Product 1 (16-inch bicycles).--Prices for product 1 sold by U.S. producers peaked at $48.35 in the second quarter of 1992, then declined irregularly for an overall decrease of 8.3 percent between January 1992 and December 1994. Conversely, prices of imports from China declined by 15.2 percent during January-December 1992, but showed an overall increase of 0.8 percent between January 1992 and December 1994.

Product 2 (20-inch entry-level BMX).--Domestic prices for product 2 showed an overall decline of 2.4 percent for the period. Importer prices for product 2 decreased by 13.0 percent between January and December 1992, then fluctuated through the remainder of the period for an overall decrease of 17.1 percent between January 1992 and December 1994.

Product 3 (20-inch step-up BMX).--U.S. producer prices for product 3 increased irregularly between January 1992 and March 1993, then declined irregularly through December 1994, for an overall decrease of *** percent during the period. Import prices for product 3 decreased irregularly by *** percent through the third quarter of 1993, then rose slightly through December 1994, for an overall period decrease of *** percent.

Table 19
Product 2: Weighted-average net f.o.b. prices and quantities for sales to mass merchandisers, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	$/unit	*Units*	*$/unit*	*Units*	*Percent*
1992:					
Jan.-Mar	$45.12	92,962	$52.81	48,366	(17.1)
Apr.-June	44.67	126,250	53.02	48,541	(18.7)
July-Sept	47.65	222,883	51.85	58,084	(8.8)
Oct.-Dec	50.93	230,147	45.96[1]	74,153	9.7
1993:					
Jan.-Mar	44.90	109,432	45.19	75,844	(0.6)
Apr.-June	44.80	121,480	46.46	65,965	(3.7)
July-Sept	43.95	183,822	46.04	85,861	(4.8)
Oct.-Dec	43.73	210,649	47.68	47,572	(9.0)
1994:					
Jan.-Mar	42.88	54,185	43.22	54,613	(0.8)
Apr.-June	42.72	53,589	43.11	70,028	(0.9)
July-Sept	44.27	97,782	44.17	50,186	0.2
Oct.-Dec	44.05	178,503	43.78	49,934	0.6

[1] ***.

Note.--Percentage margins are calculated from unrounded figures; thus, margins cannot always be directly calculated from the rounded figures in the table.

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

Product 4 (24/26-inch 10-speed MTBs).--Domestic prices for product 4 fluctuated, but showed an overall decrease of *** percent between January 1992 and December 1994. Import prices for product 4, available only for 1993 and 1994, closely followed the domestic price trends. Prices increased by *** percent through December 1993, then followed a downward trend through the end of the period for an overall decrease of *** percent between January 1993 and December 1994.

Product 5 (24/26-inch 18-speed MTBs).--Weighted-average prices for domestic sales of product 5 hovered close to the *** price point for most of the period. A small price jump in the fourth quarter of 1994 resulted in an overall increase of *** percent in prices between January 1992 and December 1994. Prices for imports of product 5 showed more dramatic fluctuations than domestic prices, with notable peaks in the second quarter of 1993 and the first quarter of 1994. Overall, import prices increased by *** percent between January 1992 and December 1994.

Product 6 (24/26-inch 21-speed MTBs).--Domestic prices for product 6 climbed by *** percent during the first three quarters of 1992, then declined irregularly by *** percent between July 1992 and June 1994. Prices *** during the last two quarters of 1994 for an overall period increase of *** percent. Only one importer, ***, reported price data for product 6, and only for one quarter.

Table 20
Product 3: Weighted-average net f.o.b. prices and quantities for sales to mass merchandisers, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

Table 21
Product 4: Weighted-average net f.o.b. prices and quantities for sales to mass merchandisers, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

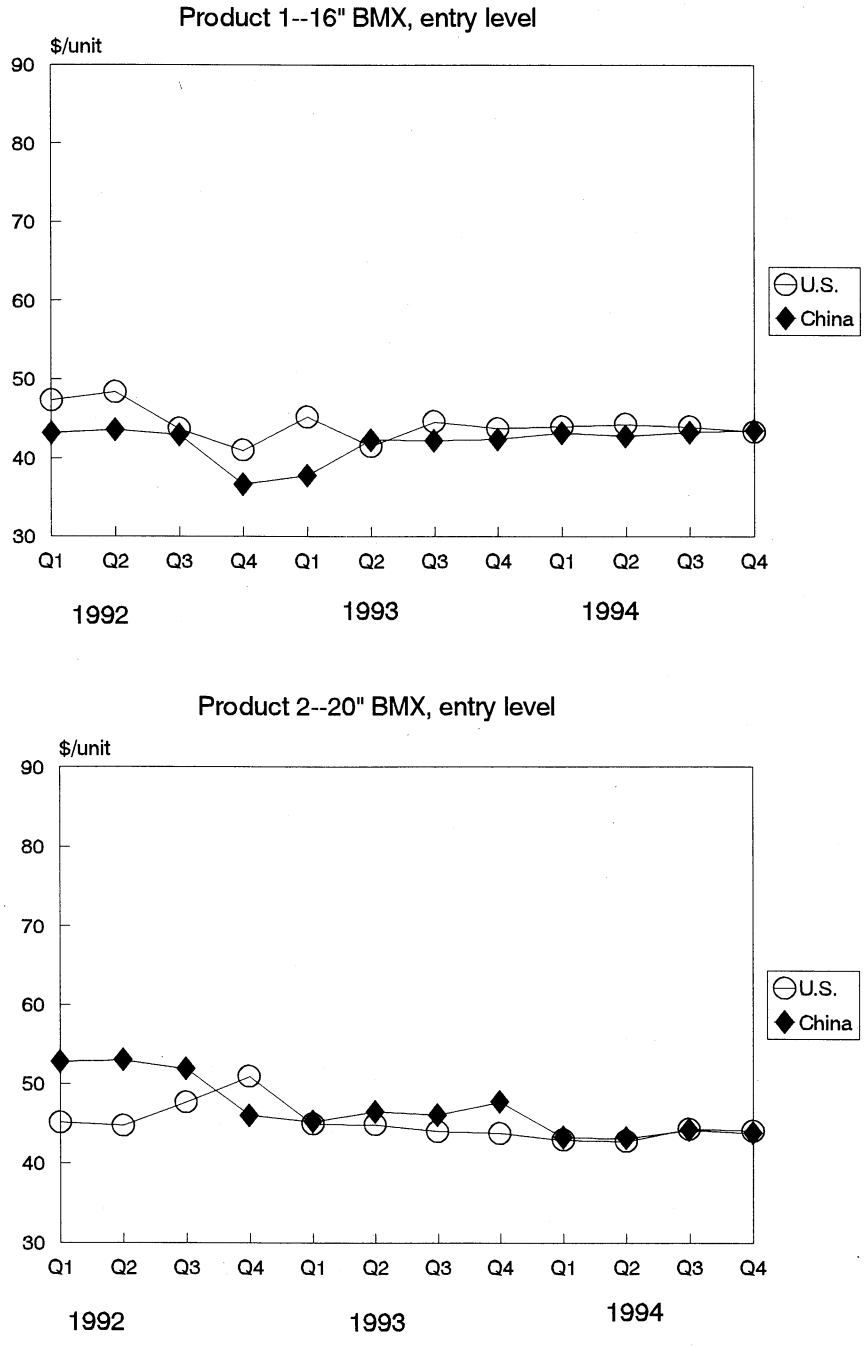
Table 22
Product 5: Weighted-average net f.o.b. prices and quantities for sales to mass merchandisers, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

Table 23
Product 6: Weighted-average net f.o.b. prices and quantities for sales to mass merchandisers, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

Figure 7
Products 1 and 2: Weighted-average net f.o.b. prices for sales to mass merchandisers, as reported by U.S. producers and importers, by quarters, 1992-94



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

Figure 8
Products 3 and 4: Weighted-average net f.o.b. prices for sales to mass merchandisers, as reported by U.S. producers and importers, by quarters, 1992-94

* * * * * * *

Figure 9
Products 5 and 6: Weighted-average net f.o.b. prices for sales to mass merchandisers, as reported by U.S. producers and importers, by quarters, 1992-94

* * * * * * *

Sales to IBDs

Weighted-average f.o.b. prices for products 1 through 3 (juvenile bicycles) sold by U.S. producers *** for the limited sales reported during 1992-94. Domestic prices for products 4 through 6 decreased between January 1992 and December 1994 (tables 24-29 and figures 10-12). Prices for imports of products 1, 2, and 6 increased during the period of investigation, while prices for products 3 through 5 decreased.

Product 1 (16-inch bicycles).--Only one U.S. producer sold 16-inch bicycles to IBDs during the period, accounting for *** and *** percent of total reported unit sales of product 1 during 1993 and 1994, respectively. Domestic prices were *** from October 1992 to December 1994. Prices for imports fluctuated considerably during the period. Prices dropped by *** percent between the second and fourth quarters of 1992, then climbed irregularly through the remainder of the period, with an overall increase of *** percent between January 1992 and December 1994.

Product 2 (20-inch entry-level BMX).--As with product 1 above, domestic prices *** throughout the period, reflecting limited sales quantities by one domestic producer. Prices for imports of product 2 were relatively *** through the third quarter of 1993, then increased by *** percent between July 1993 and March 1994.[45]

Product 3 (20-inch step-up BMX).--Domestic prices were reported by one producer and were *** between 1992 and 1994. Prices for imports of product 3 reached a high point in the second quarter of 1993, but showed an overall decline of *** percent between October 1992 and December 1994.

Product 4 (24/26-inch 10-speed MTBs).--Domestic prices for product 4 were relatively high during the first three quarters of 1992. After dropping by *** percent between January and December 1992, prices remained fairly stable through the remainder of the period, increasing by *** percent between January 1993 and December 1994. Prices of imports of product 4 increased irregularly by *** percent between January 1992 and September 1993, then dropped by *** percent in the fourth quarter of 1993 and were relatively constant for the remainder of the period.

Product 5 (24/26-inch 18-speed MTBs).--Weighted-average domestic prices for product 5 increased irregularly by *** percent between January 1992 and March 1994, then declined by *** percent through December, for an overall period decrease of *** percent. Prices for imports fluctuated little between 1992 and 1994, decreasing by *** percent overall.

Product 6 (24/26-inch 21-speed MTBs).--Domestic prices for product 6 peaked in the second quarter of 1993, but showed an overall decline of *** percent between January 1992 and December 1994. Prices for imports of product 6 decreased irregularly by *** percent through the third quarter of 1994, then jumped by *** percent in the last quarter of the year.

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[45] The increase in prices is largely due to the inclusion of ***.

Table 24
Product 1: Weighted-average net f.o.b. prices and quantities for sales to IBDs, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

Table 25
Product 2: Weighted-average net f.o.b. prices and quantities for sales to IBDs, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

Table 26
Product 3: Weighted-average net f.o.b. prices and quantities for sales to IBDs, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

Table 27
Product 4: Weighted-average net f.o.b. prices and quantities for sales to IBDs, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

Table 28
Product 5: Weighted-average net f.o.b. prices and quantities for sales to IBDs, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

Table 29
Product 6: Weighted-average net f.o.b. prices and quantities for sales to IBDs, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1992-94

* * * * * * *

Figure 10
Products 1 and 2: Weighted-average net f.o.b. prices for sales to IBDs as reported by U.S. producers and importers, by quarters, 1992-94

* * * * * * *

Figure 11
Products 3 and 4: Weighted-average net f.o.b. prices for sales to IBDs as reported by U.S. producers and importers, by quarters, 1992-94

* * * * * * *

Figure 12
Products 5 and 6: Weighted-average net f.o.b. prices for sales to IBDs as reported by U.S. producers and importers, by quarters, 1992-94

* * * * * * *

Price Comparisons

Quarterly f.o.b. prices reported for U.S.-produced bicycles and the imported Chinese bicycles sold to mass merchandisers yielded a total of 57 price comparisons (tables 18-23). In 22 of these comparisons, the Chinese product was priced between 0.2 percent and 16.5 percent lower than the comparable domestic product. Underselling was most evident in juvenile 16-inch bicycles (product 1) and in 24/26-inch 10-speed MTBs (product 4). In the remaining 35 instances, the Chinese product was priced higher, with margins ranging from 0.3 percent to 25.9 percent. Overselling was most evident in juvenile 20-inch bicycles (products 2 and 3) and in 24/26-inch 18-speed MTBs (product 5).

Quarterly f.o.b. prices reported for U.S.-produced bicycles and the imported Chinese bicycles sold to IBDs yielded a total of 61 comparisons (tables 24-29). In 35 of these comparisons, the Chinese product was priced between 0.2 percent and 51.6 percent lower than the comparable domestic product. Underselling is most evident in MTBs (products 5 and 6).[46] In the remaining 26 instances, the Chinese product was priced higher, with margins ranging from 1.9 percent to 41.0 percent. Overselling is particularly evident in juvenile products, where only one domestic producer, ***, reported sales to the IBD market.[47]

Exchange Rates

Quarterly data reported by the International Monetary Fund for China indicate that the value of the Chinese yuan depreciated by 35.8 percent in nominal terms relative to the U.S. dollar between January-March 1992 and October-December 1994 (figure 13).[48] No price series data were available for China to calculate real exchange rates.

Lost Sales and Lost Revenues

The Commission received lost sales and lost revenue allegations from ***.[49] All allegations pertained to sales to the mass merchant channel. *** cited *** allegations of lost sales totalling *** on sales of *** bicycles.[50] *** reported *** cases of lost sales, totalling *** on sales of *** bicycles. *** also listed *** lost revenue allegations totalling *** on sales of *** bicycles. *** cited *** allegations of lost sales, resulting in forfeiture of *** on sales of *** bicycles. *** also

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[46] One of the *** domestic producers of these products, ***, manufactures very high-end products. Although *** has not provided a "spec" sheet, it appears that the features on its domestically manufactured product may surpass those on the imported products. This should be taken into consideration when viewing the price data for products 5 and 6 sold in the IBD market.

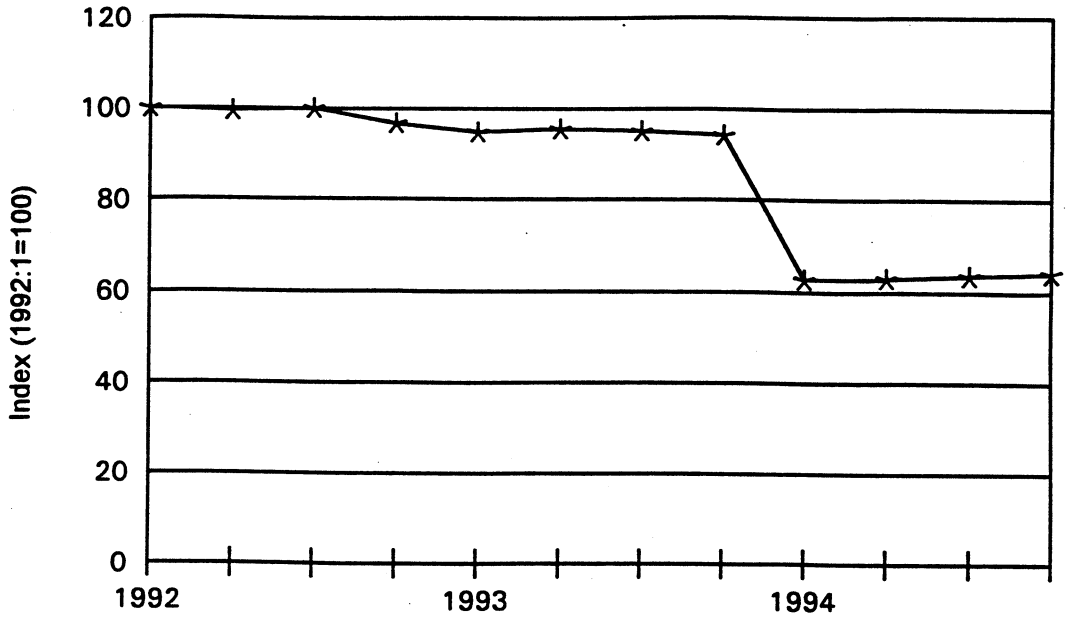
[47] ***.

[48] Beginning Jan. 1, 1994, the People's Bank of China changed the manner in which the official exchange rate was determined.

[49] *** indicated that it had lost sales to imports, but did not have time to document them. The *** did not report any lost sales or lost revenues.

[50] ***.

Figure 13
Nominal exchange rates of the Chinese yuan, by quarters, 1992-94



Source: International Monetary Fund, *International Financial Statistics*, Feb. 1995.

reported *** allegations of lost revenue, totalling *** on *** bicycles. Tables 30 and 31 summarize the lost sales and lost revenue allegations submitted by U.S. producers. Staff contacted all 10 of the named purchasers; a summary of the information follows.

*** was named in *** lost sales allegations on products ranging from juvenile 18- and 20-inch bicycles to adult 24- and 26-inch products. *** stated that store purchases are, on average, ***percent imports and *** percent domestic product. While price is an important factor, many other considerations contribute to final buying decisions.[51] For example, bicycle componentry, appearance, and other features are significant, as are delivery lead times.[52]

Responding to two specific allegations on 18-inch juvenile bicycles (allegation numbers ***), *** indicated that bids had been received from both domestic suppliers and importers. In both cases, the business went to a domestic producer (***). He also corrected the final price on allegation number *** from the alleged *** to ***.

For 20-inch bicycles, particularly the girls' product listed in allegation number ***, *** said that domestic and import prices were generally within a few dollars of one another and would not be the primary consideration. While he did not remember the specifics of this particular case, he indicated that he usually makes his selection based on appearance and, in this instance, the import may have offered a fancier bike bag or more decorative streamers. On a higher-grade 20-inch

[51] *** noted that price is very important on ***. Price is less important for ***.

[52] *** indicated that lead times for domestic products ranged between 60 and 90 days, while lead times for imports averaged 90 to 120 days.

Table 30
Lost sales allegations concerning imports of bicycles from China, as reported by U.S. producers

* * * * * * *

Table 31
Lost revenue allegations concerning imports of bicycles from China, as reported by U.S. producers

* * * * * * *

product (allegation number ***), *** suggested that the *** price discrepancy between the domestic and imported bicycles reflected significant differences in the two products. He said that *** was offering a 20-inch ATB with a front shock, five speeds, friction shifting, and side-pull brakes. The import had six speeds, index shifting, cantilever brakes, and a better frame.[53] These types of components gave the bicycle more of an "IBD look," which is what *** was striving for. The final allegation on 20-inch products (number ***) referred to sales of 20-inch 5-speed *** bikes. *** said that he did not recall receiving any domestic bids for this product.[54]

There were also *** allegations against *** on sales of 24- and 26-inch bicycles. *** did not recall the specifics of allegation number *** regarding sales of 15-speed bicycles, but he did note that *** purchases similar bikes from *** and primarily turns to imports for variety. Similarly, on allegation *** regarding sales of 26-inch bicycles, *** noted that *** tries to round out its product lines by using ***. For example, while *** generally offer *** different models of this style of bicycle, *** offers *** models.[55] In this instance, the store bought from both an importer and a domestic supplier. On allegations ***, *** indicated that the imported product had better components.[56] Specifically, on allegation ***, no domestic competitor was producing a competitively priced bicycle that had componentry similar to ***.[57]

Referencing allegation ***, *** said that *** considered buying this type of 24- and 26-inch bicycle from ***, but that ***. By the time *** responded that it thought it could supply ***, *** had already placed an order with ***. The final import price on this allegation and on number *** was *** rather than the alleged *** and ***, respectively. Finally, on allegation ***, *** said bids were discussed, but no purchase was made.

*** was *** named in *** lost revenue allegations. *** did not comment on any of the specific quotes, but he did say that it was common practice for him to use other bids to negotiate prices. ***.

*** was named in *** lost sales allegations. Staff contacted two buyers for this store, *** and ***. The buyers explained that ***'s purchases are approximately *** percent domestic and

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[53] Index shifting components are more complex and expensive than friction shifting mechanisms. Similarly, cantilever brakes are considered preferable to side-pull brakes, and are found more often on imported bicycles. Front shocks, offered by the domestic producer in this instance, generally add about $10.00 to the value of a bike.

[54] While *** recalled bids on single-speed *** bicycles, he did not think that domestic producers were offering any multi-speed products in this bicycle category.

[55] See also ***.

[56] *** said that domestic producers will reduce costs by mixing Shimano components with other brands of parts on a bicycle, while most of the foreign producers maintain a complete Shimano package on their products.

[57] *** reportedly offered dual index shifting with left and right optical displays. According to ***, domestic producers did not start offering this until 1995. At slightly lower price points in the 26-inch category, *** noted that he did sell two domestic products that were doing well, ***.

*** percent imports.[58] Purchasing decisions are based on quality, cosmetics, price, components, and lead times.[59] *** imports for style variation, price value, and design capability. *** said that style variation can only be achieved through a variety of suppliers, and a combination of imports and domestic products is therefore essential to ***'s strategy of maintaining a fluid assortment of bicycles. *** noted that imported bicycles offered more style varieties and had superior decals and designs. They reported that foreign producers are more willing than domestic providers to run short lines of bikes that require multiple paint jobs.[60] Imported products also tended to have shorter lead times on the production of "cutting edge" bicycles that *** would request to meet changing market demand patterns.[61] On the other hand, *** reported that domestic suppliers offer a better sales package of volume, dating, and advertising discounts than the importers.[62] Further, the shorter lead times of domestic suppliers allow *** to maintain lower inventories through weekly rather than monthly orders. Finally, domestic suppliers were often reported to have better prices than importers on "promotional" products, where a manufacturer offers a certain style bicycle to all stores with only minor variations, making the price low through extensive economies of scale.

With regard to the specific allegations, *** was only able to offer general information. He noted that allegations *** were all juvenile products where price is rarely the overriding factor. *** uses *** for almost all of its purchases of juvenile bicycles, since appearance is what attracts sales in this category. For allegations ***, *** indicated that the alleged import price was too low. He said *** had paid between *** and *** for these products, rather than the alleged ***. He further noted that the domestic producers had bid several dollars lower than what was reported in the allegations, and that the alleged quantities were higher than ***'s standard order size. For some products, including those in allegations ***, *** said the quality was better on imports, based on the number of spokes in the wheels, componentry, and length of frame.[63]

***, named in *** allegations of lost sales, reported that it purchases from both U.S. producers and importers. According to ***, value to the customer is the store's foremost consideration when purchasing a bicycle. As such, he bases his buying decisions on a product's quality and its price. *** reported that the store's mix of imported and domestic products changes from quarter to quarter, but is approximately *** percent domestic and *** percent imports. The only major difference between the domestic suppliers and importers is lead times, which average 90 days and 45 days, respectively.

Responding to allegation number ***, *** said that price for this size bike (16 inch) is important, ***. Further, he said *** had been selling the imported model of this 16-inch bicycle for several years and had no reason to change suppliers when retail sales of the imported product were

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[58] *** reported that domestic producers had increased their share of ***'s market in recent years. ***.

[59] Reliability of vendors was also listed as a factor, though there was no reported difference between domestic producers and importers. *** does visit factories for quality assurance. *** noted that the factories *** uses in China are related to ***'s suppliers in Taiwan, so they were reportedly already familiar with quality requirements.

[60] See also ***. *** suggested that foreign producers benefit from fewer environmental regulations regarding the use and disposal of paint and are thus more inclined to create elaborate paint jobs.

[61] *** reported that imported products had longer lead times than domestic products, except in cases where the store wanted to quickly offer a new design or model. Foreign producers appeared more willing to produce such low-volume items on their lines.

[62] Most domestic providers offer net 30 day terms (allowing a bike to conceivably be sold before it was paid for), while importers have to be paid up front. Further, while both domestic and import suppliers offer some form of advertising rebate, those offered by the domestic manufacturers tended to be of greater value. ***.

[63] *** reported that some of the domestic suppliers were using lower-quality *** components, rather than the higher-priced Shimano products. In addition, some imported bicycles reportedly had better paint designs and finishes, such as the 26-inch *** bicycle.

quite strong. For the second allegation (number ***), *** corrected the final price paid for the imported product from the alleged *** to ***, only *** lower than the domestic bid. Again, *** noted that *** had carried the imported product with some success in the past and saw no reason to deviate from it, especially for a higher price. On the third allegation (number ***), *** said the price the store paid for the imported 16-inch bicycle was actually *** per bike, not *** as alleged by the U.S. producer. In this case, the importers had the better price. However, *** noted that the domestic producers sell an almost identical bike *** that is priced at ***, which suggested to him that they could have offered a lower bid. Finally, *** had no recollection of the sale reported in allegation ***. He did, however, say that his records indicated that his lowest-cost bike in 1994 had been ***, rather than the alleged ***.

*** was named in one lost sales allegation. *** corrected the alleged quantity of the sale from *** units of 12-inch bicycles to *** units. He further indicated that while U.S. firms were considered as suppliers, ***.

*** was cited in *** lost revenue allegations, of which *** recalled only one. *** noted that the alleged accepted quote of *** was incorrect. The actual price was *** and the sale went to another domestic supplier. *** further indicated that prices for this product ***.

*** was named in one lost sales allegation. *** reported that the store purchases both domestic and imported bicycles, but the majority is domestic. He further reported that price is not always the most overriding factor in ***'s purchases; the store also considers quality, consistency in delivery, and timeliness. *** noted that domestic producers provide a more even flow of product, preventing the store from having to accumulate inventory as it does for its imported products. Also, the purchaser enjoys more control and flexibility with a domestic provider, and a shorter lead time. However, the store turns to imports for particularly price-sensitive products. *** did not recall the specifics of the reported transaction, but he did indicate that juvenile bikes, including the 20-inch bike described in this allegation, are particularly price-sensitive items where his store likely would turn to imports.

*** was cited for one lost sale of 16-inch bicycles. *** did not recall the exact transaction, but he noted that imported products often come with additional features, such as three handlebar pads rather than two. These so-called "extras" generally translate into better retail sales for the store.

*** was named in one lost sales allegation. The company's buyer, ***, could not confirm the exact pricing information, but he did recall the transaction. He noted that *** traditionally buys *** models of 16-inch bicycles from *** domestic producers. Last year he added an extra model, which he bought from *** because he specifically wanted a *** to round out his line. He said the domestic producers could not bid on this product because none of them ***. Price was not the overriding factor in this purchase, given that the import is his highest-price-point bike in the 16-inch category.

*** was named in *** lost revenue allegations. ***.[64] *** reported that he will ask his domestic suppliers to lower their bids to meet current import prices in the market. ***. He could not confirm the exact data.

*** was named in *** lost sales allegation on 20-inch bicycles. *** reported that the store generally purchases *** percent of its bicycles from domestic producers and *** percent from importers. While *** did not have specific information on the alleged sale, she indicated that ***'s lowest purchase price for any bicycle from China in 1994 was ***, the same price as the domestic product. *** reported that bicycle features and appearance are the primary reasons for purchasing imports. *** was also named in one lost revenue allegation. *** had no record for this transaction.

*** was named in *** lost sales allegations. Staff contacted one of the store's buyers, ***.

[64] ***.

APPENDIX A

SUMMARY DATA

Table A-1
Bicycles: Summary data concerning the U.S. market, 1992-94

(Quantity=*1,000 units*; value=*1,000 dollars*; period changes=*percent, except where noted*)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
U.S. consumption quantity:						
Amount	15,383	16,807	16,627	+8.1	+9.3	-1.1
Producers' share[1]	59.0	57.8	57.8	-1.2	-1.2	(2)
Importers' share:[1]						
China	13.9	20.6	23.3	+9.4	+6.7	+2.7
Hong Kong	.7	.7	.5	-0.1	(2)	-0.1
Subtotal	14.6	21.3	23.8	+9.2	+6.7	+2.5
Taiwan	24.2	20.2	17.7	-6.5	-4.0	-2.5
Other sources	2.2	.7	.7	-1.5	-1.5	(2)
Taiwan and other sources combined	26.4	20.9	18.4	-8.0	-5.5	-2.5
Total	41.0	42.2	42.2	+1.2	+1.2	(3)
U.S. consumption value:						
Amount	1,264,429	1,401,860	1,395,728	+10.4	+10.9	-0.4
Producers' share[1]	57.1	56.0	56.4	-0.7	-1.1	+0.5
Importers' share:[1]						
China	7.9	13.2	15.4	+7.5	+5.3	+2.2
Hong Kong	.7	.7	.5	-0.2	(2)	-0.2
Subtotal	8.6	13.8	15.9	+7.3	+5.3	+2.0
Taiwan	30.9	28.6	26.6	-4.2	-2.3	-2.0
Other sources	3.5	1.6	1.1	-2.4	-1.8	-0.5
Taiwan and other sources combined	34.3	30.2	27.7	-6.6	-4.1	-2.5
Total	42.9	44.0	43.6	+0.7	+1.1	-0.5
U.S. imports from--						
China:						
Imports quantity	2,141	3,466	3,870	+80.8	+61.9	+11.7
Imports value	99,827	184,774	214,922	+115.3	+85.1	+16.3
Unit value	$46.63	$53.32	$55.54	+19.1	+14.3	+4.2
Ending inventory quantity	147	253	261	+77.8	+72.9	+2.8
Hong Kong:						
Imports quantity	104	112	91	-13.2	+7.6	-19.4
Imports value	8,516	9,315	6,381	-25.1	+9.4	-31.5
Unit value	$81.56	$82.91	$70.43	-13.6	+1.7	-15.1
Ending inventory quantity	10	19	26	+160.2	+89.0	+37.7
China and Hong Kong:						
Imports quantity	2,245	3,578	3,960	+76.4	+59.4	+10.7
Imports value	108,343	194,090	221,302	+104.3	+79.1	+14.0
Unit value	$48.26	$54.25	$55.88	+15.8	+12.4	+3.0
Ending inventory quantity	157	272	287	+83.1	+74.0	+5.2
Taiwan:						
Imports quantity	3,721	3,395	2,944	-20.9	-8.8	-13.3
Imports value	390,201	400,381	371,412	-4.8	+2.6	-7.2
Unit value	$104.85	$117.94	$126.15	+20.3	+12.5	+7.0
Other sources:						
Imports quantity	337	122	116	-65.6	-63.7	-5.2
Imports value	43,810	22,778	15,428	-64.8	-48.0	-32.3
Unit value	$129.98	$186.43	$133.23	+2.5	+43.4	-28.5
Taiwan and other sources combined:						
Imports quantity	4,058	3,517	3,060	-24.6	-13.3	-13.0
Imports value	434,012	423,159	386,839	-10.9	-2.5	-8.6
Unit value	$106.94	$120.32	$126.41	+18.2	+12.5	+5.1
All sources:						
Imports quantity	6,304	7,095	7,021	+11.4	+12.6	-1.0
Imports value	542,355	617,249	608,142	+12.1	+13.8	-1.5
Unit value	$86.04	$87.00	$86.62	+0.7	+1.1	-0.4

See footnotes at end of table.

Table A-1--Continued
Bicycles: Summary data concerning the U.S. market, 1992-94

(Quantity=*1,000 units*; value=*1,000 dollars*; period changes=*percent, except where noted*)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
U.S. producers'--						
Average capacity quantity	11,707	12,957	13,969	+19.3	+10.7	+7.8
Production quantity	9,245	10,446	9,525	+3.0	+13.0	-8.8
Capacity utilization[1]	79.0	80.6	68.2	-10.8	+1.6	-12.4
U.S. shipments:						
Quantity	9,079	9,712	9,606	+5.8	+7.0	-1.1
Value	722,074	784,611	787,586	+9.1	+8.7	+0.4
Unit value	$79.53	$80.79	$81.99	+3.1	+1.6	+1.5
Export shipments:						
Quantity	***	***	***	***	***	***
Exports/shipments[1]	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	$***	$***	$***	***	***	***
Ending inventory quantity	514	1,002	704	+36.8	+94.8	-29.8
Inventory/shipments[1]	***	***	***	***	***	***
Production workers	4,795	5,602	5,479	+14.3	+16.8	-2.2
Hours worked (*1,000s*)	9,732	11,431	11,002	+13.0	+17.5	-3.8
Wages paid (*$1,000*)	105,729	119,357	113,515	+7.4	+12.9	-4.9
Total compensation (*$1,000*)	142,639	161,581	149,912	+5.1	+13.3	-7.2
Hourly total compensation	$14.66	$14.14	$13.63	-7.0	-3.6	-3.6
Productivity (*units per 1,000 hours*)	948.9	912.9	864.9	-8.9	-3.8	-5.3
Unit labor costs	$15.45	$15.48	$15.75	+2.0	+0.2	+1.7
Net sales--						
Quantity	9,173	9,845	9,699	+5.7	+7.3	-1.5
Value	745,679	816,850	817,874	+9.7	+9.5	+0.1
Unit sales value	$81.29	$82.97	$84.33	+3.7	+2.1	+1.6
Cost of goods sold (COGS)	628,424	686,971	720,709	+14.7	+9.3	+4.9
Gross profit (loss)	117,255	129,879	97,165	-17.1	+10.8	-25.2
SG&A expenses	74,618	78,701	83,871	+12.4	+5.5	+6.6
Operating income or (loss)	42,637	51,178	13,294	-68.8	+20.0	-74.0
Capital expenditures	16,443	20,345	32,695	+98.8	+23.7	+60.7
Unit COGS	$68.51	$69.78	$74.31	+8.5	+1.9	+6.5
Unit SG&A expenses	$8.13	$7.99	$8.65	+6.3	-1.7	+8.2
Unit operating income or (loss)	$4.65	$5.20	$1.37	-70.5	+11.8	-73.6
COGS/sales[1]	84.3	84.1	88.1	+3.8	-0.2	+4.0
Operating income or (loss)/sales[1]	5.7	6.3	1.6	-4.1	+0.5	-4.6

[1] "Reported data" are in percent and "period changes" are in percentage points.
[2] A decrease of less than 0.05 percentage points.
[3] An increase of less than 0.05 percentage points.

Note.--Period changes are derived from the unrounded data. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information.

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

Table A-2
Bicycles for mass merchandisers: Summary data concerning the U.S. market, 1992-94

(Quantity=*1,000 units*; value=*1,000 dollars*; period changes=*percent, except where noted*)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
U.S. producers'--						
Average capacity quantity	11,200	12,430	13,402	+19.7	+11.0	+7.8
Production quantity	8,886	10,073	9,087	+2.3	+13.4	-9.8
Capacity utilization[1]	79.3	81.0	67.8	-11.5	+1.7	-13.2
U.S. shipments:						
Quantity	8,826	9,476	9,268	+5.0	+7.4	-2.2
Value	635,511	695,237	671,369	+5.6	+9.4	-3.4
Unit value	$72.00	$73.37	$72.44	+0.6	+1.9	-1.3
Export shipments:						
Quantity	***	***	***	***	***	***
Exports/shipments[1]	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	$***	$***	$***	***	***	***
Ending inventory quantity	441	912	620	+40.7	+106.7	-32.0
Inventory/shipments[1]	***	***	***	***	***	***
Production workers	4,125	4,934	4,689	+13.7	+19.6	-5.0
Hours worked (*1,000s*)	8,319	10,082	9,347	+12.4	+21.2	-7.3
Wages paid (*$1,000*)	93,406	107,180	99,464	+6.5	+14.7	-7.2
Total compensation (*$1,000*)	125,494	145,131	130,856	+4.3	+15.6	-9.8
Hourly total compensation	$15.09	$14.40	$14.00	-7.2	-4.6	-2.7
Productivity (*units per 1,000 hours*)	1,068.2	999.1	972.2	-9.0	-6.5	-2.7
Unit labor costs	$14.12	$14.41	$14.40	+2.0	+2.0	-0.1
Net sales--						
Quantity	8,853	9,517	9,290	+4.9	+7.5	-2.4
Value	629,518	692,527	667,066	+6.0	+10.0	-3.7
Unit sales value	$71.11	$72.77	$71.80	+1.0	+2.3	-1.3
Cost of goods sold (COGS)	537,300	591,691	602,195	+12.1	+10.1	+1.8
Gross profit (loss)	92,218	100,836	64,871	-29.7	+9.3	-35.7
SG&A expenses	51,197	56,088	56,040	+9.5	+9.6	-0.1
Operating income or (loss)	41,021	44,748	8,831	-78.5	+9.1	-80.3
Capital expenditures	14,586	18,794	30,649	+110.1	+28.8	+63.1
Unit COGS	$60.69	$62.17	$64.82	+6.8	+2.4	+4.3
Unit SG&A expenses	$5.78	$5.89	$6.03	+4.3	+1.9	+2.4
Unit operating income or (loss)	$4.63	$4.70	$0.95	-79.5	+1.5	-79.8
COGS/sales[1]	85.4	85.4	90.3	+4.9	+0.1	+4.8
Operating income or (loss)/sales[1]	6.5	6.5	1.3	-5.2	-0.1	-5.1

[1] "Reported data" are in percent and "period changes" are in percentage points.

Note.--Period changes are derived from the unrounded data. Unit values and other ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information.

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

Table A-3
Bicycles for independent dealers:[1] Summary data concerning the U.S. market, 1992-94

(Quantity=*1,000 units*; value=*1,000 dollars*; period changes=*percent, except where noted*)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
U.S. producers'--						
Average capacity quantity	507	527	567	+11.8	+3.9	+7.6
Production quantity	359	373	437	+21.8	+3.9	+17.2
Capacity utilization[2]	70.8	70.8	77.1	+6.3	(3)	+6.3
U.S. shipments:						
Quantity	253	237	338	+33.5	-6.6	+42.9
Value	86,563	89,374	116,217	+34.3	+3.2	+30.0
Unit value	$341.79	$377.75	$343.64	+0.5	+10.5	-9.0
Export shipments:						
Quantity	81	104	127	+55.7	+27.8	+21.8
Exports/shipments[2]	24.3	30.5	27.2	+2.9	+6.2	-3.3
Value	34,337	40,723	44,261	+28.9	+18.6	+8.7
Unit value	$422.54	$392.02	$349.77	-17.2	-7.2	-10.8
Ending inventory quantity	73	90	83	+13.6	+23.1	-7.7
Inventory/shipments[2]	21.9	26.5	17.9	-4.0	+4.6	-8.6
Production workers	670	668	790	+17.9	-0.3	+18.3
Hours worked (*1,000s*)	1,413	1,349	1,655	+17.1	-4.5	+22.7
Wages paid (*$1,000*)	12,323	12,177	14,051	+14.0	-1.2	+15.4
Total compensation (*$1,000*)	17,145	16,450	19,056	+11.1	-4.1	+15.8
Hourly total compensation	$12.13	$12.19	$11.51	-5.1	+0.5	-5.6
Productivity (*units per 1,000 hours*)	246.7	268.9	258.7	+4.9	+9.0	-3.8
Unit labor costs	$49.19	$45.34	$44.50	-9.5	-7.8	-1.9
Net sales--						
Quantity	320	328	409	+27.8	+2.5	+24.7
Value	116,161	124,323	150,808	+29.8	+7.0	+21.3
Unit sales value	$363.00	$379.03	$368.72	+1.6	+4.4	-2.7
Cost of goods sold (COGS)	91,124	95,280	118,514	+30.1	+4.6	+24.4
Gross profit (loss)	25,037	29,043	32,294	+29.0	+16.0	+11.2
SG&A expenses	23,421	22,613	27,831	+18.8	-3.4	+23.1
Operating income or (loss)	1,616	6,430	4,463	+176.2	+297.9	-30.6
Capital expenditures	1,857	1,551	2,046	+10.2	-16.5	+31.9
Unit COGS	$284.76	$290.49	$289.77	+1.8	+2.0	-0.2
Unit SG&A expenses	$73.19	$68.94	$68.05	-7.0	-5.8	-1.3
Unit operating income or (loss)	$5.05	$19.60	$10.91	+116.1	+288.2	-44.3
COGS/sales[2]	78.4	76.6	78.6	+0.1	-1.8	+1.9
Operating income or (loss)/sales[2]	1.4	5.2	3.0	+1.6	+3.8	-2.2

[1] Does not include ***.
[2] "Reported data" are in percent and "period changes" are in percentage points.
[3] A decrease of less than 0.05 percentage points.

Note.--Period changes are derived from the unrounded data. Unit values and other ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information.

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

APPENDIX B

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

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

Bicycles from China

AGENCY: International Trade Commission.

ACTION: Institution and scheduling of a preliminary antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-731 (Preliminary) under section 733(a) of the Tariff Act of 1930, as amended by Section 212(b) of the Uruguay Round Agreements Act (URAA), Pub. L. 103-465, 108 Stat. 4809 (1994) (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China of bicycles, provided for in subheadings 8712.00.15, 8712.00.25, 8712.00.35, 8712.00.44, and 8712.00.48 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. The Commission must complete preliminary antidumping investigations in 45 days, or in this case by May 22, 1995. The Commission's views are due at the Department of Commerce within 5 business days thereafter, or by May 30, 1995.

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

EFFECTIVE DATE: April 5, 1995.

FOR FURTHER INFORMATION CONTACT: Larry Reavis (202-205-3185), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. Information can also be obtained by calling the Office of Investigations' remote bulletin board system for personal computers at 202-205-1895 (N,8,1).

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on April 5, 1995, by Huffy Bicycle Company, Dayton, OH; Murray Ohio Manufacturing Co., Brentwood, TN; and Roadmaster Corp., Olney, IL.

Participation in the Investigation and Public Service List

Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the **Federal Register**. 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.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this preliminary investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than seven (7) days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on April 26, 1995, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Larry Reavis (202-205-3185) not later than April 25 to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before May 1, 1995, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII, as amended by the URAA. This notice is published pursuant to section 207.12 of the Commission's rules.

By order of the Commission.

Issued: April 6, 1995.

Donna R. Koehnke,

Secretary.

[FR Doc. 95-8991 Filed 4-11-95; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-570-843]

Initiation of Antidumping Duty Investigation: Bicycles From the People's Republic of China

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

EFFECTIVE DATE: May 1, 1995.

FOR FURTHER INFORMATION CONTACT: Shawn Thompson or Cameron Werker at (202) 482-1776 or (202) 482-3874, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230.

Initiation of Investigation

The Applicable Statute

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA).

The Petition

On April 5, 1995, the Department of Commerce (the Department) received a petition filed in proper form by Huffy Bicycle Company, Murray Ohio Manufacturing Co., and Roadmaster Corporation (the petitioners), three U.S. producers of bicycles. Supplements to the petition were filed on April 20 and 24, 1995.

In accordance with section 732(b) of the Act, the petitioners allege that imports of bicycles from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, a U.S. industry.

The petitioners state that they have standing to file the petition because they are interested parties, as defined under section 771(9)(C) of the Act.

Determination of Industry Support for the Petition

Section 732(c) of the Act, as amended by the URAA, requires that the Department determine, prior to the initiation of an investigation, that a minimum percentage of the domestic industry supports an antidumping petition. A petition meets those minimum requirements if (1) domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like product; and (2) those domestic producers or workers expressing support account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

A review of production data provided in the petition reveals that the petitioners, three known domestic producers of the domestic like product as defined in the petition, account for more than 25 percent of the total production of the domestic like product and for more than 50 percent of that produced by companies expressing support for, or opposition to, the petition. Accordingly, the Department determines that this petition is supported by the domestic industry.

Scope of the Investigation

The product covered by this investigation is bicycles of all types, whether assembled or unassembled, complete or incomplete, finished or unfinished, including industrial bicycles, tandems, recumbents, and folding bicycles. For purposes of this investigation, the following terms are defined as follows irrespective of any different definition that may be found in Customs rulings, U.S. Customs law, or the *Harmonized Tariff Schedule of the United States* (*HTSUS*): (1) The term "unassembled" means fully or partially unassembled or disassembled; (2) the term "incomplete" means lacking one or more parts or components with which the complete bicycle is intended to be equipped; and (3) the term "unfinished" means wholly or partially unpainted or lacking decals or other essentially aesthetic material. Specifically, this investigation is intended to cover: (1) Any assembled complete bicycle, whether finished or unfinished; (2) any unassembled complete bicycle, if shipped in a single shipment, regardless of how it is packed and whether it is finished or unfinished; and (3) any incomplete bicycle, defined for purposes of this investigation as a frame and fork set, assembled or unassembled, finished or unfinished, and imported in the same shipment with any two of the following components, whether or not assembled together with the frame and fork set: (a) The rear wheel; (b) the front wheel; (c) a rear derailleur; (d) a front derailleur; (e) any one caliper or cantilever brake; (f) an integrated brake lever and shifter, or separate brake lever and click stick lever; (g) crankset; (h) handlebars, with or without a stem; (i) chain; (j) pedals; and (k) seat (saddle), with or without seat post and seat pin.

The scope of this investigation is not intended to cover bicycle parts except to the extent that they are attached to or in the same shipment as an unassembled complete bicycle or an incomplete bicycle, as defined above.

Complete bicycles are classifiable under subheadings 8712.00.15, 8712.00.25, 8712.00.35, 8712.00.44. and 8712.00.48 of the 1995 HTSUS. Incomplete bicycles, as defined above, may be classified for tariff purposes under any of the aforementioned HTSUS subheadings covering complete bicycles or under HTSUS subheadings 8714.91.20–8714.99.80, inclusive (covering various bicycle parts). The HTSUS subheadings are provided for convenience and customs purposes. The written description of the scope of this investigation is dispositive.

Export Price and Normal Value

Export price was based on retail prices observed in the United States in mid-1994. The petitioners adjusted the starting prices for retail gross margin, the importer's selling expenses (used as a surrogate for importer's mark-up), foreign inland freight, CIF movement charges, and U.S. customs duty.

The petitioners assert that the PRC is a non-market economy (NME) within the meaning of sections 771(18) of the Act and in accordance with section 773(c) of the Act. Accordingly, the normal value of the product should be based on the producer's factors of production, valued in a surrogate market economy country. In previous investigations, the Department has determined that the PRC is an NME, and the presumption of NME status continues for the initiation of this investigation. *See, e.g., Final Determination of Sales at Less Than Fair Value: Pure Magnesium and Alloy Magnesium from the People's Republic of China*, 60 FR 16437 (March 30, 1995).

It is our practice in NME cases to construct normal value from the factors of production of those factories that produced bicycles sold to the United States during the period of investigation.

In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters. *See, e.g., Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the PRC*, 59 FR 22585 (May 2, 1994).

The petitioners based the PRC producers' factors of production (*i.e.*, raw materials, labor, and energy) for bicycles on research conducted by a private consulting firm in the PRC. The petitioners valued these factors, where possible, on a publicly available published Indonesian government survey of the bicycle manufacturing and/or bicycle component industries in Indonesia, the surrogate country selected. Indonesia was selected as the surrogate country because (1) its level of economic development is comparable to that of the PRC, and (2) it is a significant producer of bicycles.

For each of the bicycle models used in the fair value comparisons, certain components are imported from the market-economy countries where they are produced. In those instances, the petitioners valued the components in question based on the F.O.B. foreign port prices that the petitioners pay, as they state their prices are equal to or less than the prices paid by any other bicycle manufacturer in the world.

The petitioners also based factory overhead, and selling, general, and administrative expenses on data published by the Indonesian government on the bicycle manufacturing industry.

The petitioners based profit on a publicly available published study of the Indonesian bicycle industry.

Based on a comparison of the export prices to the factors of production, the average calculated dumping margin is 74.95 percent.

Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of bicycles from the PRC are being, or likely to be, sold at less than fair value. If it becomes necessary at a later date to consider the petition as a source of facts available, we may review the calculations.

Initiation of Investigation

We have examined the petition on bicycles and have found that it meets the requirements of section 732 of the Act, including the requirements concerning the material injury or threat of material injury to the domestic producers of a domestic like product by reason of the complained-of imports,

allegedly sold at less than fair value. Therefore, we are initiating an antidumping duty investigation to determine whether imports of bicycles from the PRC are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determination by September 12, 1995.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, copies of the public version of the petition have been provided to the representatives of the PRC.

ITC Notification

We have notified the International Trade Commission (ITC) of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will determine by May 22, 1995, whether there is a reasonable indication that imports of bicycles from the PRC are causing material injury, or threaten to cause material injury to, a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

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

Dated: April 25, 1995.

Susan G. Esserman,

Assistant Secretary for Import Administration.

[FR Doc. 95–10647 Filed 4–28–95; 8:45 am]

BILLING CODE 3510–DS–P

APPENDIX C

WITNESSES AT THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference:

Subject	:	BICYCLES FROM CHINA
Inv. No.	:	731-TA-731 (Preliminary)
Date and Time	:	April 26, 1995 - 9:30 a.m.

Sessions were held in the Main Hearing Room of the United States International Trade Commission, 500 E St., S.W., Washington, DC.

In Support of the Imposition of Antidumping Duties:

Collier, Shannon, Rill & Scott
Washington, DC
On behalf of

Huffy Bicycle Co., Dayton, OH
Murray Ohio Manufacturing Co., Brentwood, TN
Roadmaster Corp., Olney, IL

Barry Ryan President of Huffy Bicycle Co.
J. Reid Roney, Director of Sales for Huffy Bicycle Co.
Edward E. Shake, President of Roadmaster Corp.
William J. Pipp, Executive Vice President of Sales for Roadmaster Corp.
Robert G. Hash, Executive Vice President-Sales for Murray Ohio Mfg. Co.
John Comer, Vice President-Sales of Murray Ohio Mfg. Co.
Patrick J. Magrath, Director of Georgetown Economic Services

Paul C. Rosenthal)--OF COUNSEL
Michael R. Kershow)--OF COUNSEL
Robin H. Gilbert)--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties: (listed alphabetically)

Akin, Gump, Strauss, Hauer & Feld
Washington, DC
On behalf of

Schwinn Cycling & Fitness, Inc., Boulder, CO
Scott USA, Inc., Boulder, CO

Warren E. Connelly)--OF COUNSEL
Lori A. Manca)--OF COUNSEL

Dorsey & Whitney
Washington, DC
On behalf of

China Bicycles Co. (Holding) Ltd.

John W. Barker

Philippe M. Bruno)--OF COUNSEL

Grunfeld, Desiderio, Lebowity & Silverman
Washington, DC
On behalf of

Shun Lu Bicycle Co.
Dynacraft Industries, Ashland, MA

Jerry Berman, President, Dynacraft Industries

David L. Simon)--OF COUNSEL
Bruce M. Mitchell)--OF COUNSEL
Mark E. Pardo)--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties--Continued:

Hogan & Hartson
Washington, DC
On behalf of

Toys "R" Us, Joliet, IL
Royce Union Bicycle Co., Hauppauge, NY

James Pollock, Bicycle Purchaser, Toys "R" Us

Warren Maruyama)--OF COUNSEL
Lynn Kamarck)--OF COUNSEL
Joanne Leasure)--OF COUNSEL

Jenner & Block
Washington, DC
On behalf of

(The Coalition for Fair Bicycle Trade (ad hoc)):
National Bicycle Dealers Association, Newport Beach, CA
G. Joannou Cycle, Northvale, NJ
GT Bicycles, Inc., Santa Ana, CA
Giant Bicycle, Inc., Rancho Dominquez, CA
Lawee, Inc., Long Beach, CA
Ross Bicycles USA, Inc., Farmingdale, NY
Schwinn Cycling & Fitness, Boulder, CO
Service Cycle Supply, Commack, NY
Specialized, Inc., Morgan Hill, CA
Western States Import Co. (WSI), Camarillo, CA

Ken Segerburger, National Bicycle Dealers Association
Jay C. Townley, Jay C. Townley & Associates
Grant Crowley, Horst, Frisch, Clowery & Finan
John G. Reilly, Nathan & Associates
P. Lance Graeff, Nathan & Associates

Brock R. Landry)--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties--Continued:

Morrison & Foerster
Washington, DC
On behalf of

Western States Import Co., Inc., Camarillo, CA

Julie Mendoza)--OF COUNSEL
Donald B. Cameron)--OF COUNSEL
G. Brian Busey)--OF COUNSEL

Shieh & Shieh
Taipei, Taiwan
On behalf of

Universal Cycle Corp., Guangzhou
Liyang Machinery Co., Ltd., Shenzhen
Po-An Bike Co., Ltd., Shenzhen
Hua Chin Bicycle Co., Ltd., S.Z.

Liang-Houh Shieh)--OF COUNSEL

White & Case
Washington, DC
On behalf of

China Chamber of Commerce for Machinery and Electronics Products Import and Export

Walter J. Spak)--OF COUNSEL
David Stepp)--OF COUNSEL
Daniel Chen)--OF COUNSEL

APPENDIX D

COMMENTS RECEIVED FROM U.S. PRODUCERS ON THE IMPACT OF IMPORTS OF BICYCLES FROM CHINA ON THEIR GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL, AND DEVELOPMENT AND PRODUCTION EFFORTS

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of bicycles from China on their growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product. *** replied "no" to all questions. The responses of the *** other producers were as follows:

1. Since January 1, 1992, has your firm experienced any actual negative effects on its growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product, as a result of imports of bicycles from China?

* * * * * * *

2. Does your firm anticipate any negative impact of imports of bicycles from China?

* * * * * * *

3. Has the scale of capital investments undertaken been influenced by the presence of imports of bicycles from China?

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