

UNITED STATES TARIFF COMMISSION

TEMPERED GLASS FROM JAPAN

Determination of Injury
in Investigation No. AA1921-77
Under the Antidumping Act, 1921,
As Amended



TC Publication 410
Washington, D. C.
July 1971

UNITED STATES TARIFF COMMISSION

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[AA1921-77]

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Determination of Injury

The Assistant Secretary of the Treasury advised the Tariff Commission on May 3, 1971, that tempered sheet glass from Japan is being, and is likely to be sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended. In accordance with the requirements of Section 201(a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission instituted Investigation No. AA1921-77 to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

A public hearing was held on June 22, 1971. Notice of the investigation and hearing was published in the Federal Register of May 8, 1971 (36 F.R. 8624).

In arriving at a determination, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearing, and all factual information obtained by the Commission's staff.

On the basis of the investigation, the Commission has determined that an industry in the United States is being injured by reason of

the importation of tempered sheet glass from Japan, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. 1/

1/ Commissioners Sutton and Moore determined in the affirmative and Commissioners Leonard and Young determined in the negative. Pursuant to Section 201(a) of the Antidumping Act, the Commission is deemed to have made an affirmative determination when the Commissioners voting are equally divided. Chairman Bedell did not participate in the determination.

Statement of Reasons for Affirmative Determinations
by Commissioners Sutton and Moore

In our opinion, an industry in the United States is being injured by reason of the importation of tempered glass from Japan sold at less than fair value (LTFV) within the meaning of the Anti-dumping Act of 1921, as amended. In making our determination, we have considered the injured industry to consist of the facilities in the United States producing tempered glass. Tempered glass for patio doors, the specific article from Japan sold at LTFV, is currently produced in 13 plants, operated by 9 firms.

The Commission's investigation has revealed that the price advantage afforded the foreign supplier by the sales at LTFV has contributed to market penetration by Japanese glass, market disruption on the East and West Coasts, and price suppression in the domestic market.

Market penetration and market disruption

In response to the passage by an increasing number of States of legislation requiring the use of "safety" glass in patio doors, as well as a rapidly expanding consumer demand, the U.S. consumption of tempered sheet glass for patio doors has multiplied in recent years. Apparent consumption in 1970--45 million square feet--was about 3 times the level of consumption in 1967--17 million square feet. In both 1967 and 1968 imports of tempered glass for patio doors from Japan supplied about 3 percent of U.S. consumption of such glass. However, in 1969, the year that included the period upon which Treasury based its

LTFV determination, the Japanese share of the booming U.S. market sharply increased, amounting to more than 11 percent. While the Japanese market share declined in 1970 (likely in part because of Treasury's dumping investigation), it was still more than twice as large as in 1967 and 1968. The Treasury data shows that a substantial part of the imports of tempered glass from Japan during the period investigated (May-August 1969) were priced at LTFV. These LTFV sales were a significant contributing factor to the sudden penetration achieved by the Japanese in 1969.

There is considerable evidence that the U.S. market for tempered glass for patio doors was seriously disrupted as a result of the imports of such glass from Japan sold at LTFV. As will be described below, the sales of Japanese tempered glass in the United States have been an important cause of the severe price competition that has existed. The fivefold increase in imports of such glass from Japan between 1968 and 1969 had widespread market repercussions. Price discounting has prevailed, especially in coastal markets. As a consequence, one domestic producer who serves the East Coast has virtually dropped out of the market for tempered glass for patio doors.

Price effects

In markets where the product is generally homogeneous, where several suppliers exist, where customers are price conscious and able to shift from one supplier to another with relative ease, price competition is often intense. Under such circumstances, a small price advantage, one which might be unimportant in other markets, can be decisive in determining who makes a sale. These characteristics typify

the domestic market for tempered glass for patio doors. A realized price differential of 1 cent per square foot, or less, can have an appreciable effect on sales. Hence, dumping margins in this case need not be great to confer a distinct advantage to the foreign producer, nor must the price advantage be such that the price of imported glass drastically undercuts the price of the domestic article.

Under the intensive price competition that has generally existed, prices of tempered glass in various local markets have often presented mixed and changeable patterns--the prices of domestic glass at times being above the prices of imported glass, and vice versa. Data obtained by the Commission indicate, however, that in 1969 and 1970 the delivered price of Japanese tempered glass for patio doors, on the average, was slightly less than that of the like domestic article. For a representative size of such tempered glass (3/16 inches thick, 34 x 76 inches in area) the difference was in the neighborhood of a cent per square foot. The ratio of LTFV margins to the amount of underselling was about 50 percent of the price differential on the West Coast and about 80 percent on the East Coast. Unquestionably, the LTFV margins were a significant factor enabling the Japanese supplier to engage in price competition. By the same token, the supply of Japanese glass available at highly competitive prices limited the ability of the domestic industry to improve its price position appreciably, without loss of customers to the imported article. Data show that for the United States as a whole, the average price per square foot of the representative size of patio glass mentioned above charged by domestic producers was not increased from 1969 through June 1971.

Conclusion:

The sale of tempered glass from Japan at less than fair value was a significant factor augmenting the ability of the Japanese supplier to engage in price discounting and competition in the U.S. market. The LTFV sales contributed to market penetration and market disruption. The economic factors favorable to the domestic industry that have been present in recent years, such as the remarkably growing market which has resulted in the expansion of domestic capacity and output, should not detract from the adverse consequences and significant price effects of the LTFV sales. We determine that, within the meaning of the Act, an industry in the United States is being injured by reason of the imports of tempered sheet glass from Japan sold at LTFV.

Statement of Reasons for Negative Determination
of Commissioners Leonard and Young

In our opinion no industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of tempered sheet glass from Japan sold at less than fair value. In our determination in this investigation, the industry is considered to consist of all of the domestic facilities producing tempered glass. Important in so defining the industry is the fact that the same facilities may be used for tempering glass for a number of end uses.

Sale at less than fair value

Tempered sheet glass from Japan, which the Treasury finds to be sold at less than fair value, consists almost entirely of that for patio doors. The imported glass, like the domestic, is delivered to the door manufacturer, freight and other costs prepaid, at the same price (about 40 cents a square foot) regardless of destination in the United States. The net price realized by the foreign supplier varies with the freight (roughly 4 to 7 cents a square foot). The price is equal to fair value or above on nearly all shipments from Japan to the Pacific Coast, and on two-thirds of those to the entire United States. It is below fair value, by an average of about $\frac{3}{4}$ of 1 cent a square foot, on the remainder. On the shipments from Japan as a whole, the amount by which the glass is sold at less than fair value is about $\frac{1}{4}$ cent a square foot or $\frac{6}{10}$ of 1 percent. There are few circumstances under which a domestic industry would be

injured by such a small margin. No such circumstances are found in this case.

Imports from Japan

Asahi Glass Company, in Tokyo, is the only Japanese company exporting tempered glass for patio doors to the United States. The firm was a minor source of imports until 1969 when, after a lump sum payment and for a continuing royalty, it was licensed by PPG Industries to produce non-automotive glass by the Herculite-K or "gas hearth" process. Little increase occurred in the imports from Japan until April 1969.

Imports of tempered sheet glass from Japan in 1969 and 1970 were at the level of 4 million square feet a year. This was about 1 percent of U.S. consumption of tempered glass in all uses and about 10 percent of the consumption in patio doors. Any significance that might be attached to the larger proportion in patio doors is qualified by the rapid expansion taking place in domestic production for that use.

U.S. production

U.S. production of tempered glass as a whole increased from 250 million square feet a year in 1967 to a level of from 315 million to 335 million square feet a year in 1968-70. The production for use in patio doors, on the other hand, increased progressively. As compared with 15 million square feet in 1967, it became 23 million in 1968, and it increased further to 28 million square feet in 1969,

and to 38 million in 1970. The increase (5 million square feet) in 1969 was larger than the total imports of tempered glass from Japan in that year and the increase (10 million square feet) in 1970 was 2-1/2 times as large as the imports from Japan. This situation is not indicative of injury or susceptibility to injury to the domestic industry from imports at less than fair value.

U.S. producers' shipments of all tempered glass in the final quarter of 1971 were 35 percent larger, and their shipments of tempered glass for patio doors were 45 percent larger than in the corresponding months of 1970, reflecting large additions to capacity during the year. New capacity is still under construction. This would be conclusive evidence that the imports had not prevented a new industry from being established.

Prices

The leading producers quote a uniform delivered price throughout the United States on tempered glass in standard sizes for patio doors. This price has lately been increased and is now 42-1/2 cents a square foot. Producers' prices on actual transactions, however, range down to 35 cents a square foot.

Producers' prices on actual transactions have shown no trend since the first quarter of 1969, when they were reduced 5 percent. The reduction at that time could not have resulted from the imports from Japan at less than fair value, because the whole margin of sale below fair value (six-tenths of 1 percent) was only a small

fraction of the domestic reduction in price, because the imports themselves had hardly begun to increase, and because the imported glass was only sold at about the same level as the domestic product.

Delivery by domestic producers is generally within one month of the order but 3 to 4 months are required for delivery from Japan, depending on the destination in the United States and on ship sailings. To be sold at all, Japanese glass of the same quality, therefore, would presumably have to be sold at a lower price than the domestic. ^{1/} Net prices to buyers of the Japanese tempered glass, at 37 to 41 cents a square foot, have nevertheless been only about the same as for the domestic. They have been below prices by several domestic producers, but they have been above prices by one of the leading domestic producers.

Conclusion

We find that the margin of sale below fair value in this case is slight, that the imports in question are small and have not under-sold the domestic product to any appreciable degree, and that the domestic industry is expanding. We conclude, therefore, that the imports at less than fair value are not causing injury to an industry in the United States, are not likely to cause injury to an industry in the United States, and are not preventing an industry in the United States from being established.

^{1/} On sheet glass, the domestic producers state that the purchaser will ordinarily pay 3 to 5 percent more in order to have a domestic source.