

HEAVYWEIGHT MOTORCYCLES, AND ENGINES AND POWER TRAIN SUBASSEMBLIES THEREFOR

**Report to the President on
Investigation No. TA-201-47
Under Section 201 of the
Trade Act of 1974**

USITC PUBLICATION 1342

FEBRUARY 1983

United States International Trade Commission / Washington, D.C. 20436



UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E. Eckes, Chairman

Paula Stern

Veronica A. Haggart

Kenneth R. Mason, Secretary to the Commission

Staff Assigned:

James McElroy, Office of Industries
Clark Workman, Office of Economics
Gracia Berg, Office of the General Counsel
Chandra Mehta, Office of Investigations

Daniel Leahy, Senior Investigator

**Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436**

C O N T E N T S

	<u>Page</u>
Determination, findings and recommendations-----	1
Views of Chairman Alfred Eckes-----	5
Views of Commissioner Veronica Haggart-----	21
Views of Commissioner Paula Stern-----	55
Information obtained in the investigation:	
Introduction-----	A-1
Prior Commission investigation concerning motorcycles-----	A-1
Description and uses-----	A-2
On-highway motorcycles-----	A-2
Dual purpose motorcyles-----	A-3
Off-highway motorcyles-----	A-3
Heavyweight motorcycles-----	A-4
Power train subassemblies-----	A-5
U.S. tariff treatment-----	A-6
U.S. producers-----	A-7
Foreign producers-----	A-12
U.S. market and channels of distribution-----	A-15
The question of increased imports-----	A-17
The question of serious injury or threat thereof:	
U.S. production-----	A-22
U.S. production capacity and capacity utilization-----	A-24
U.S. producers' shipments-----	A-27
U.S. exports-----	A-27
U.S. producers' inventories-----	A-30
U.S. importers' inventories-----	A-33
U.S. employment-----	A-37
Financial experience of U.S. producers-----	A-40
Capital expenditures and research and development costs-----	A-47
The question of imports as a substantial cause of serious injury:	
U.S. consumption and market penetration-----	A-48
Prices-----	A-56
Average rebates and discounts per unit sold-----	A-61
Other possible causes of injury-----	A-63
Producers efforts to compete-----	A-65
Appendix A. Commission's notice of investigation-----	A-69
Appendix B. Calendar of witnesses for the Commission's public hearing-----	A-71
Appendix C. Illustrations-----	A-75
Appendix D. List of heavyweight motorcycle power train subassembly parts imported by Harley-Davidson-----	A-81

Tables

1. Motorcycles: Japanese production, by companies, 1977-81-----	A-13
2. Motorcycles: Japanese exports, by engine sizes, 1977-1981-----	A-13
3. Motorcycles: Japanese exports, by destinations, 1977-1981-----	A-14
4. Motorcycles: Japanese production, and exports, 1977-81-----	A-14
5. Motorcycles: Leading brands and their shares of U.S. imports by countries of origin, 1977-81-----	A-15

CONTENTS

	<u>Page</u>
6. Motorcycles: Total new registrations of the 10 leading brands registered in the United States, 1977-81-----	A-16
7. Heavyweight motorcycles: U.S. imports for consumption, by brands, 1977-81, January-September 1981, and January-September 1982-----	A-18
8. Heavyweight motorcycles: U.S. imports for consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982-----	A-19
9. Heavyweight motorcycle power train subassemblies: U.S. imports for consumption, by brands and engine sizes, 1977-81, January-September 1981, and January-September 1982-----	A-21
10. Heavyweight motorcycles: U.S. production, by firms and by engine sizes 1977-81, January-September 1981, and January-September 1982-----	A-23
11. Heavyweight motorcycle power train subassemblies: Harley-Davidson production, by engine sizes, 1977-81, January-September 1981, and January-September 1982-----	A-24
12. Heavyweight motorcycles: U.S. productive capacity and capacity utilization, by firms, 1977-81, January-September 1981, and January-September 1982-----	A-25
13. Heavyweight motorcycles: U.S. producers' shipments, by firm and by engine sizes, 1977-81, January-September 1981, and January-September 1982-----	A-28
14. Heavyweight motorcycles: U.S. exports, by firms, 1977-81, January-September 1981, and January-September 1982-----	A-30
15. Heavyweight motorcycles: U.S. producer's inventories, by firms and by engine sizes, as of Sept. 30 of 1977-82-----	A-31
16. Heavyweight motorcycles: Dealers' inventories of U.S.-produced motorcycles, by brands and engine sizes, as of Sept. 30 of 1977-82-----	A-32
17. Heavyweight motorcycle power train subassemblies: U.S. producers inventories, by firms and engine sizes, as of Sept. 30 of 1977-82-----	A-33
18. Heavyweight motorcycles: U.S. importer's inventories, by brand and engine sizes, as of Sept. 30 of 1977-82-----	A-34
19. Heavyweight motorcycles: Dealers' inventories of imported motorcycles, by brands and engine sizes, as of Sept. 30 of 1977-82-----	A-35
20. Employment: Average number employed in the reporting establishments, hours worked by production and related workers, and wages paid to production and related workers (all products and heavyweight motorcycles and heavyweight motorcycle power train subassemblies only) 1977-81, January-September 1981, and January-September 1982-----	A-38
21. Employment Average U.S. employment of production and related workers hours worked, and average hourly wages, by firm, 1977-81, January-September 1981 and January-September 1982-----	A-40

CONTENTS

	<u>Page</u>
22. Income-and-loss experience of U.S. producers on their operations on motorcycles and/or power train subassemblies for heavyweight motorcycles, by firms, 1977-81, January-September 1981, and January-September 1982-----	A-42
23. Income-and-loss experience of U.S. producers on their operations on motorcycles and/or power train subassemblies for heavyweight motorcycles, by firms, 1979-81, January-September 1981, and January-September 1982-----	A-44
24. Investment in fixed assets employed in the production of motorcycles and power train subassemblies for heavyweight motorcycles by firms, 1977-81, January-September 1981, and January-September 1982-----	A-46
25. Capital expenditures and research and development costs on U.S. producers' operations for heavyweight motorcycles and power train subassemblies, by firms, 1977-81, January-September 1981, and January-September 1982-----	A-48
26. Heavyweight motorcycles: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982-----	A-49
27. Heavyweight motorcycles: U.S. producers shipments, exports of domestic merchandise, importers' shipments, and apparent consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982-----	A-52
28. Heavyweight motorcycle, power train subassemblies: U.S. production, producer's shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982-----	A-55
29. Average prices received by all U.S. producers, by Harley-Davidson, and by importers of heavyweight motorcycles with engine displacements of over 1025cc, by quarters, January 1979-September 1982-----	A-58
30. Average prices received by all U.S. producers, by Harley-Davidson, and by importers of heavyweight motorcycles with engine displacements of over 850cc but not over 1025cc and average prices received by importers of motorcycles with engine displacements of over 700cc but not over 850cc, by quarters, January-September 1982-----	A-59
31. Average unit values of shipments of motorcycles by all U.S. producers, by Harley-Davidson, and by importers with engine displacements of over 1025cc, over 850cc but not over 1025cc, and over 700cc but not over 850cc, 1979-81, January-September 1982-----	A-60
32. Heavyweight motorcycles: Dealer net prices for selected models, January 1980-1982-----	A-61
33. Heavyweight motorcycles: Total domestic shipments by U.S. producers, domestic shipments by Harley-Davidson, and the aggregate rate of civilian unemployment, 1977-81, January-September 1981, and January-September 1982-----	A-63

REPORT TO THE PRESIDENT
ON INVESTIGATION NO. TA-201-47

HEAVYWEIGHT MOTORCYCLES, AND ENGINES AND POWER TRAIN SUBASSEMBLIES THEREFOR

UNITED STATES INTERNATIONAL TRADE COMMISSION
February 1, 1983

Determination

On the basis of the information developed in the course of investigation No. TA-201-47, the Commission (Commissioner Stern dissenting) determined that motorcycles having engines with total piston displacement over 700 cubic centimeters provided for in item 692.50 of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increased quantities as to be a substantial cause of the threat of serious injury to the domestic industry producing articles like or directly competitive with the imported articles. The Commission also determined (Commissioner Haggart dissenting) that engines and power train subassemblies for such motorcycles (whether imported separately or in combination), and parts of such engines and subassemblies, all the foregoing provided for in TSUS items 660.56, 660.67, and 692.55, are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Findings and recommendations

The Commission finds and recommends (Commissioner Stern dissenting) 1/ that in order to prevent serious injury to the domestic industry, it is necessary to impose rates of duty, in addition to the existing rate, with respect to motorcycles having engines with total piston displacement over 700

1/ Commissioner Stern recommends no import relief.

cubic centimeters, provided for in TSUS item 692.50, for a 5-year period, as follows: 1/

<u>1st year</u>	<u>2nd year</u>	<u>3rd year</u>	<u>4th year</u>	<u>5th year</u>
45% ad val.	35% ad val.	20% ad val.	15% ad val.	10% ad val.

The term "motorcycles having engines with total piston displacement over 700 cubic centimeters" is intended to include such motorcycles, whether assembled or not assembled, and whether finished or not finished, and thus would include, as unfinished motorcycles, wholly or partly assembled motorcycle frames with engines mounted thereon.

Background

The Commission instituted the present investigation, No. TA-201-47, on September 16, 1982, following the receipt, on September 1, 1982, of a petition for import relief filed by Harley-Davidson Motor Co., Inc., and Harley-Davidson York, Inc., producers of heavyweight motorcycles and engines and power train subassemblies therefor. The investigation was instituted pursuant to section 201(b)(1) of the Trade Act of 1974 (19 U.S.C. 2251(b)(1)) in order to determine whether motorcycles having engines with total piston displacement over 700 cubic centimeters and engines and power train subassemblies therefor (whether imported separately or in combination), and

1/ There were no significant imports of heavyweight motorcycles from countries whose imports are presently subject to the rates of duty set forth in column 2 of the TSUS. The import relief recommended herein, therefore, is not addressed to imports from such countries. The recommended relief would involve the imposition of rates of duty on imports from countries whose imports are currently subject to rates of duty in column 1 which would be higher than the rates set forth in column 2. Should such recommended, or any other, rates of duty higher than the column 2 rates be proclaimed by the President, it would be necessary for him to conform column 2 by proclaiming rates therefor that are the same as those proclaimed for column 1 in order to avoid being in violation of our international obligations. (See art. I, General Agreement on Tariffs and Trade (Basic Instruments and Selected Documents, vol. IV, March 1969)).

parts of such engines and subassemblies, all the foregoing provided for in TSUS items 692.50, 660.56, 660.67, and 692.55, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Notice of the institution of the Commission's investigation and of a public hearing was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C. and by publishing the notice in the Federal Register of September 22, 1982 (47 F.R. 41884).

A public hearing in this investigation was held in the Hearing Room of the U.S. International Trade Commission Building in Washington, D.C., on November 30, 1982. All interested parties were afforded an opportunity to be present, to present evidence, and to be heard. 1/

This report is being furnished to the President in accordance with section 201(d)(1) of the Trade Act. The information in the report was obtained from fieldwork and interviews by members of the Commission's staff and from other Federal agencies, responses to Commission questionnaires, information presented at the public hearing, briefs submitted by interested parties, the Commission's files, and other sources.

1/ A transcript of the hearing and copies of briefs submitted by interested parties in connection with the investigation were attached to the original report sent to the President. Copies are available for inspection at the U.S. International Trade Commission, except for material submitted in confidence.

Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. These deletions are marked by asterisks.

Views of Chairman Alfred Eckes

Summary

A one-year supply of motorcycles overhangs the domestic market. This huge inventory, which has accumulated largely in the hands of importers and dealers, has already depressed prices, discouraged domestic production, and hampered efforts of the U.S. industry to adjust to increasing foreign competition. My recommendation to the President for relief to the domestic motorcycle industry is based on the threat of serious injury posed by this huge inventory and continued imports. Based on the facts developed in our investigation, I am convinced that increased imports are a substantial cause of a threat of serious injury to the domestic industry. To deny relief to the motorcycle industry in its present precarious position on the rationale that recessionary factors are more of a cause or threat of serious injury is to frustrate the intent of Congress.

Consequently, on the basis of information obtained in this investigation, I determine that heavyweight motorcycles provided for in item 692.50 of the Tariff Schedules of the United States (TSUS) are being imported into the United States in such increased quantities as to be a substantial cause of the threat of serious injury to the domestic industry producing articles like or directly competitive with the imported articles.

Furthermore, I determine that heavyweight motorcycle engines, power train subassemblies and parts thereof provided for in items 660.56, 660.67 and 692.55 of the TSUS are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

In order to prevent serious injury, I believe it is necessary for the President to impose rates of duty, in addition to the present rate of duty, for a five-year period on heavyweight motorcycles.

Criteria for Affirmative Determination

In order to make an affirmative determination in an investigation under section 201 of the Trade Act of 1974, the Commission must consider several key questions:

First, is a domestic industry producing an article like or directly competitive with the imported article?

Second, are there increased imports (either actual or relative to domestic production) of an article into the United States?

Third, is the domestic industry seriously injured, or threatened with serious injury?

Fourth, are increased imports of an article a substantial cause of serious injury, or threat thereof, to the domestic industry producing an article like or directly competitive with the imported article?

Domestic Industry

In seeking to define the domestic industry in this investigation, I have considered the statute, its legislative history, and past Commission practice. The phrase "domestic industry" is not defined in the Trade Act or its legislative history. However, section 201 and predecessor import relief provisions describe the domestic industry in terms of

domestic production of an article "like or directly competitive with" an imported article. Generally, the Commission in previous investigations has followed a "product line" approach, finding the domestic industry to consist of domestic production facilities and workers producing a product "like or directly competitive with" the imported article.

The imported articles which are the subject of this investigation are described in the Commission's notice as "motorcycles having engines with total piston displacement over 700 cubic centimeters (cc) and engines and power train subassemblies therefor (whether imported separately or in combination), and parts of such engines and subassemblies" provided for in four specified TSUS items.

Both imported and domestic heavyweight motorcycles generally have large-sized engines, large wheels and tires and use heavyweight components such as forks, sprockets and shocks. Although the motorcycle industry divides heavyweight motorcycles into three basic classes (touring, sport, and cruiser or custom) for some marketing purposes, these classes tend to overlap in the marketplace. Most of these motorcycles can carry more than one rider and all three categories may be used either for touring or for urban transportation. Additionally, consumers most often purchase a heavyweight motorcycle for more than one reason. Because of this, it is difficult to delineate marketing categories based on consumer preferences. Finally, the demographic makeup of purchasers of imported and domestic heavyweight motorcycles is basically the same with regard to age, marital status and income group. For these reasons, I have concluded that domestic heavyweight motorcycles are "like or directly competitive with" the imported heavyweight motorcycles.

Concerning both imported and domestically-produced engines and power train subassemblies, these include the motorcycle engine, transmission and related parts that transmit power to the rear wheel of the motorcycle. In this investigation such imported and domestic articles are all between 700 and 1340cc in size, and are made from similar materials and have the same appearance. Both imported and domestically produced engines and power train subassemblies are adapted to the same uses, namely for transmitting power to the rear wheel of large motorcycles. While not identical in all respects, they are substantially equivalent for commercial purposes. For these reasons, I believe that domestically produced engines and power train subassemblies are "like or directly competitive with" imported engines and power train subassemblies. 1/

From the previous discussion it is apparent that I have concluded that there are two domestic products that are "like or directly competitive with" corresponding imported products in this investigation. However, the Commission discovered during the course of its investigation that domestic producers of finished motorcycles and subassemblies do not have, or did not supply, separate profit and loss data, information on employment, sales, expenses and other related economic factors with regard to each individual

1/ The only domestic producer of the subject engines and power train subassemblies (hereafter referred to as "subassemblies") is Harley-Davidson. I have determined that there are three domestic producers of finished motorcycles, namely Harley-Davidson, Honda and Kawasaki. See discussion of the domestic industry, p. 6-7.

product. ^{1/} Therefore, the appropriate approach is to determine that the domestic industry consists of those facilities engaged in the production of heavyweight motorcycles, and engines and power train subassemblies.

One of the major issues discussed by the petitioner and respondents was whether the domestic industry should consist of one producer of finished motorcycles (Harley-Davidson) or three such producers (Harley-Davidson, Honda and Kawasaki). In resolving this issue I looked to the statute, its legislative history and Commission precedent for guidance.

It is clear that section 201 is intended to protect domestic productive resources--i.e., domestic labor, physical facilities and capital--from increased imports when certain conditions are present. The ownership of these resources, whether domestic or foreign, is not, and should not be, the sole basis of any decision to include or exclude those resources as part of the domestic industry. Within the United States there are three firms which clearly manufacture motorcycles--Harley-Davidson, Honda and Kawasaki. The ultimate amount of domestic content in a finished motorcycle produced by each varies considerably. For instance, Harley-Davidson domestically manufactures engines and power train subassemblies for use in the production of its heavyweight motorcycles. However, Honda and Kawasaki import these major components. Yet, all three companies import instrumentation and certain other parts. Further, the precise percentage of U.S. content, based on production costs, differs from model to model. For Honda and Kawasaki, the share of domestic content is generally less than 50 percent;

^{1/} Available data do not reflect "arms-length" transactions since most of the domestic producer's subassemblies are consumed captively.

however, both have steadily increased their share of domestic content, demonstrating in this way a commitment to production in the United States.

Several other factors deserve mention at this point. Both Honda and Kawasaki have significant productive resources in the United States. Each operates a domestic manufacturing plant, and each has committed a substantial amount of capital to these plants. Together the two firms employ a significant number of U.S. workers who are involved in substantial manufacturing operations such as welding, frame formation, painting and final assembly operations.

Based on an analysis of these considerations, I have concluded that the domestic industry consists of all facilities producing heavyweight motorcycles, engines and power train subassemblies that are "like or directly competitive with" imported articles. This definition includes the domestic production facilities of Harley-Davidson, the petitioner, as well as the domestic facilities of Honda and Kawasaki.

Increased Imports

Based on the data developed in this investigation, there can be little question that imports have increased, both in actual numbers and relative to domestic production, over the last five years. Imports of finished motorcycles rose from 153,506 in 1977 to 202,399 in 1981. For the first nine months of 1982 imports were 176,164, an increase of 30,600, compared with the same period in 1981. In brief, imports rose 21 percent in the most recent period of our investigation. Over the five year period, 1977 to 1981, these rose 32 percent in quantity.

There is additional evidence of increased imports when import levels are compared to domestic production levels. Following a jump in imports relative to production from 1977 to 1978, the ratio of imports to production gradually declined through 1981 as Honda's and Kawasaki's U.S. production increased. However, in the most recent period January-September 1982, the ratio of imports to production sharply increased over the corresponding period of 1981. It is evident to me that the import trends present in this investigation satisfy the statutory requirement.

Condition of the Domestic Industry

The domestic motorcycle industry, as defined earlier in this opinion, does not require permanent protection for its survival. Rather it shows signs of health and vitality, especially with the addition of Japanese firms late in the 1970s. They established new facilities for the assembly and marketing of motorcycles built with domestic and imported materials.

Much of the specific data is necessarily confidential, but the general trends can be discussed publicly. From 1977 to 1981 the U.S. motorcycle industry continued to expand. Consumption of heavyweight motorcycles climbed 22 percent from 1977 to 1981. Domestic shipments and production also rose. Shipments climbed nearly 17 percent over this five year period, and domestic production capacity also increased rapidly, up 82 percent from 1977 to 1981 reflecting the addition of Honda's domestic facilities. This growth extended to employment as well. The number of jobs increased some 30 percent over the five year period.

In 1982 the pattern changed. Consumption fell, domestic shipments declined, and employment dropped. The industry, which had exhibited a reasonably healthy profit-and-loss situation, through 1980, became increas-

ingly vulnerable to injury from imports, from a huge build-up of inventories over the course of 1982. 1/

Substantial Cause of Injury or Threat Thereof

My affirmative recommendation to the President is not based on present injury from imported finished motorcycles. Rather I believe there is an unambiguous case for relief. Recent and prospective imports of finished heavyweight motorcycles pose a threat of serious injury to the domestic industry.

In determining whether a threat of serious injury exists, the Trade Act of 1974 cites certain economic factors which Congress wanted the Commission to consider. Section 201(b)(2) states that the Commission shall consider "all economic factors which it considers relevant, including (but not limited to)--

(b) with respect to threat of serious injury, a decline in sales, a higher and growing inventory, and a downward trend in production, profits, wages, or employment (or increasing underemployment) in the domestic industry concerned

Another important point emerges in the legislative history, and it offers further guidance to the Commission. Reports of the House Committee on Ways and Means and the Senate Committee on Finance both state that a threat of serious injury exists "when serious injury, although not yet existing, is imminent."

When the factors specifically cited in the statute are applied to the heavyweight motorcycle industry, the data demonstrate an unmistakable

1/ Several factors distort profit-and-loss data. The arrival of Honda and Kawasaki and their expansion of facilities along with the extensive reorganization of Harley-Davidson in 1981 all lead to inconclusive patterns.

threat of serious injury. Domestic shipments declined 13 percent in the first nine months of 1982. Inventories as a ratio to production of domestic motorcycles rose during the same period. Production, profits, wages and employment all declined. Employment, hours worked, and wages paid for the period January-September 1982, when compared with the same period for 1981, show a decline of 36.5 percent, 20 percent and 12 percent respectively.

The primary factor underlying the threat of injury to this industry consists of importers' and dealers' inventories. Importers' inventories have tripled since 1979, and most recently doubled in the first nine months of 1982 over the same period in 1981. Total inventories of imported motorcycles held by dealers and importers on September 30, 1982, exceed actual domestic consumption for the period January-September 1982. From another analytical perspective, it is clear that these inventories represent 158 percent of total importers' shipments during that period. In short, domestic producers, importers and dealers have enough motorcycles on hand to meet total consumption of imported and domestic motorcycles for approximately one year.

It is evident that inventories of imported motorcycles have increased significantly during the most recent period. These increases exceed growth in consumption and surpass historical shipment trends for importers. The mere presence of such a huge inventory has had and will continue to have a depressing effect on the domestic industry. Also, given the natural desire of consumers for current design and up-to-date performance capabilities, motorcycles cannot be withheld from the market indefinitely. They must be sold. And given the realities of the market place, there is a strong incentive to liquidate these inventories as quickly as possible. The impact of such a massive inventory build-up on the domestic industry is imminent, not remote and conjectural.

I have seen no persuasive evidence that would suggest imports of Japanese heavyweight motorcycles will decline in the near future. Instead, the Japanese motorcycle industry is export oriented--exporting in 1981 some 91 percent of the heavyweight motorcycles produced in Japan. Because motorcycles of more than 750cc, which include the merchandise under investigation here, cannot be sold in Japan under current law, Japanese producers cannot consider domestic sales as a replacement for exports. The other option, which they apparently pursued in 1982, is to push export sales in the face of declining demand in the U.S. market. This tactic helps to maintain output and employment in the producing country but it shifts some of the burden of adjustment to competitors in the importing country. Evidence that the Japanese producers will seek to maintain a high level of export sales to the U.S. is found in an estimate of the Japanese Automobile Manufacturers's Association (JAMA). This organization estimated that exports of 700cc or over motorcycles to the United States for 1982 and 1983 would average 450,000 units or less for both years combined. That figure results in import levels higher than recent levels.

Finally, imports of finished heavyweight motorcycles pose a "substantial cause" of threat of serious injury. Under section 201(b)(4), a "substantial cause" is "a cause which is important and not less than any other cause." In my view, there is no cause more important than imports threatening injury to the domestic motorcycle industry.

In reaching this conclusion I have considered the significance of the present recession in my analysis. Without a doubt the unusual length and severity of the present recession has created unique problems for the domestic motorcycle industry. Without a doubt the rise in joblessness,

particularly among blue-collar workers, who constitute the prime market for heavyweight motorcycles, has had a severe impact on the domestic industry. Nonetheless, if the Commission were to analyze the causation question in this way, it would be impossible in many cases for a cyclical industry experiencing serious injury to obtain relief under section 201 during a recession. In my opinion Congress could not have intended for the Commission to interpret the law this way.

There are other reasons for doubting the domestic recession is a substantial cause of injury or threat to the U.S. industry. During the current recession, imports from Japan have increased their market share from domestic producers, gaining nearly six percentage points. Imports have taken market share from the domestic facilities of Honda and Kawasaki as well as Harley-Davidson.

Moreover, while the current recession has undoubtedly depressed demand for heavyweight motorcycles, economic conditions are beginning to improve in this country. Automobile sales are moving up, and so are housing starts and other important leading indicators. As demand responds to this improvement, the domestic industry will be pre-empted from participating in any growth because of the presence of a one-year supply of motorcycles poised and ready to capture market share. Consequently, not the recession, but the inventory of motorcycles coupled with anticipated future imports constitute the greatest threat of injury in the months ahead.

Impact of Subassembly Imports

A careful review of evidence developed in this investigation has convinced me that imports of subassemblies have not significantly displaced

subassemblies produced in the United States. Consequently, the increased imports of subassemblies have not been a substantial cause of serious injury and do not pose a threat of serious injury to the domestic industry.

At the present time two firms import subassemblies. Most are imported by Honda for use in production of motorcycles at its Marysville, Ohio, facility. Kawasaki imports a smaller number for use in its assembly facilities in Lincoln, Nebraska. 1/ Because all domestic and imported subassemblies are consumed in captive markets, there is no basis for assessing the impact of imported subassemblies on the performance of Harley-Davidson the only domestic producer of subassemblies. Accordingly, in assessing the impact of these imported articles, I have considered that part of the market where both domestic and imported subassemblies compete, namely in finished motorcycles.

A review of the competitive conditions indicates that the Honda and Kawasaki imports of subassemblies have had only a slight impact on the share of the finished motorcycle market held by Harley-Davidson. During the January-September 1982 period the market share of Honda and Kawasaki declined from the comparable 1981 period, as imports of finished motorcycles climbed. While the other domestic producers did increase market share at the expense of Harley-Davidson from 1980 to 1981, their 1981 share approximated the market share held in 1977.

Remedy

In order to prevent the serious injury threatening the domestic industry, I recommend that the President impose rates of duty, in addition to present

1/ Imports of subassemblies are increasing both absolutely and relatively to domestic production. Imports increased absolutely from 1977 to 1981. However, in the first nine months of 1982 they decreased in comparison to the same period of 1981.

duties, for a five-year period on motorcycles having engines with total piston displacement over 700cc, provided for in items 692.50 of TSUS, as follows:

<u>1st year</u>	<u>2nd year</u>	<u>3rd year</u>	<u>4th year</u>	<u>5th year</u>
45% ad val.	35% ad val.	20% ad val.	15% ad val.	10% ad val.

There are two compelling reasons for providing relief of this magnitude for five years. First, a large increase of tariffs is required to discourage further imports of finished heavyweight motorcycles while the large inventory of imported motorcycles is liquidated. The three domestic producers and importers and their dealers have a one-year supply of heavyweight motorcycles at 1982 consumption levels. Over 85 percent of this inventory is imported merchandise with most of these motorcycles coming from Japan. Because domestic consumption of heavyweight motorcycles is not expected to rise much this year, it will take several years to sell-off inventories. Meanwhile, the presence of such large quantities of imports in the domestic market, which sell at prices below U.S. produced motorcycles, will continue to exert severe downward pressure on prices. This situation could threaten the economic viability of one major U.S. producer and jeopardize U.S. assembly operations of the other two producers.

From my vantage point the high tariff remedy will encourage an orderly reduction of existing inventories and discourage further imports of finished motorcycles. At the same time the proposed remedy will enable other domestic producers, such as Honda and Kawasaki, to maintain, and perhaps even expand their U.S. operations. Thus, the American consumer will continue to have a desirable range of choice, and all producers will continue to have incentive to innovate for competitive reasons.

Second, the import relief will enable Harley-Davidson, the petitioner and the domestic firm accounting for the bulk of productive resources in this country, to carry out an ambitious program to modernize plants and equipment as well as to improve its product lines. Harley has indicated it plans to install sophisticated machine tools and robots for welding and painting as part of its modernization program. Harley also says it will develop a new family of advanced-design motorcycles in the 800-1000cc range which will be equipped with a new four-cylinder, water-cooled engine and, thus, will gain a broader product base for competition in the late 1980s. Harley is also redesigning its present V-twin engine, and it expects these improvements to come on line in late 1983 and late 1984.

I am recommending that the proposed tariffs be imposed over a five-year period. During the first part of this period relief will operate to revalue prices of motorcycles in inventory and ensure the industry's competitive position in relation to that inventory. Also, the relief will restrain imports to acceptable, predictable levels. During the latter part of the relief period, the graduated tariff levels will provide a needed measure of protection as the domestic industry increasingly brings into full operation its adjustment program.

My proposal for relief is designed to help the domestic industry adjust to import competition. With the proposed relief there is reason to think Harley can increase its production from the current depressed level to a higher level in the second to fifth years of the relief period. This higher level, Harley indicates, would produce sufficient profitability to fund its adjustment efforts. Furthermore, the program would provide some

benefit to Honda and Kawasaki, encouraging them to increase production and employment at their U.S. facilities.

An increase in the tariff of 45 percent ad valorem in the first year should increase retail prices by only 10 percent in the first year of relief and by 12.5 percent in the second year as revalued import inventories are consumed along with new imports. However, the price of new imports should rise about 25 percent, if importers absorb about 20 points of the tariff increase. Such an increase in the price of imports is necessary to prevent price cutting of imported motorcycles already in inventory. At present Harley motorcycles cost substantially more than comparable imports based on confidential price data. Harley is losing money even at these prices. During the initial relief period Harley has indicated that it will not raise prices, except by reducing rebates and discounts. With increased production and sales, Harley should benefit somewhat from improved economies of scale.

In the short run, price increases may have some adverse impact on consumers, but the domestic industry's adjustment will have a positive long-term effect. The proposed relief will save domestic jobs and lead to increased domestic production of competitive motorcycles. As exports become more competitive with the depreciation of the dollar, it is reasonable to think that Harley and the other domestic producers will participate again in export sales.

If no relief is provided to the domestic motorcycle industry, it is likely that Harley-Davidson will experience increasing difficulties. It is also likely that the other domestic producers will have diminished incentives to produce and assemble motorcycles in the United States. The net result would be a loss of jobs, productive facilities and government revenues to other countries.

VIEWS OF COMMISSIONER VERONICA A. HAGGART

Summary of Findings and Recommendation to the President

I have determined that increasing imports of motorcycles having engines with total piston displacement of over 700 cubic centimeters (cc), and engines and power train subassemblies therefor, are a substantial cause of a threat of serious injury to the domestic industry producing articles like or directly competitive with the imported articles which are the subject of this investigation. My decision is based on the following findings:

- (1) All domestically produced motorcycles of over 700cc and engines and power train subassemblies therefor are "like or directly competitive" with the imported articles subject to the investigation;
- (2) The domestic industry producing the "like or directly" competitive articles consists of the domestic productive resources located at the U.S. facilities of Harley-Davidson, Honda, and Kawasaki;
- (3) There have been increased quantities of the imported articles subject to investigation, both in absolute terms and relative to domestic production;
- (4) The domestic industry is threatened with serious injury; and
- (5) Increasing imports of the articles subject to investigation, resulting in record high levels of inventories, are a substantial cause of a threat of serious injury to the domestic industry.

In order to prevent the serious injury that I have found is threatened, I am recommending that the President impose an additional duty on imports of motorcycles with an engine displacement of over 700cc for a period of five years as follows: 45 percent ad valorem during the first year of relief, with a 10 percentage point decrease in the second year, an additional 15 percentage

point decrease in the third year, and a further decrease of five percentage points for each of the remaining two years of relief. In my judgment, implementation of relief in this form and at this level will permit the domestic industry to improve its competitive position vis-a-vis imports and provide it with an opportunity to adjust effectively to import competition in light of the substantial importers' and dealers' inventories which currently exist.

Introduction

The petition filed in this investigation by Harley-Davidson Motor Co., Inc., and Harley-Davidson York, Inc. (hereinafter collectively referred to as "Harley-Davidson") requested relief from imports of "heavyweight motorcycles and heavyweight power train subassemblies" pursuant to section 201 of the Trade Act of 1974. On September 16, 1982, the Commission initiated this investigation:

to determine whether motorcycles having engines with total piston displacement over 700 cubic centimeters (cc) and engines and power train subassemblies therefor . . . are being imported into the United States in such increased quantities as to be a substantial cause of serious injury or threat thereof to the domestic industry producing articles like or directly competitive with the imported articles. ^{1/}

The Commission's "Notice of Investigation" defined the imported articles which fall within the scope of investigation. Lighter weight motorcycles and engines and power train subassemblies therefor are not a subject of this investigation.

^{1/} Commission "Notice of Investigation," 47 Fed. Reg. 41884, Sept. 22, 1982.

The petition has been opposed by America Honda Motor Co., Inc., Honda of America Manufacturing, Inc. (hereinafter collectively referred to as "Honda"), Kawasaki Motors Corp., U.S.A., Kawasaki Motors Manufacturing Corp., U.S.A. (hereinafter collectively referred to as "Kawasaki"), U.S. Suzuki Motor Corporation, and Yamaha Motor Corporation, U.S.A.

Section 201(b) of the Trade Act of 1974 ^{2/} provides that three conditions must be satisfied before an affirmative determination can be made:

- (1) An article is being imported in increased quantities (either in actual terms or relative to domestic production);
- (2) the domestic industry producing an article like or directly competitive with the imported article must be experiencing serious injury or must be threatened with serious injury; and
- (3) the increased imports must be a substantial cause of the serious injury or threat thereof to said domestic industry.

For the reasons which follow, I have determined that increased imports of the articles that are the subject of this investigation are a substantial cause of a threat of serious injury to the domestic motorcycle industry.

Domestic industry

In analyzing the criteria required by section 201, it is first necessary to define the scope of the domestic industry. In this investigation, this requires resolution of three key issues about which there is considerable controversy:

- (1) Whether the heavyweight motorcycles produced by the domestic industry, which have engine displacement of

^{2/} 19 U.S.C. §2251(b)(1).

over 850cc, are like or directly competitive with imported heavyweight motorcycles of over 700cc; 3/

- (2) Whether there is a domestic industry producing articles like or directly competitive with the imported engines and power train subassemblies and parts therefor (hereinafter "subassemblies"); and
- (3) Whether the U.S. facilities owned and operated by Honda and Kawasaki are part of the domestic industry.

The manner in which these issues are resolved can have a critical impact on the question of serious injury or threat thereof. In order to arrive at the appropriate definition of the domestic industry, the nature of the imported products, the competitive conditions in the domestic market, and the nature of U.S. production must be analyzed in light of the statutory scheme.

Section 201 defines the domestic industry in terms of the domestic producers of "an article like or directly competitive with the imported article." 4/ The phrase "like or directly competitive" is derived from so-called "escape clause" provisions in trade agreements, such as Article XIX of the General Agreement on Tariffs and Trade (GATT). It is not defined in the statute, but the following guidance is provided in the legislative history accompanying the Trade Act of 1974:

The words "like" and "directly competitive" as used previously and in this bill, are not to be regarded as synonymous or explanatory of each other, but rather to distinguish between "like" articles and articles which, although not "like", are nevertheless "directly competitive." In such context, "like" articles are those which are substantially identical in inherent or intrinsic characteristics (i.e., materials from which made, appearance, quality, texture, etc.), and "directly

3/ As previously indicated, the scope of this investigation includes only motorcycles with engines having total piston displacement of over 700cc.

4/ Secs. 201(b)(1) and (b)(3).

competitive" articles are those which, although not substantially identical in their inherent or intrinsic characteristics, are substantially equivalent for commercial purposes, that is, are adapted to the same uses and are essentially interchangeable therefor. ^{5/}

In addition to the legislative history, previous Commission investigations have resulted in extensive discussions of the meaning of the phrase and offer some guidance as to how it should be applied to the facts of the instant case. ^{6/} However, "[a]pplication of the statutory criteria must be made against circumstances that exist in fact rather than on the basis of neat, conceptual constructs." ^{7/}

Based on the facts of this investigation, I have concluded: (1) that domestically produced motorcycles, which have an engine displacement of over 850cc, are like or directly competitive with imports of motorcycles with engine displacement of over 700cc, (2) that subassemblies domestically produced by Harley-Davidson are like or directly competitive with the subassemblies imported by Honda and Kawasaki but, because most of Harley-Davidson's production is captively consumed and the continued viability of its subassembly operation is inextricably tied to its motorcycle operation, that the domestic industry producing such articles is the domestic motorcycle industry, and (3) that the domestic facilities of Honda and Kawasaki are

^{5/} H.R. Rep. No. 571, 93 Cong., 1st Sess. 45 (1973); S. Rep. No. 1298, 93d Cong., 1st Sess. 122 (1974). These two reports address this issue with virtually identical language.

^{6/} See Certain Motor Vehicles and Certain Chassis and Rodies Therefor, Inv. TA-201-44, USITC Pub. No. 1110 (1980) at 4-11, 53-64, 95-99; Mushrooms, Inv. TA-201-43, USITC Pub. No. 1089 (1980) at 6-14.

^{7/} Certain Motor Vehicles, supra note 6, Views of Vice Chairman Calhoun, at p. 59.

part of the domestic industry. My rationale for these conclusions follows.

(1) Domestically produced motorcycles with engine displacement of over 850cc are like or directly competitive with imported motorcycles with engine displacement of over 700cc. Both domestically produced and imported motorcycles with engine displacement of over 700cc are substantially identical in their inherent and intrinsic characteristics, are made from the same materials, and have the same basic appearance. Furthermore, they are substantially equivalent for commercial purposes, are adaptable to the same uses, and are essentially interchangeable. Harley-Davidson has submitted dealer affidavits showing sales of motorcycles with engine displacement of 1000cc lost to imported motorcycles having engine displacement of 750cc, two studies showing the cross-competition between such imported motorcycles and Harley-Davidson motorcycles having engine displacement of 1000-1340cc, as well as other data to support this conclusion. ^{8/}

This conclusion is consistent with the definition of the domestic industry in Certain Motor Vehicles ^{9/} wherein each Commissioner concluded that all domestically produced passenger automobiles are "like or directly competitive" with all imported passenger automobiles, even though there existed a wide variety of sizes and characteristics among the various types of passenger automobiles. ^{10/} Just as in the Certain Motor Vehicles

^{8/} Harley-Davidson's Posthearing Brief at 23.

^{9/} Certain Motor Vehicles, *supra* note 6, at pp. 7, 62, 96, and 168.

^{10/} In Certain Motor Vehicles, Chairman Alberger stated:

While various government bodies, industry groups and trade publications do subdivide cars into different groups, these classifications are somewhat arbitrary and vary considerably. *Id.* at 7.

investigation, it may be argued that a motorcycle with an engine displacement of 1340cc is not "like," or substantially identical to a motorcycle having an engine displacement of 750cc in the narrow sense. However, these bikes are substitutable for each other in nearly all aspects of their use, and therefore are "directly competitive." In the absence of any clear dividing line between motorcycles with an engine displacement of 750cc and those with engine displacement of 850cc and over, I have concluded that all motorcycles with an engine displacement of over 700cc are "like or directly competitive." ^{11/}

Thus, the only rational definition of the domestic industry is one that includes those producers and facilities producing motorcycles having an engine displacement of over 850cc.

(2) Subassemblies domestically produced by Harley-Davidson are like or directly competitive with the subassemblies imported by Honda and Kawasaki. However, because most of Harley-Davidson's production of subassemblies is captively consumed and the continued viability of its subassembly operations is inextricably tied to its motorcycle operation, I conclude that the domestic industry producing such articles should be considered the domestic motorcycle industry.

^{11/} Under this type of analysis, it may be argued that imported motorcycles with engine displacement of 500cc or 650cc should be considered directly competitive with motorcycles having larger engine sizes. However, imported motorcycles with engine displacements of smaller than 700cc are not within the scope of this investigation. The exclusion of motorcycles with an engine displacement of less than 700cc from the Notice of Investigation is consistent with the past practice of this Commission. See Motorcycles from Japan, Inv. AA1921-187, USITC Pub. No. 923 (1978), at 3.

Harley-Davidson has argued that imported subassemblies are like or directly competitive with finished motorcycles. ^{12/} Importers disagree, arguing that the subassemblies are component parts and that component parts cannot be like or directly competitive with a finished article. ^{13/}

I conclude that motorcycle parts are not like or directly competitive with finished motorcycles, ^{14/} but that Harley-Davidson produces subassemblies that are like or directly competitive with the imported subassemblies. Although the domestic subassemblies differ from the imported subassemblies in the number of cylinders, cylinder configuration, and other design characteristics, they all are adapted to the same use. ^{15/} Because there is domestic production of a like or directly competitive product, I conclude that there is a domestic industry producing such articles. However, because such articles are largely captively consumed by the domestic producer and are not generally traded in commerce, I find that the relevant domestic industry consists of those domestic facilities devoted to the production of motorcycles. Hence, the appropriate industry against which to assess the impact of imports of subassemblies is the domestic motorcycle industry. ^{16/}

The conclusion that Harley-Davidson's facilities and labor devoted to production of subassemblies are part of the domestic motorcycle industry is

^{12/} Petition, at 12.

^{13/} Importers' Prehearing Brief at 41-43.

^{14/} United Shoe Workers of America, AFL-CIO v. Bedell, 506 F.2d 174 (D.C. Cir. 1974). (The court held, inter alia, that component parts and finished articles are not like or directly competitive with each other.)

^{15/} Report at A-5-6.

^{16/} Although we do not have complete data regarding Harley-Davidson's subassemblies, the available data show that Harley-Davidson's subassembly operations are experiencing the same problems as its motorcycle operations.

consistent with past Commission practice. In Certain Motor Vehicles, one Commissioner found that both independent and captive component part producers were part of the domestic automobile industry. ^{17/} In Television Receivers, the Commission majority defined the relevant domestic industry as consisting of the facilities devoted to the production of both television receivers and subassemblies thereof, even though not all domestic producers of television receivers were producers of subassemblies. ^{18/}

As in Television Receivers, the continued viability of Harley-Davidson's subassembly operations is inextricably tied to the viability of its motorcycle operation. ^{19/} The fact that no domestic producer is in the business of selling motorcycle subassemblies as a separate product is not dispositive of the issue of whether there is a domestic industry producing an article like or directly competitive with imported subassemblies. Rather, it is relevant to a

^{17/} Certain Motor Vehicles, supra note 6, Views of Commissioner Stern, at 97-99.

^{18/} Television Receivers, Color and Monochrome, Assembled or Not Assembled, Finished or Not Finished, and Subassemblies Thereof, Inv. TA-201-19, USITC Pub. 808 (1977), Views of Commissioners Minchew, Leonard and Moore at 9-10.

^{19/} In Television Receivers, Commissioners Minchew, Leonard, and Moore stated:

Whether producers of the subassemblies in question are considered to be part of the U.S. industry producing television receivers or a separate or distinct industry, their economic viability is unmistakably linked to the ability of the U.S. television producers to compete in the U.S. market. . . . Therefore, it is unnecessary to treat such producers separately, as our determination would be the same irrespective of whether these producers are considered a separate industry or not. Id. at 9-10.

determination of whether any remedy recommendation should address imported subassemblies as well as completed motorcycles. Unlike the conclusion reached by the majority in Television Receivers, ^{20/} I concluded that a remedy could be fashioned for imports of subassemblies as well as for finished motorcycles that would not be counterproductive to the domestic industry as a whole, and therefore, my affirmative determination includes both imports of motorcycles and subassemblies. ^{21/}

(3) The domestic facilities of Honda and Kawasaki should be considered part of the domestic industry. Harley-Davidson argues that its operations constitute the entire domestic industry because the domestic Honda and Kawasaki operations use largely imported parts, including the largest single part, the subassembly, thereby adding less than 50 percent of the value domestically to the U.S.-produced motorcycles; the Honda and Kawasaki facilities are assembly operations and not production or manufacturing plants; and Honda and Kawasaki are also significant importers. ^{22/} On the other hand, Honda and Kawasaki argue, inter alia, that they are part of the domestic industry because they engage in manufacturing in the United States; foreign ownership per se should not be a basis for excluding them from the domestic industry; and public policy, which seeks to encourage foreign companies to

^{20/} Id. at 27.

^{21/} See Remedy discussion infra. Such a conclusion is not inconsistent with a finding that the U.S. facilities of Honda and Kawasaki are a part of the domestic industry.

^{22/} Harley-Davidson's Posthearing Brief at 2.

establish U.S. manufacturing plants, dictates that their domestic operations be considered part of the U.S. industry. ^{23/}

Foreign ownership per se should not preclude the inclusion of Honda and Kawasaki's U.S. operations as part of the domestic industry. ^{24/} Furthermore, the underlying policy of section 201 supports a conclusion that Honda and Kawasaki are part of the domestic industry. Section 201 is intended to protect "productive facilities," that is, the "employees, physical facilities, and capital" of the domestic industry. ^{25/} Both Kawasaki and Honda have invested in productive facilities in the United States. At the present time, Honda and Kawasaki employ 674 U.S. workers in two plants in Marysville, Ohio, and Lincoln, Nebraska. ^{26/} Although the motorcycles produced in these plants are made largely from imported parts, including imported subassemblies, ^{27/} a significant amount of production-related activity takes place in the United States.

Honda and Kawasaki's operations in the United States are not merely assembly operations. Honda and Kawasaki fabricate frames from raw steel tubes for all of their U.S.-produced motorcycles in the United States; Honda and Kawasaki manufacture gas tanks and Honda makes almost all of its plastic parts

^{23/} Importers' Prehearing Brief at 13-21.

^{24/} However, it may be relevant to the analysis of injury in that foreign owned firms may be shielded from the full impact of imports because of intracompany transfers of raw materials and parts, contributions to capital by the parent firms, and common production and marketing policies.

^{25/} See, e.g., H.R. Rep. No. 571, supra note 5, at 45. See also S. Rep. No. 2059, 87th Cong., 2d Sess. 11 (1962), referring to the predecessor provision in sec. 301(b) of the Trade Expansion Act of 1962 (76 Stat. 884).

^{26/} Report at A-40.

^{27/} Id. at A-10, A-12.

in the United States. In addition, various parts are assembled on the frames. All painting, testing, packaging, and other finishing operations are performed in the United States. These activities are clearly production-related activities. Further, these activities are of a sufficient nature to ensure that the underlying purpose of section 201 is not evaded by including Honda and Kawasaki as part of the domestic industry. This is true even though the productive resources of Harley-Davidson constitute a substantial portion of the productive resources of the domestic industry: Harley-Davidson produces most of its parts domestically and employs about three times as many U.S. workers, and Harley-Davidson has a far larger investment in its domestic plant and equipment. ^{28/}

Based on the foregoing analysis, I conclude that the U.S. operations of Honda and Kawasaki should be considered as part of the productive facilities making the relevant products for purposes of section 201. ^{29/} This

^{28/} These factors become important in the analysis of whether the domestic industry is seriously injured or threatened with serious injury by reason of imports.

^{29/} This conclusion is consistent with the treatment of Volkswagen as a domestic producer in Certain Motor Vehicles, *supra* note 6, Views of Vice Chairman Calhoun, 49, n. 1. See also Television Receivers, *supra* note 16, wherein the Commission included Sony Corporation of America, wholly owned by its Japanese parent, as part of the domestic industry. The Commission also included Kawasaki as part of the domestic industry in its 1978 antidumping investigation of motorcycles from Japan. Motorcycles from Japan, *supra* note 11, at 3. Honda was not producing motorcycles in the United States in 1978.

conclusion should not be defeated by application of a strict value-added standard, but rather should be made on a case-by-case basis. 30/

Increased imports

The first criterion of section 201 requires a finding that the imported articles are being entered in "increased quantities." This increase can be either "actual or relative to domestic production." 31/ The first criterion has clearly been met.

Imports of finished motorcycles having an engine displacement of over 700cc have increased in absolute terms since 1977. These imports increased irregularly from 154,000 motorcycles in 1977 to 196,000 in 1980 and 202,000 in 1981, and from 146,000 in January-September 1981 to 176,000 in January-September 1982. 32/ The ratio of imports to production for finished motorcycles has remained relatively constant between 1977 and 1981. 33/ However, this ratio increased dramatically in January-September 1982 as U.S.

30/ In defining the domestic industry in a recent Section 337 investigation involving Certain Miniature, Battery-Operated, All Terrain Vehicles, Inv. No. 337-TA-122, I concluded:

[T]he Commission should first look at the nature of the domestic activity in the context of the particular industry involved in order to determine whether such activities are part of the production process. Next the Commission should compare the context of such domestic activities with the total production process in order to determine whether sufficient production activities are performed in the United States. This analysis will necessarily vary depending on the facts of each case.

Although the relevant statutory definition of the domestic industry is not the same as that applied to a Section 201 case, it is believed that the analysis employed in Toy Trucks is nonetheless instructive.

31/ Sec. 201(b)(2)(C).

32/ Report at A-18.

33/ Id. at A-20.

production fell by 12 percent and imports increased by 20 percent. ^{34/}

Imports of subassemblies more than tripled between 1977 and 1981 with most of the increase coming in 1981, the peak year of operation for Honda's Marysville, Ohio plant. ^{35/} Imports in the first 9 months of 1982 were at about the same level as in the same period a year earlier. ^{36/} The ratio of imports to production followed a similar trend, rising steadily from 1977 to 1981, but then increasing sharply in the first nine months of 1982 as domestic production declined. ^{37/}

Substantial cause of serious injury or the threat of serious injury

The second and third criteria of Section 201 require findings (1) that the domestic industry is seriously injured or threatened with serious injury, and (2) that the increased imports are a substantial cause of the serious injury or threat thereof. Because these issues are particularly interrelated in this case, it is appropriate to discuss them jointly.

Section 201 does not define the term "serious injury, or the threat thereof," but instead provides guidelines in the form of economic factors which the Commission is to take into account. Section 201(b)(2) provides that the Commission is to "take into account all economic factors which it considers relevant, including (but not limited to)--

(A) with respect to serious injury, the significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry;

^{34/} Id.

^{35/} Id. at A-21.

^{36/} Id.

^{37/} Id.

(B) with respect to threat of serious injury, a decline in sales, a higher and growing inventory, and a downward trend in production, profits, wages or employment (or increasing underemployment) in the domestic industry concerned. . . . ^{38/}

In the Senate Finance Committee Report on the bill which became the Trade Act of 1974, it is stated that these factors were "not intended to be exclusive." ^{39/} Further, the Committee defined threat of injury to exist "when serious injury, although not yet existing, is clearly imminent if import trends continued unabated." ^{40/}

Section 201 defines the term substantial cause to mean "a cause which is important and not less than any other cause." ^{41/} Thus, a dual test must be met: increased imports must be an important cause and be no less important than any other single cause. ^{42/} In determining whether increased imports are a substantial cause of serious injury or a threat thereof, the Commission is to take into account all economic factors which it considers relevant, including (but not limited to) "an increase in imports (either actual or relative to domestic production) and a decline in the proportion of the domestic market supplied by domestic producers." ^{43/} For the reasons set forth below, I have concluded that imports of motorcycles and subassemblies are a substantial cause of a threat of serious injury to the domestic motorcycle industry.

^{38/} Sec. 201(b)(2).

^{39/} S. Rep. No. 1298, supra note 13, at 121.

^{40/} Id.

^{41/} Sec. 201(b)(4).

^{42/} S. Rep. No. 1298, supra note 13, at 120.

^{43/} Sec. 201(b)(2).

Two of the three domestic producers, Harley-Davidson and Kawasaki, are experiencing economic difficulty. ^{44/} Aggregate domestic production of motorcycles, including production at the U.S. plants of Honda and Kawasaki, rose irregularly from 1977 to 1981, but then decreased by almost 13 percent in January-September 1982 as compared with the same period in 1981. ^{45/} Production at Harley-Davidson, which accounts for the bulk of the domestic industry's productive resources, ^{46/} declined irregularly between 1977 and 1981, and declined substantially during January-September 1982. Production in the first nine months of 1982 was almost 30 percent lower than that reported by Harley-Davidson in January-September 1981. ^{47/} Production at Kawasaki declined irregularly from 1977 to 1980 and then sharply declined in 1981. ^{48/} Production at Kawasaki rose in January-September 1982, but was still far below the levels reported between 1977 and 1980. ^{49/} Production at Honda, which began to a significant degree only in 1980, rose sharply in 1981, and then declined slightly in January-September 1982. ^{50/}

Aggregate U.S. capacity to produce heavyweight motorcycles fluctuated between 1977 and 1979. It then rose dramatically in 1980, ^{51/} but has

^{44/} Data for Kawasaki should be viewed in light of the fact that the firm uses the same assembly lines to produce products other than motorcycles. In addition, Kawasaki decided in 1981 to produce primarily certain police models in the United States and to import virtually all heavyweight motorcycles. Report at A-8.

^{45/} Id. at A-23.

^{46/} See p. 32, supra.

^{47/} Id. at A-23.

^{48/} Id.

^{49/} Id.

^{50/} Id.

^{51/} The increase in capacity in 1980 is attributable to Honda's increase in production capacity. Report at A-25.

remained constant since then.

Industry capacity utilization rates tend to reflect production trends; however, the use of aggregate data relating to capacity utilization tends to distort the industry's performance. Therefore, it is helpful to discuss individually the capacity utilization of the three domestic producers.

Between 1977 and 1980, Harley-Davidson's capacity remained constant, and its capacity utilization increased slightly. However, in 1981, Harley-Davidson's capacity utilization decreased to a level lower than any level reported since 1977. During the first nine months of 1982, Harley-Davidson's capacity utilization continued to plummet. ^{52/}

Since 1980, the year that Honda began full production in the United States, its capacity has remained constant while its capacity utilization increased. Honda's capacity utilization declined in the first nine months of 1982 as compared with the same period of 1981. ^{53/}

Kawasaki's capacity fluctuated between 1977 and 1979, but doubled in 1980 and has remained constant since then. Kawasaki's capacity utilization declined irregularly between 1977 and 1980 before plummeting in 1981 as most heavyweight motorcycle production was shifted back to Japan. Utilization has increased slightly in January-June 1982 as compared with the very low rate in the corresponding period of 1981. ^{54/}

^{52/} Id.
^{53/} Id.
^{54/} Id.

U.S. producers' shipments of heavyweight motorcycles increased irregularly between 1977 and 1981. A major reason for the increase during this period was Honda's increasing shipments in 1980 and 1981. During the period January-September 1982, aggregate domestic shipments decreased in relation to the same period in 1981. Although all three domestic producers reported a decline in shipments during the first nine months of 1982, virtually all of the decline was attributable to declines in shipments experienced by Harley-Davidson and Kawasaki.

Sales figures for Harley-Davidson, Honda, and Kawasaki have reflected these trends in production, capacity utilization, and shipments. While aggregate net sales of the three firms doubled between 1977 and 1981 because of the increase in Honda's sales, sales by Harley-Davidson and Kawasaki have fallen since 1980. During January-September 1982, aggregate net sales declined two percent as compared with the same period in 1981. ^{55/}

With respect to the financial experience of U.S. producers, the aggregate data demonstrate that the industry experienced operating losses in 1981 and the first nine months of 1982. ^{56/} Although Honda and Kawasaki operated at a profit in 1981 and in the period January-September 1982, Harley-Davidson suffered significant losses. ^{57/}

Employment of workers in the production of heavyweight motorcycles rose over 30 percent between 1977 and 1981, but declined over 35 percent in

^{55/} Id. at A-41.

^{56/} Id. at A-42.

^{57/} Id. Because both Honda and Kawasaki are wholly owned subsidiaries of Japanese firms and are involved in extensive intracompany transfers with their parent firms, their financial data may not accurately reflect their profit and loss position.

January-September 1982 as compared with average employment in the same period of 1981. ^{58/} The bulk of the recent decline occurred at Harley-Davidson, where employment dropped almost 50 percent in 1982 after remaining relatively constant during 1977-81. ^{59/} Employment at Kawasaki also declined sharply in January-June 1982 as compared with the same period of 1981. ^{60/} Employment at Honda increased throughout the period. ^{61/}

Dealer inventories of U.S.-produced motorcycles trended upward during 1977-81, peaking in 1980 before declining slightly in 1981 and 1982. ^{62/} Most of the increase in dealer inventories is accounted for by the presence of U.S.-made Honda motorcycles. Although producer inventories were substantially lower than dealer inventories, they tended to follow the same trend. ^{63/}

With respect to the effect of imports on prices, it is necessary to focus on the level of importers' and dealers' inventories. Importers' inventories as of September 30, 1982, were four times the 1977 level and more than double the level for any other year from 1978-1981. ^{64/} Dealers' inventories of imported motorcycles as of September 30, 1982, were more than three times their 1977 level and substantially above the level of inventories in 1979, 1980, and 1981. ^{65/} These inventories exceeded total imports in each of the

^{58/} Id. at A-40.

^{59/} Id.

^{60/} Id.

^{61/} Id.

^{62/} Id. at A-32. Data reflect inventories as of September 30 of each year.

^{63/} Id. at A-31.

^{64/} Id. at A-35.

^{65/} Id. at A-36.

last five years and represent over 80 percent of dealers' 1981 motorcycle purchases. A significant part of dealer inventories include "dresser" and "V-type" engine model motorcycles which are Harley-Davidson's best sellers. ^{66/}

During 1981 and the first nine months of 1982, decline in demand, unemployment, and high interest rates contributed to the slump in sales of both domestically produced and imported motorcycles. Despite this sales slump, actual imports have continued to increase, and inventories of imports held by importers and dealers have soared to record levels. These large and growing inventories of imports have had a depressing effect on prices, especially during 1982. Harley-Davidson has been forced to resort to an extensive and expensive program of rebates and discounts to dealers. Harley-Davidson's average rebates and discounts to dealers rose over 300 percent between 1979 and 1980. They rose at even a greater rate in 1981 ^{67/} and during January-September 1982. ^{68/} Honda's average rebates and discounts on its total sales of both imported and domestically produced heavyweight motorcycles also increased approximately 400 percent from 1979 to 1982. ^{69/}

As previously stated, imports have increased in both actual terms and relative to domestic production. Imports have also increased relative to

^{66/} Id. at A-36-37. Harley-Davidson has asserted that the Japanese manufacturers have introduced in recent years models that emulate Harley-Davidson's traditional, "V-type" engine configuration and its "dresser" models. The data show that imports of these models have increased measurably since 1981. Id. at A-20.

^{67/} Id. at A-62.

^{68/} Id.

^{69/} Id.

consumption, gaining over two-thirds of the U.S. market in January-September 1982. ^{70/} It must be emphasized, however, that this conclusion is reached only by using import-for-consumption statistics for calculating domestic consumption rather than importers' shipments to dealers. Because of the substantial inventories of imported motorcycles at both the importer and dealer level, a persuasive argument can be made that such a calculation is misleading in terms of assessing the actual impact of imports. If consumption is calculated using importers' shipments to dealers rather than actual imports, a downward trend in domestic consumption is shown for 1981, as well as for the first nine months of 1982 compared with the corresponding period of 1981. ^{71/} Importers' shipments to dealers as a share of consumption increased between 1977 and 1980, but then decreased in 1981, and basically remained static (increasing by only 0.2 percent) in the first nine months of 1982 as compared with the same period in 1981. ^{72/}

Thus, the aggregate data show that there has been a decline in sales, production, profits, and employment during the first nine months of 1982. The downward trends are not unrelated to imports. However, when one examines the data based on importers' shipments to dealers rather than actual imports, the proportion of the domestic market supplied by domestic producers did not decline during the first nine months of 1982. Importers' shipments of motorcycles as a share of consumption remained essentially the same in the first nine months of 1982 compared with the corresponding period in 1981.

^{70/} Id. at A- 49-50.

^{71/} Id. at A- 52-53.

^{72/} Id.

Both domestic consumption and imports decreased by approximately 12 percent during this same period. Under these circumstances, I have concluded that imports cannot be considered a substantial cause of serious injury.

However, when the volume of motorcycles available for sale is considered, it is clear that increasing imports are a substantial cause of a threat of serious injury. The unprecedented levels of inventories are likely to remain and will have an increasingly adverse effect on prices in the market even though it is projected that interest rates will moderate, unemployment will decline, and demand will remain constant or increase slightly in 1982. ^{73/}

The Japanese Automobile Manufacturers Association (JAMA) estimated as recently as November 1982 that exports of motorcycles with engines having a displacement of 700cc or over to the United States would average "450,000 units or less" for 1982 and 1983. ^{74/} Three of the four importers of Japanese motorcycles submitted data which indicate that imports would be reduced to approximately 100,000 units in 1983. ^{75/} Even assuming that the fourth Japanese firm severely restricts its imports to the United States, it can be anticipated that imports from Japan in 1983 will range anywhere from 140,000 units to 215,000 units. Thus, even using the lowest projection, imports from Japan combined with existing importer and dealer inventories, would result in an available supply of imported motorcycles of approximately

^{73/} Importers' Posthearing Brief at pp. 40-41.

^{74/} According to JAMA, only about 50,000 motorcycles with engine displacement of over 700cc are sold annually in Japan. Almost all heavyweight motorcycles made in Japan are exported. The United States has been, and continues to be, a major export market for Japanese motorcycles. Report at A-12-15.

^{75/} Id. at A-15.

345,000 units. This available supply of imports, coupled with current domestic producers' inventories and production for 1983, would result in a total available supply of heavyweight motorcycles in 1983 of well over 450,000 units.

Actual domestic consumption has averaged approximately 230,000 units during the last five years and has never exceeded 254,000 units in any one of those years. The continued inventory overhang will only aggravate the erosion of prices as manufacturers compete to maintain their market shares under circumstances where there are strong incentives to dispose of 1982 motorcycle models to make room for the 1983 models. ^{76/} Harley-Davidson, which accounts for a substantial amount of the total productive resources of the domestic motorcycle industry, has already been adversely affected by the market disruption and losses resulting from miscalculations by the Japanese producers as to the 1982 market demand. The unfavorable trends which have manifested themselves in the aggregate data for the first nine months of 1982 are likely to continue unabated unless action is taken which will minimize the adverse impact of the unprecedented inventories in the market. Absent relief under Section 201, Harley-Davidson will no longer remain a viable domestic producer of motorcycles.

In reaching this conclusion, I have considered other causes of the threat of serious injury, such as high interest rates and the decline in demand for heavyweight motorcycles caused by unemployment. However, I have concluded

^{76/} According to a recent article in the Asian Wall Street Journal, a Honda official was quoted as stating that "[i]t's expected Honda and its competitors will be forced into a price-cutting race for the American market." Nov. 11, 1982.

that the increase in imports of heavyweight motorcycles is a far more important cause of a threat of serious injury.

The importers have argued that importer and dealer inventories do not pose a threat of serious injury because their effect on the market has "peaked" and will decline as interest rates and unemployment decrease, which will result in an upturn in demand. ^{77/} In addition, the importers have asserted that conditions in the market are the same as when the Commission determined that the domestic industry was not being, and was not likely to be, injured or threatened with injury by imports of motorcycles from Japan which were, or were likely to be, sold at less than fair value. ^{78/} These assertions are based on their representations that production adjustments are

^{77/} Importers' Posthearing Brief at pp. 40-41. Importers' projections of increasing demand for heavyweight motorcycles would seem to be in accord with demand projections for the auto industry. Although there are no independent projections for demand for motorcycles, projections for the auto industry are useful in analyzing motorcycle demand. In a December 1982 issue of Automotive News, a gradual recovery in auto sales of 10.4 percent was forecast for 1983. This gradual growth in sales is expected to continue through 1984. Even assuming that this forecast may be too optimistic, it provides a basis for projecting some increase in demand for motorcycles in 1983.

^{78/} In 1978, the Commission examined the effects of imports on the U.S. motorcycle industry in the context of an antidumping investigation. Harley-Davidson, which had been the sole domestic producer of heavyweight motorcycles and basic motorcycle parts since the 1950's, was relatively healthy and dominated the heavyweight segment of the U.S. motorcycle market. The Commission concluded that the domestic motorcycle industry was not injured or threatened with injury by reason of less than fair value sales of motorcycles. Motorcycles from Japan, supra note 11, at pp. 7-9.

Today, conditions of competition are far different. Kawasaki began motorcycle assembly operations in Lincoln, Nebraska in 1975, and Honda began similar operations in Marysville, Ohio in 1979. Honda is now a major domestic producer of motorcycles. Imports from Japan, which as late as 1978 were still concentrated in the lightweight, middleweight, and the lower end of the heavyweight segment of the market, now vigorously compete in, and dominate, the heavyweight market.

underway in Japan and there will be a decrease of exports of motorcycles to the United States. Based on the data supplied by the importers, I have concluded that any projected decline in exports to the United States is not sufficient to alleviate the substantial threat of serious injury presented by existing inventories of imported motorcycles. Data prepared by the Commission's staff indicate that Japanese exports of motorcycles to the United States in 1983 would have to be reduced by approximately 75 percent from their 1982 level in order for inventories of imports to decline to historical levels. ^{79/} As discussed previously, even conservative estimates indicate that the oversupply situation in the market will not be alleviated in 1983.

In light of the current demand for motorcycles, if there is any significant reduction in inventories, such a reduction can only occur at depressed prices which will further aggravate the current downward pressure on prices. ^{80/} Absent a significant decline in imports, the domestic industry cannot be expected to capitalize on the projected increase in demand in the market. Thus, unlike the situation found in Certain Motor Vehicles, ^{81/} any recovery in demand will not help the domestic industry because existing and projected imports will severely dampen any prospects for improved sales at prices sufficient to ensure the profitability of domestic producers.

Consequently, I have concluded that imports of heavyweight motorcycles are a

^{79/} Memorandum from the Office of Economics, EC-G-24, January 31, 1983.

^{80/} See, e.g., Yamaha's recent "Dealer Inventory Assistance Program" which includes offers of significant discounts on many 1982 models. Harley-Davidson's Posthearing Brief, Appendix K.

^{81/} Certain Motor Vehicles, supra note 6, Views of Chairman Alberger at 28.

substantial cause of the threat of serious injury to the domestic motorcycle industry. The threat already exists and can be no more clear or imminent than under the facts present in the instant investigation.

Additional Views on Remedy

Section 201(a)(1) of the Trade Act of 1974 provides that a petition for eligibility for import relief may be filed with the Commission "for the purpose of facilitating orderly adjustment to import competition. . . ". If an affirmative determination is made, Section 201(d)(1) of the Act directs the Commission to find the amount of import relief necessary to remedy or prevent the serious injury or threat thereof. The purpose of the relief is to provide the domestic industry "sufficient time to adjust to freer international competition." ^{1/}

After reviewing the information developed during the course of this investigation, I determined that motorcycles having engines with total piston displacement of over 700cc, and engines and power train subassemblies for such motorcycles, are being imported into the United States in such increased quantities as to be a substantial cause of a threat of serious injury to the domestic industry producing articles like or directly competitive with the imported articles. Since I am in the minority with respect to my affirmative determination on power train subassemblies, I am recommending relief only with respect to finished motorcycles. ^{2/}

^{1/} Trade Act of 1974, Report of the Committee on Finance, S. Rept. No. 93-1298 (93rd Cong., 2d Sess.), 1974, at 119.

^{2/} In order to prevent the threat of serious injury that I found to exist, I believe that the most effective remedy would have been an increased rate of duty for finished motorcycles coupled with a liberal quota on imports of subassemblies for such motorcycles. In my judgment, such relief would not have been counterproductive to the industry as a whole. In other words, it would have provided effective relief to the segment of the domestic industry most adversely affected by increasing imports while allowing continued expansion of the remainder of the industry.

In order to prevent the serious injury which is threatened, I am recommending that the President impose rates of duty, in addition to the present rate of duty, for a 5-year period on motorcycles having engines with total piston displacement over 700cc, provided for in TSUS item 692.50, as follows:

<u>1st</u> <u>year</u>	<u>2nd</u> <u>year</u>	<u>3rd</u> <u>year</u>	<u>4th</u> <u>year</u>	<u>5th</u> <u>year</u>
45% ad val.	35% ad val.	20% ad val.	15% ad val.	10% ad val.

Relief of this nature, magnitude, and duration is necessary for a number of reasons. First, although imposing a quota on heavyweight motorcycles would have a more certain effect by restricting imports than an increase in the current tariff, a very restrictive quota would be required to reduce the supply of imported motorcycles in the United States in light of the substantial inventories which currently exist. ^{3/} The Trade Act of 1974 does not allow for the imposition of a quota low enough to have a sufficient impact on the current oversupply of motorcycles. ^{4/} The lowest possible

^{3/} Harley-Davidson has indicated that imports of BMW heavyweight motorcycles are noninjurious. BMW has recommended a tariff-rate quota under which within quota imports (10,000 units) would not be subject to the higher tariff. However, imposition of a tariff-rate quota which allocates an equal quota to all countries regardless of their historic market shares could violate Article XIII of the GATT, which provides that quantitative restrictions are to be administered in a non-discriminatory manner. Memorandum from General Counsel, GC-G-33, January 31, 1983.

^{4/} Section 203(d)(2) of the Trade Act of 1974 limits import relief in the form of a quota to a level which is not less than the quantity imported to the United States during the most recent representative period.

quota of 166,000 units, an 18 percent reduction in imports from their 1981 levels, would result in a continuation of the oversupply of imports in the market during the first year of relief. ^{5/} In view of the current oversupply in the market caused by imports, several years would have to elapse before any quota permitted under the statute would place a significant constraint on the supply of motorcycles. Therefore, I have concluded that a quota would not be the most effective method of preventing the threatened injury and would not allow the domestic industry the opportunity to adjust to import competition.

Second, the recommended tariff increase is necessary for the first two years to discourage imports while a large and growing inventory of imported motorcycles is drawn down. This inventory now amounts to 206,000 imported motorcycles and represents about 75 percent of one year's consumption. Although domestic motorcycle consumption is expected to increase somewhat in the next year, the large inventory is not expected to be reduced significantly in 1983. ^{6/} The existence of this inventory will continue to exert a downward pressure on prices and seriously threatens the viability of Harley-Davidson.

^{5/} A reduction of imports of this amount would still leave importers with a potential supply of almost 300,000 units during the first year of relief. This amount is far greater than the 183,000 units shipped in 1981, the last full year for which data are available. Memorandum to the Commission from Director of Office of Investigations, INV-G-005, January 14, 1983.

^{6/} See discussion supra. at 44-45.

In arriving at the particular recommended levels of duty, it was necessary to attempt to project the effect that the recommended relief will have on the levels of imports, importers' inventories, importers' shipments, Harley-Davidson's shipments, total domestic shipments, and U.S. consumption of heavyweight motorcycles. ^{7/}

First, demand for heavyweight motorcycles is fairly price elastic. A motorcycle is not a necessity to most buyers. Research by Commission staff indicates that the price elasticity of importers' shipments is relatively high. Thus, any change in the price of importers' shipments caused by a tariff increase will have a greater effect on demand than would be the case for a less price elastic good.

Offsetting this are two factors. Importers' shipments in the first year will be composed in large part of units presently in inventory. These units in inventory will have no duty placed on them; thus, the effect of the duty on importers' shipments will be correspondingly lessened. Also, it can be expected that a significant portion of the duty placed on imports will be absorbed by the foreign producers or importers.

In addition, to the extent that Honda and Kawasaki can increase U.S. production, they will replace imports in the market. Two factors are believed relevant to the degree to which their U.S. output will increase. First,

^{7/} It is recognized that any forecast with respect to the effect of the recommended relief on these levels has certain inherent difficulties. Nevertheless, it is believed that information supplied by the Commission staff provides a sound basis for the projections found herein. See Memorandum from Office of Economics, EC-G-24, January 31, 1983.

higher the tariff rate, the greater the incentive for Honda and Kawasaki to increase their U.S. production. Second, because some period of time will be necessary to expand production, the tariff rate in the later years should be of greater importance in determining the level of production than the rates in the earlier years.

The effect of the recommended relief will depend greatly on the interaction between new imports, present inventories of imports, and importers' shipments. Although the pricing policies of importers who are in competition with each other cannot be predicted with assurance, certain results can be expected.

First, as a direct effect of the increased duty, the price of newly imported models can be expected to increase. This price increase should result in greater attractiveness of existing inventories. Importers should be able to raise prices on these inventories and still increase sales of these units in light of the higher-priced imports entered after the tariff is increased. Although importers' total shipments to U.S. dealers should decline as prices rise, a greater proportion of the shipments will consist of motorcycles from existing inventories than would be the case if there were no tariff increase. Thus, an early liquidation of the excess inventories should occur, ^{8/} and average prices of importers' total shipments should rise

^{8/} Because the tariff increase becomes progressively smaller over the five year period of relief, the incentive for the importers to sell units out of inventory rather than importing additional motorcycles will be greatest in the first year.

moderately. A moderate price increase in importers' total shipments can be expected to result in only slightly lower levels of consumption.

It can be anticipated that the recommended relief would provide the following benefits to Harley-Davidson. There will be an increase in the price of imports, which is necessary if Harley-Davidson motorcycles are to be more price competitive in the short run. Harley-Davidson has indicated that during the initial years of relief, it should be able to reduce its rebates and discounts. Harley-Davidson will be restrained from raising prices to any significant degree by continued competition from motorcycles produced domestically by Honda and Kawasaki, as well as from imports. Instead, Harley-Davidson will benefit primarily from improved economies of scale obtained from increased production and sales.

This, however, only partly addresses the threat posed by imports. Harley-Davidson has projected that in order to generate sufficient revenues to continue to reduce its costs, modernize its plant and equipment, and improve and expand its product lines, it must reach and maintain a sales volume of 40,000 heavyweight motorcycles per year. Based on projections provided by the Commission staff, ^{9/} the proposed tariff rate increase should allow Harley-Davidson to reach this level during the second year of relief. However, based on projections by the staff, inventories of imported motorcycles probably will not decline to their historical levels under the proposed remedy until the third year of relief.

^{9/} Memorandum supra note 7.

Although Harley-Davidson should benefit from improved economies of scale obtained from increased production and sales during the first three years of relief, a five year relief period is recommended in light of the fact that the condition created by inventories of imported motorcycles will not be completely offset during the first three years of relief. In order to ensure that Harley-Davidson is in a position to carry out its import adjustment programs, which are critical to its long term survival, I have recommended that the relief be for a period of five years with the tariff significantly reduced in the fourth and fifth years. ^{10/}

Harley-Davidson, which accounts for the bulk of the productive resources of the domestic industry, is engaged in an ambitious program to modernize its plant and equipment and improve its product lines. In particular, Harley-Davidson plans to modernize its engine and assembly plants by installing, among other things, new and more sophisticated machine tools and robots for welding and painting. Harley-Davidson is also developing a new family of advanced-design motorcycles in the 800-1000cc range which will be equipped with a new four-cylinder, water-cooled engine and will broaden Harley-Davidson's product base. Harley-Davidson is also redesigning its

^{10/} A five year relief period has been recommended in the past when a large inventory of imported merchandise existed which posed a threat of serious injury. CB Radio Transceivers, TA-201-29 (Remedy recommended by Vice Chairman Parker, and Commissioners Moore and Bedell). See also Unalloyed Unwrought Copper, TA-201-32, (Views of Chairman Parker and Commissioner Bedell). A five year relief period has also been recommended under circumstances where a threat of serious injury existed even though the threat was not based on an oversupply in the market. See, e.g., Television Receivers, TA-201-19 (Views of Chairman Parker and Commissioner Bedell).

present V-twin engine. These improvements are currently scheduled to come on line within the next three years at the earliest. 11/

The objective of my remedy recommendation is to create an environment in which Harley-Davidson can increase its production from the depressed level of 32,000 units in 1982 to a level of 40,000 units in the second through fifth years of the relief period. This relief will also benefit Honda and Kawasaki in that it will give their U.S. facilities an advantage over import competition and encourage increased production and employment at these facilities. Such an objective is entirely consistent with the purpose of Section 201.

11/ Report at A-65-68.

VIEWS OF COMMISSIONER PAULA STERN

Introduction

Section 201 of the Trade Act of 1974 requires that three conditions be met before the United States International Trade Commission (the Commission) can make an affirmative determination:

- (1) There must be increased imports--either actual or relative to domestic production--of an article into the United States;
- (2) The domestic industry producing an article like or directly competitive with the imported one must be seriously injured or threatened with serious injury; and
- (3) The increased imports must be a substantial cause of the serious injury, or the threat thereof, to the domestic industry making the article in question.

I join with my colleagues in making an affirmative finding on the first two conditions. I also agree with the majority in finding that imported motorcycles and motorcycle engines and power train subassemblies have not been a substantial cause of present injury. I have found a number of other factors, including the pressure of changing domestic competition and severely declining demand, to be more important causes of the industry's difficulties. I disagree with my colleagues' finding of threat of injury in that I find the role of imported motorcycles to be less threatening than increasing domestic competition and the projected continuation of weak demand in 1983. Therefore, the third condition has not been met, and I have made a negative determination in this case. I recommend that the President impose no restraints on imported heavyweight motorcycles.

Domestic Industry

The first issue in a section 201 investigation is to define the domestic industry which is "producing an article like or directly competitive with the

imported article." 1/ The petitioner and importers in this case disagree on both the question of what is the like or directly competitive product and which firms are members of the domestic industry.

The petition was limited 2/ to all imported motorcycles with total piston displacement over 700cc, engines and power train subassemblies for such motorcycles, and parts 3/ of such engines and subassemblies. 4/ I have found all motorcycles in the over 700cc heavyweight class to be like or directly

1/ Section 201(b)(1); 19 U.S.C. § 2251(b)(1). The legislative history explains that the terms "like" or "directly competitive"-- are not to be regarded as synonymous or explanatory of each other, but rather to distinguish between "like" articles and articles which, although not "like," are nevertheless "directly competitive." In such context, "like" articles are those which are substantially identical in inherent or intrinsic characteristics (i.e., materials from which made, appearance, quality, texture, and etc.) and "directly competitive" articles are those which, although not substantially identical in their inherent or intrinsic characteristics, are substantially equivalent for commercial purposes, that is, are adapted to the same uses and are essentially interchangeable therefor.

H.R. Rep. No. 571, 93d Cong., 1st Sess., 45 (1973) and S. Rep. No. 1298, 93d Cong., 2d Sess., 121 (1974).

2/ It is important to note that the notice of investigation simply sets forth the scope of imports under investigation, it does not define the scope of the domestic industry. The Commission, not the petitioner, makes the determination in section 201 of which domestic producers make an article that is like or directly competitive with the imported articles complained of.

3/ Information on engine and power train subassembly parts were not requested in the Commission's questionnaires for the domestic producers and importers, and thus we have no separate data on parts. Parts were included in the investigation solely to prevent a loophole for importers in the event the Commission made an affirmative determination on engines and subassemblies. Since we have made a negative determination on subassemblies and we have no separate data on parts, there is no need to include parts in this opinion.

4/ The scope of investigation, defined by the notice of investigation published in the Federal Register on September 22, 1982, only included motorcycles with engine piston displacement over 700cc as requested by petitioner. Motorcycles of 700cc and under are not included in this discussion as no data is available to base our judgment.

competitive with the imported product. 5/ This decision is based on a conclusion that there is no clear line dividing any of the styles or ranges of piston displacements including those motorcycles with engine sizes less than 700cc.

Petitioner, Harley-Davidson (Harley), argues that all motorcycles over 700cc should be considered as like or directly competitive products since they have the same characteristics and uses and are purchased by the same type of consumer. 6/ Harley's reasoning is based on the engine size and power, the similarity of "V-twin" and "dresser" styling in all sizes of imported and domestic motorcycles, similar advertising image, and demographic studies. Importers counter with two points. First, they argue that 750cc motorcycles are not "like" the larger motorcycles because these smaller motorcycles are not adapted to the same uses and occupy a wholly separate position in the market place. Second, importers argue that the Harley image is so distinct that no import can ever directly compete with Harley.

Any effort to draw distinctions based upon various engine sizes has proven elusive. Normally a motorcycle with a larger engine (based on piston displacement) is heavier; however, it is possible for a motorcycle with an engine size less than 700cc to weigh more than one with a larger engine. Motorcycles with large engines are also usually faster, but a smaller engine with turbocharging or fuel injection may outperform the larger engine, at least for short distances. 7/ The fact that several models of the same

5/ While considering all heavyweight motorcycles over 700cc to be like or directly competitive, I have found important differences in the degree to which different sizes and models of motorcycles within this group compete (see below, at pp. 57-58).

6/ Petition at 8.

7/ Report at A-4-5.

motorcycle are made in various engine sizes demonstrates the arbitrariness of drawing distinctions between motorcycles based solely on engine piston displacement. For example, the Yamaha Virago is made in both 750cc and 920cc versions. The fact that the Honda Nighthawk is made in 650cc and 750cc versions indicates that a cutoff at 700cc is likewise arbitrary. 8/ However, data in this investigation was limited to motorcycles with engines over 700cc.

The Commission faced a similar situation in Certain Motor Vehicles, 9/ where most of domestic automobile models were larger than most of the imported models and consumers generally considered the small domestic models to be more like the imported models. In that case, the Commission did not subdivide the passenger auto industry into various classes because there was "no justifiable basis on which to segment" the industry being investigated. 10/

Although there is no clear, non-arbitrary dividing line within the heavyweight class, the record supports the conclusion that each motorcycle primarily competes within its own size range. Since the domestic industry mainly produces motorcycles of 1000cc and over, I have tried to isolate the major competitors within this market and focus particularly on the effect of imports of these larger motorcycles on the domestic producers. For example, imported 750cc motorcycles are only minimally competitive with domestically produced motorcycles.

Subassemblies--The petition's inclusion of the engines and power train subassemblies (subassemblies) raises two additional issues. The first is

8/ See note 4.

9/ Certain Motor Vehicles and Certain Chassis and Bodies Therefor, Inv. No. TA-201-44, USITC Pub. 1110 (1980).

10/ Id., Views of Commissioner Stern at 96.

whether domestic production of engines and subassemblies constitutes a separate industry. The second is whether we should consider the impact of imported subassemblies on domestic production of finished motorcycles.

The subassemblies subject to this investigation are used by each company solely for captive use in the production of its own motorcycles. The law directs us to determine the domestic products which are like or directly competitive with the imports. Although the imported and domestically made subassemblies are "like" each other, none of the subassemblies compete in the open market. They are merely components of finished motorcycles, and only completed motorcycles are sold in open competition. ^{11/} Therefore, these captively consumed subassemblies do not constitute a separate industry. To argue that imported subassemblies compete with finished motorcycles produced in the United States, is to ignore United Shoeworkers, AFL-CIO v. Bedell, 506 F.2d 174 (1974), in which the U.S. Court of Appeals for the District of Columbia held that a component of shoes called a "counter" is not "like or directly competitive" with a finished shoe.

Petitioner's request for limitations on imported subassemblies would interfere with its domestic competitor's choice of sources for component parts, even though petitioner has no desire to become an alternate supplier for such components. This request for relief against subassemblies has no legal basis, since it is premised on the desire for protection from domestic rather than import competition. Moreover, the petition is outside the constraints of the statute because it asks for protection against imported subassemblies in order to remedy injury to another industry--motorcycles.

^{11/} This case is clearly distinguishable from that where a domestic producer of a component part competes with importers of the same component part for sales to a producer of a finished article.

United States production of heavyweight motorcycles--The question of which firms to consider as members of the domestic industry producing the like or directly competitive product is central to this case.

Harley argues that it alone constitutes the entire domestic industry. It bases its argument principally on the facts that Honda's and Kawasaki's U.S. assembled motorcycle consists of well over 50 percent imported parts, including the basic functional unit, and that Honda of America Manufacturing, Inc. (HAM) and Kawasaki Motors Mfg. Corp., U.S.A. (KMM) are related to companies which import motorcycles. The importers, on the other hand, assert that the domestic industry consists of the three companies, Harley, HAM and KMM. This argument is supported by a recitation of the type of manufacturing activity which is performed by HAM and KMM, its investment in the U.S. facilities, and the number of persons employed.

To assist the Commission in determining whether a particular company is a member of the domestic industry, five possible tests were advocated by the parties. The first test, "substantial change," is a comparison of the product before and after each stage of the U.S. "production process" to determine what changes have been made in the article. The second test, "domestic content," or "value added," is an analysis of the percentage of U.S. components and labor added to the imported article or parts. The third test, "major component," is a determination that the product comes from the country which supplies the essential element. The fourth test, "commitment to the United States," focuses not on the product but on the company itself to evaluate its involvement in this country in terms of employees, physical facilities and capital. The fifth test, "degree of control," evaluates the decisionmaking

process, particularly in terms of the authority exercised by the U.S. subsidiary over decisions affecting quantity and prices of its U.S. production.

I have decided that it is most appropriate to consider all five tests suggested by the parties, without making any one of the tests dispositive of the issues, since each test appears to present some difficulties if used alone. 12/ For example, the percentage of value added could change daily depending on whether a particular part is available in the United States at a certain time and therefore is sourced here or whether it is unavailable here and sourced abroad. This would mean that a product was called a domestic product one day and an import on another day if a strict value added approach were taken by itself.

Applying these tests to the facts of the case, I have determined that the three companies, Harley, HAM, and KMM, which produce here in the United States, are all domestic producers for the purposes of this section 201 investigation. This determination takes into account the number of people employed, the investment in plant facilities, and the nature of the operations. The amount of value currently added in the United States and Honda's expressed intent to increase this value were also considered. HAM employs 425 persons 13/ in the production of heavyweight motorcycles and KMM currently employs 250. 14/ The investment in facilities is over \$35 million for HAM 15/ and \$14 million for KMM. 16/ Both HAM and KMM perform the same basic operations which include bending the tubing for the frame, welding,

12/ Nor do these five tests necessarily exhaust the possible considerations that would be relevant in determining the composition of the domestic industry in this or future cases.

13/ Report at A-40.

14/ Id.

15/ Importer's prehearing brief at 19.

16/ Id.

painting, subassembly of various sections, and final assembly operations. In addition, HAM produces major fiberglass components. Although the major component, the engine and power train subassembly as well as other parts are imported, it is clear that these companies are producing a substantially different product here than the parts that were imported. While the future extent of KMM's U.S. production is unclear at the moment, the commitment of Honda to its U.S. investment in heavyweight motorcycle production appears both firm and permanent.

Increasing Imports

The statute requires a finding of increased imports, either actual or relative to domestic production. Petitioners state that imports have increased both absolutely and relatively. 17/ Importers disagree that like or directly competitive motorcycles are increasing, basing their argument on the premise that motorcycles of 750cc should not be included in the statistics. They cite statistics comparing over 750cc imports and sales of U.S. motorcycles which show that imports, in fact, declined in 1981. Since I have found all heavyweight motorcycles 700cc and above to be like or directly competitive, these are the appropriate imports to consider. 18/

I have found that imports of motorcycles having engine displacement over 700cc have increased during the period under investigation. Total heavyweight motorcycles over 700cc increased irregularly from 153,506 motorcycles in 1977 to 202,399 in 1981 and then increased during the first nine months of 1982 at

17/ Petition at 15-17.

18/ Importers' prehearing brief at 24.

a rate of nearly 235,000 motorcycles per annum. 19/ The largest increases were in 1978 and 1980. Even if we were to look just at motorcycles over 850cc, as suggested by the importers, the figures still show increasing imports, both absolutely and relative to assumption, during the first three quarters of 1982. 20/

Serious Injury

The second condition required for an affirmative finding is that the domestic industry show serious injury. 21/ Because the parties in this case differ in their arguments regarding which firms constitute the domestic industry, they also differ on the issue of serious injury. The petitioner argues that, because it is clearly seriously injured, so is the domestic industry. 22/ The importers acknowledge that Harley is seriously injured, but state that, because HAM and KMM are doing well, the domestic industry as a whole is not seriously injured. 23/

In arriving at the conclusion that the domestic industry is seriously injured, I looked not only at the aggregate figures, but also at the data for each of the three firms to help explain the aggregate data. Before 1981, Harley was not injured. In fact, the Commission's 1978 antidumping

19/ See Table "Imports, Inventories, and Sales of Imported Heavyweight Motorcycles" (hereinafter, Table "Inventories and Sales") from Economics memorandum EC-G-15, January 24, 1983. This memorandum is based entirely on data contained in the Commission report.

20/ Id.

21/ The Commission considers all relevant economic factors including:
 . . . the significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry.

Section 201(b)(2)(A); 19 U.S.C. § 2251(b)(2)(A).

22/ Petition at 17-19.

23/ Importer's prehearing brief at 21.

investigation on motorcycles found the company doing well. 24/ Its production, capacity utilization, shipments, employment, and profit figures all remained high through 1980. In 1981, the picture began to change. Production dropped dramatically and continued to decline in the first nine months of 1982 over the comparable period of 1981. 25/ Since its capacity remained constant, this meant a decline in capacity utilization. 26/ Shipments of Harley motorcycles declined in 1981 and dropped further during the January through September period of 1982 compared to the same 1981 period. 27/ Harley's market share also decreased. 28/ Employment figures parallel this drop. 29/

The financial condition of the firm reflects this decrease in total net sales. 30/ The operating profit or loss also shows a decline in 1981 and during the first nine months of 1982. A great deal of this can be accounted for by unusual one-time expenses associated with the change in ownership. 31/ Net profitability was further reduced by substantial interest expense related to the purchase of the company from AMF, Inc. 32/

HAM's condition is in strong contrast with Harley's. In 1979, HAM began motorcycle production in Marysville, Ohio. During the first two years the plant was used primarily to train workers and to phase in full production. Low profitability figures for HAM during the first years therefore should be

24/ Motorcycles from Japan, Inv. No. AA1921-187, USITC Pub. 923 (1978).

25/ Report at A-23.

26/ Id. at A-25.

27/ Id. at A-29.

28/ Id.

29/ Id. at A-40.

30/ Id. at A-42.

31/ Id.

32/ Id.

considered an aberration attributable to start up costs. The first full year of production was 1981. The figures for HAM's production, capacity utilization, shipments, and employment in 1981 therefore cannot be meaningfully compared to the previous year. All of HAM's financial indicators, including gross profit or loss and operating profit or loss, have continued to rise during the first three quarters of 1982 and indicate that the company is not injured. 33/

KMM began production in Lincoln, Nebraska, in 1975, it was producing several styles of motorcycles. It currently produces primarily a police motorcycle in the United States. Because KMM has voluntarily withdrawn from most of its U.S. production, an evaluation of its production, shipments, employment, and financial condition contributes little to an overall evaluation of serious injury to the domestic industry.

A study of the aggregate figures by themselves is misleading. Although one member of the industry, HAM, is doing well, another firm, Harley, is experiencing serious difficulty. Since section 201 investigations call for the Commission to consider U.S. productive resources, i.e., the employees, physical facilities and capital, I have given greater weight to the injury of Harley, which represents approximately three-fourths of the U.S. productive resources. I therefore believe a finding of serious injury is appropriate.

Substantial Cause

In an affirmative section 201 case, the third condition which must be found is that increasing imports are the substantial cause of serious

33/ Id. at A-43.

injury. 34/ If any cause other than imports is more important, or if several causes are of equal importance, none of which are important standing alone, a negative determination must be made.

There are two causes more important than imports for the industry's difficulties--problems which only became manifest in 1981. The decline in demand for motorcycles in the United States during 1980 and 1982 and the rapid entry of HAM into the U.S. market in 1980 as a domestic competitor each outweigh imports as an important cause of injury. Additional problems buffeting the industry include a decline in export sales in 1981, high interest rates for consumer purchases of motorcycles and Harley's heavy debt burden with the accompanying large interest expenses.

Declining Demand--In considering whether declining demand is a more important cause of serious injury to the domestic industry than increasing imports, I have paid particular attention to peculiar problems facing the domestic industry in 1981 and 1982. Specifically, I have concentrated on the unusually high levels of unemployment among blue-collar workers in 1982, who are the predominant purchasers of motorcycles. 35/

34/ Substantial cause is defined in the statute as a "cause which is important and not less than any other cause." Section 201(b)(4); 19 U.S.C. § 2251(b)(4). The statute specifically directs the Commission to take into account all economic factors including:

. . . an increase in imports (either actual or relative to domestic production) and a decline in the proportion of the domestic market supplied by domestic producers.

Section 201(b)(2)(C); U.S.C. § 2251(b)(2)(C).

35/ See the discussion of cyclical industries in Certain Motor Vehicles, supra note 5, at 127-130, 134-135. The Commission has no information establishing any expected pattern of cyclicity in this industry. However, because I am looking at the peculiar aspects of these years, the analytic problems of cyclical downturns discussed in the auto case do not arise.

That imports are not the substantial cause of injury is demonstrated by an analysis of retail market shares. The increase in importation in 1981 and in 1982 did not result in corresponding increases in market share for imports or even in an absolute increase in retail sales by imports. As retail sales of imported motorcycles increased from *** in 1980 to *** in 1981, 36/ the market share of imports actually decreased from *** percent to *** percent. 37/ Again in 1982, while the rate of importation increased by over 15 percent, the rate of domestic sales of imported heavyweight motorcycles decreased from *** in 1981 to an annual rate of *** in 1982, and the retail market share for imported motorcycles dropped from *** percent in 1981 and *** percent during the first 9 months in 1982. This meant that, although the rate of retail sales for domestic motorcycle manufacturers decreased by a little over *** percent in 1982, the rate of sales of imported motorcycles decreased nearly twice as much. 38/

The unusual length and severity of the present decline in demand has created unique problems for Harley. 1982 was not a "normal recession year" for this industry. There was an especially severe drop in employment nationwide, particularly among blue-collar workers, who constitute the prime market 39/ for heavyweight motorcycles. While the overall unemployment rate

36/ See Table "Importer and U.S. Producer Shares of Domestic Heavyweight Motorcycle Sales" (hereinafter Table, "Market Shares") from Economics memorandum EC-G-15, January 24, 1983. This memorandum is based entirely on data contained in the Commission report.

37/ Id.

38/ Id.

39/ According to the Burke demographic study prepared by importers, the largest single group of purchasers of heavyweight motorcycles is blue collar workers, accounting for approximately one-half of all consumers.

increased from 7.6% in 1981 to 10.4% in October, 1982, the rate for blue-collar workers rose from 10.3% in 1981 to 15.9% in October, 1982. 40/

Although the market share of domestically manufactured motorcycles increased, total consumption based on retail sales fell from *** in 1981 to an annual rate of *** in 1982. 41/ This decline in consumption was due primarily to high unemployment rates nationally among blue-collar workers brought about by the 1982 recession. Thus it was the absolute decrease in total volume of sales that has itself injured Harley by bringing its shipments to below its previous break-even point, and not a loss of sales to increased imports.

Harley showed bookkeeping losses in 1981 and 1982 that were attributable to the decline in demand in 1980 and 1982 and partly to their loss of market share to HAM. 42/ The decline in demand in 1980 was particularly harmful to Harley, although its effects did not show up on Harley's books as an operating loss until 1981. To see how the 1980 decline in demand affected Harley's profits, one need only look at what happened to Harley's retail sales, dealer's inventories, exports and production during 1979, 1980, and 1981. Dealers sold *** 43/ Harley cycles in 1979; their sales fell to *** 44/ during the recession year 1980, and climbed to *** 45/ in 1981, which was higher than retail sales in 1978, a profitable year for Harley.

40/ U.S. Department of Commerce, Survey of Current Business, November 1982.

41/ See Table, "U.S. Producers Shipments and Exports" (hereinafter Table "Shipments and Exports") from Economics memorandum EC-G-15, January 24, 1983. This memorandum is based entirely on data contained in the Commission report.

42/ Id.

43/ Id.

44/ Id.

45/ Id.

Therefore, there were sufficient retail sales in 1981 for Harley to show a profit, which would have occurred if it had not been for the adjustment in dealers' inventories that year.

Rather than decreasing production significantly when retail sales dropped off in 1980, Harley was able to increase its exports by *** 46/ units while its dealers increased inventories by *** 47/ units that year. Therefore, a decrease in Harley retail sales by over *** units resulted in only a small decrease in production of *** units. But the decline in demand of 1980 set Harley up for a loss in 1981. When exports returned to normal in 1981 and excess dealers' inventories were liquidated, even an increase in retail sales of over *** units was not enough to keep Harley from decreasing its production by over *** units and showing a 1981 loss. But the 1981 loss was the result of the 1980 decline in demand, not imports.

In 1982, before Harley had a chance to recover from the effects of the 1980 recession, it was hit by a further decline in demand and retail sales fell even lower than in 1980. Without an offsetting increase in exports or in dealers' inventories, Harley was forced to reduce its production even further. Absent this reduction in retail sales caused by the precipitous decline in demand, Harley would have shown a profit in 1982.

Competition from HAM--Harley lost more of its share of the market to HAM than it did to imports. Retail sales of domestically manufactured motorcycles increased from *** 48/ in 1980 to over *** 49/ in 1981, and domestic manufacturers as a whole increased their market share from *** percent 50/ in

46/ Id.

47/ Id.

48/ See Table "Market Shares," supra note 36.

49/ Id.

50/ Id.

1980 to *** percent 51/ in 1981. HAM's facilities in Marysville, Ohio, began production very late in 1979 and reached full production in 1981. In 1982, the domestic industry's market share of retail sales increased again, to *** percent 52/ of the market. During 1981 and 1982, Harley's sales declined and its market share decreased steadily. HAM's retail sales, on the other hand, increased dramatically from 1981 to 1982 in direct proportion to the decline in Harley's sales. Clearly Harley's loss in market share is related more to HAM's performance than to increased imports.

Threat of Serious Injury

Introduction--In determining whether there is a threat of serious injury to the domestic industry, section 201 requires the Commission to undertake the same causal analysis as it does when determining present serious injury. We must decide whether serious injury will likely result from increasing imports and whether increasing imports are the substantial cause of this threatened serious injury. Although a threat analysis differs from a present injury determination to the extent that it focuses on future events, the fundamental statutory tests of injury and causation are no less rigorous.

Section 201(b)(2)(B) 53/ further instructs the Commission, with respect to threat of serious injury, to take into account whether there exists "a decline in sales, a higher and growing inventory, and a downward trend in production, profits, wages, or employment (or increasing underemployment) in the domestic industry concerned."

51/ Id.

52/ Id.

53/ 19 U.S.C. § 2251(b)(2)(B).

The question of threatened injury in section 201 and other trade statutes poses unique problems for the Commission. Essentially, we must attempt to predict future events based on what we know about the recent performance of the industry, overall competitive conditions within that industry, and our best judgment about the general direction of the economy. Congress has expressed its intent that "threat of serious injury exists when serious injury, although not yet existing, is clearly imminent if import trends continue unabated." 54/ My analysis of threat of serious injury is based primarily on the facts discussed in the present injury section above and historically documented trends. The one assumption is that overall demand for heavyweight motorcycles in 1983 will remain at or only slightly above the extremely low levels of 1982.

Increasing imports and importers' inventories

Petitioner has argued that the domestic industry is threatened with serious injury from a steady increase of Japanese exports to the United States and the existence of high levels of inventories of imported Japanese heavyweight motorcycles. As discussed above, both the increase in imports and the buildup of inventories have not been the substantial cause of serious injury to Harley. In fact, while imports have increased absolutely from 1981 to 1982 both the retail sales of imports and their market share declined during this period. 55/ There is no information to support the petitioner's

54/ S. Rep. No. 1298, 93d Cong., 2d Sess., 121 (1974).

55/ See Table "Market Shares," supra note 36.

argument that 1983 will witness any greater levels of imports, either absolutely or relative to domestic consumption.

As for inventories, their very presence is testimony to the unanticipated severity of the past year's slump. A 16 percent increase in the rate of importation was responsible for part of the inventory buildup, while a 28 percent decrease of retail sales brought about by the decline in demand in 1982 accounted for the rest. Because the 16 percent growth in imports would have been appropriate if sales had continued to grow at the 1981 rate, the inventory buildup can be attributed entirely to the unexpected failure of the economy to recover in 1982.

Thus, the inventories are more a symptom of the decline in demand than a cause of injury to the industry. But the Commission's determination regarding threat is not whether these inventories threaten injury but whether "an article is being imported into the United States in such increased quantities as to be a substantial cause of . . . threat . . . to the domestic industry" Since the Commission was unanimous in its determination that past imports have not been the substantial cause of injury to the domestic industry, it is left for the majority to show that future imports threaten injury.

The majority has apparently found a threat of future injury not based on future increasing imports, but rather on inventories of motorcycles already imported into the United States. My determination that inventories of Japanese motorcycles do not pose a threat of serious injury is supported by an examination of the origins of the inventories. The increase in imports in

1981 and 1982 resulted not from any calculated design to capture an increasing share of the U.S. market. Rather, this increase was a direct consequence of the overly optimistic forecast of sales by Japanese exporters, which had been based on the temporary upturn in the economy in 1981. When total retail sales fell in 1982, the retail sales of imported motorcycles actually suffered proportionately more than did sales of domestically-produced bikes.

Notwithstanding the presence of retail discounts and rebates, import sales continued to decline, resulting in an unplanned inventory buildup of 90,651 imported heavyweight motorcycles between September 30, 1981 and September 30, 1982. 56/ Retail sales of imported 1981 and 1982 motorcycles from the accumulated inventories will likely supplant sales of 1983 imported models. As further demand in the market improves, Japanese exports to the United States will likely be curtailed in favor of a policy of orderly liquidation of accumulated inventory.

The threat of lost domestic sales caused by these inventories is substantially less than the aggregate inventory figures make them appear. Before discussing the future disposition of these inventories, it is important to appreciate their size and composition.

Over 80 percent of the increase in inventories of heavyweight motorcycles from 1981 to 1982 consists of bikes with 700cc to 850cc engine sizes which are only minimally competitive with the much larger bikes (over 1,000cc) produced by the domestic industry. 57/

Looking at the level of inventories held by both the importers and their dealers, we can see that on each September 30 of the years 1978, 1979, 1980,

56/ The following discussion of imports and inventories is based on the Table "Inventories and Sales," supra note 19.

57/ Computed from Tables 16 and 17 of the Report at A-32-33.

and 1981, there were from 7.5 to 8.1 months of inventory of imported heavyweight motorcycles on hand, based on the previous year's sales. 58/ On September 30, 1982, there were over 12 months of inventories held by the importers and dealers, based on the previous year's sales. So it appears there was an unintended 4 1/2 month increase in inventories above the average level for these 4 years. This could have been nearly corrected by sharply reduced imports of heavyweight motorcycles during the last three months of 1982.

Each of the major Japanese importers have stated for the record, orally and in writing, that their exports to the U.S. of 1983 models will be dramatically reduced, some by as much as 50 percent. To deal with the question of future imports, it is important not just to take the word of the importers, but to look at their past practices to see if past levels of imports were adjusted in response to market conditions. In particular, the Commission must look at the way importers and domestic producers have historically dealt with changing levels of sales and fluctuations in inventories.

There is persuasive historical evidence to support the importers' assertion that imports will be cut back and inventories will be liquidated in an orderly fashion. In 1978, importers had an unintentional increase in their inventories of nearly 50,000 motorcycles, 59/ apparently because sales did not reach expectations. Approximately 26 percent of these imports that year could not be sold and went into inventory. Importers responded by reducing imports

58/ See Table "Inventories and Sales," supra note 19.

59/ Id. at 41.

in 1979 by nearly 27,000 motorcycles and drawing inventories down by over 17,000 motorcycles. 60/ After the adjustment in inventories was completed in 1979, imports were increased in 1980 by 36,000 motorcycles, slightly less than the 40,000 increase in sales in the previous year. 61/ In response to a slight decrease in sales in 1980, imports were increased only slightly in 1981, even though 1981 was a boom year for motorcycles sales. This 1981 boom led importers to increase their rates of importation during the first nine months of 1982, which reflected an expected further increase in sales -- 1981 sales were up approximately 30,000 units.

Due to the increased shipping distances and longer lead times required of Japanese motorcycle exporters, importers were not able to react as quickly as the domestic producers to the unexpected decline in demand in 1982. Their miscalculation of demand therefore led to a greater buildup of inventories than was experienced by the domestic producers. In fact, although Commerce Department statistics are not yet available for verification, the importers have testified that last quarter of 1982 imports have been cut back substantially. When sales recover to their historic levels, importers will have to restrict their shipments for only a short time to reduce inventories to appropriate levels. The evidence clearly shows that the unintended accumulations of inventory that have occurred in the past have been dealt with in an orderly fashion, and that the rate of importation has always been

60/ Id.

61/ Id.

responsive to inventory levels and market conditions. I see no reason to believe the immediate future will be any different.

My judgment on this matter is reinforced by noting how Harley dealt with unintended accumulations of inventories in 1980. 1980 saw another decline in demand and Harley dealers had an unintended increase in their inventories. By 1981, Harley had reduced its production, even though its retail sales increased. This caused a draw-down of dealers' inventories in 1981. ^{62/} The unintended accumulation of inventories by importers in 1978 was proportionately not vastly different from the unintended inventory accumulation Harley dealers experienced in 1980; both were handled in the same responsible way. Therefore, while inventory imbalances have occurred regularly in the past, orderly adjustments of these imbalances have been the normal business practice of both the importers and the domestic industry.

Other economic factors affecting the domestic industry's 1983 performance

Turning now to the need to weigh the threat of increasing imports against other causes, my analysis is based on the fact that most economic forecasts predict that 1983 will be a year of very slow economic recovery. While total GNP is expected to grow by about two to three percent, sales of such non-necessity items as motorcycles will probably remain flat. Thus, the performance of individual firms within the industry, as well as the industry taken as a whole, will continue to reflect this weakness in overall demand.

^{62/} See Table "Shipments and Exports," supra note 41.

To the extent that Harley continues to suffer poor financial performance, it is my judgment that the primary causes of injury will once again be found in these low levels of demand and strong domestic competition from HAM.

Notwithstanding predictions of a modest economic recovery in 1983, most economists are in agreement that unemployment will remain over 10 percent in 1983. 63/

Not all economic factors are this discouraging. Inventories held by domestic producers are down from *** in 1980 to *** in 1982. 64/ In the event that demand does pick up, the three domestic producers are in a better position than the importers to take advantage of the situation by increasing production rather than selling from inventory. Harley has instituted several cost-cutting and efficiency measures over the last several years which have resulted in a considerably lower break-even point in terms of production quantities. 65/ Harley has also invested substantial sums in redesigning and upgrading its motorcycles, including the engines, engine mounts, suspension systems, hand controls, tires, headlights, and batteries. While much remains to be done to deal with the complaints regarding the quality and performance of its product, efforts made to date put Harley in an improved position to compete with imports.

Another encouraging sign for the domestic industry is the present upward trend of the Japanese yen in relation to the dollar. From 1978 through the first ten months of 1982, the yen had depreciated by approximately 30

63/ Data Resources, Inc., U.S. Forecast Summary, January 1983, Table II; Wall Street Journal, December 21, 1982, p. 1, col. 6., "Fiscal Frustration."

64/ Report at A-32.

65/ Confidential Submission by Harley-Davidson, January 25, 1983.

percent. 66/ Since October, however, the yen has appreciated by 15 percent. 67/ A further substantial appreciation is expected in the near future. 68/ This will likely mean higher prices in the United States for imported Japanese heavyweight motorcycles.

HAM appears to be in even a better position to compete with the imported motorcycles. After suffering the normal financial losses associated with start-up costs in 1979 and 1980, HAM posted consistent gains in net sales, operating income, and operating income as a share of net sales. 69/ It employs the most modern technology and labor saving devices in the assembly of heavyweight motorcycles at its production facilities in Marysville, Ohio. HAM now accounts for *** of the U.S. production and is *** in the market. It should remain profitable in 1983 and will continue to press Harley and the other competitors in the market for a greater share of net sales.

KMM's shipments of U.S.-produced models has declined steadily since 1979, 70/ by 1982 it basically produced a single police cruiser model. Kawasaki is reportedly planning to introduce a new heavyweight model featuring shaft-drive. This model, however, will not be produced in the United States in the near future.

66/ Federal Reserve Bulletin, May 1979, Table 3.28 ; Federal Reserve Bulletin, December 1982, Table 3.28.

67/ Federal Reserve Bulletin, December 1982, Table 3.28; Wall Street Journal, January 25, 1983.

68/ "The Undervalued Yen: Causes and Policy Options", World Financial Markets, Morgan Guaranty Trust Co., December 1982, p. 5.

69/ Report at A-42.

70/ Id. at A-16.

Remedy Considerations

Since I have found that increasing imports are not a substantial cause of serious injury, I am recommending that the President impose no import relief, either in the form of increased tariffs, quotas, or adjustment assistance. No amount of import relief will rectify the poor financial performance of the petitioner in this case or prevent its reoccurrence in 1983, since the causes of Harley's problems lie elsewhere. Nevertheless, since my colleagues have made an affirmative determination and are recommending a particular form of relief, I have some comments on that relief recommendation which may be useful to the President.

The majority has proposed an increase in the existing level of tariffs on imported heavyweight motorcycles as follows: 45 percent in the first year of relief, 35 percent in the second, 20 percent in the third, 15 percent in the fourth, and 10 percent in the fifth. There are three fundamental problems with this proposal, even if one assumes that there is a threat of serious injury due to increasing imports:

- (1) the length of relief is disproportionate to the short-lived nature of any threat;
- (2) the relief will provide a windfall to those members of the industry who do not need relief while doing little to benefit Harley; and 71/
- (3) the relief will unduly penalize BMW and other minor importers not causing injury to the domestic industry.

Length of relief is disproportionate to short-lived nature of any threat.

Under Section 203(a) the remedy imposed by the President "should be

71/ In this discussion, it is further assumed that the majority's proposal is primarily intended to benefit Harley, who is the only domestic producer that has shown any sign of injury in 1981 and 1982.

commensurate with the injury found by the Commission." S.Rep. No. 1298, 93d Cong., 2d. Sess., 126. The affirmative determination of the majority is based solely upon a threat of future serious injury. Implicit in this determination is a finding that imports are not the substantial cause of serious injury that has presently befallen the domestic industry. Therefore, the only injury that may appropriately be the subject of import relief is that which the majority has found is about to occur due presumably to the large inventory overhang of imported 1981 and 1982 model motorcycles.

In fact, existing inventories are about 4 1/2 months (see p. 75) more than the average levels for 1977-80. If this inventory is really the major problem as the majority asserts, it is inconceivable that five years of relief are necessary to protect the domestic producers from the disruptive effects of liquidating the inventory. As a practical matter, the 1981 and 1982 models which were imported in increasing quantities must be sold within one or two years. The high storage and interest expenses associated with this inventory will exert strong pressure on importers and dealers to liquidate these models as soon as possible. In addition, it is highly unlikely that purchasers of new motorcycles will be interested in models that are two or three years old.

As discussed in the threat analysis above, there is little reason to anticipate increased levels of imports in the near future. From historical patterns, the statement of importers in this proceeding, and the perspective of sound business judgment, imports will likely be sharply curtailed in 1983 in order to accommodate the orderly liquidation of inventories discussed previously. Therefore, there is little basis for providing any form of relief beyond a one or, at most, two year period necessary to liquidate the 4 1/2 month excess of inventories.

Relief will provide a windfall to firms not needing relief, and will do little to benefit Harley.

The logical intent of the majority in making its remedy recommendation presumably is to provide import relief to the only member of the domestic industry who has shown any sign of serious injury--Harley. The relief recommended by the Commission majority differs from that originally requested by petitioner. When it filed its petition, Harley realized that any relief which did not provide a measure of protection against HAM and KMM would be of little value to Harley. Indeed, HAM is a much greater cause of Harley's loss of market share and declining profits than is any increase in imports.

By our unanimous decision to include HAM and KMM in the domestic industry and a majority decision that engines and subassemblies imported solely for captive consumption by these domestic producers are not injuring the industry, the Commission has effectively decided not to favor one domestic producer over another. Higher tariffs would provide a limited shield for these three domestic producers against their foreign competitors. But relief would not provide the special protection from HAM and KMM that Harley finds so necessary.

HAM has done increasingly well since overcoming initial losses incurred from start up costs in 1979 and 1980. Its net sales, market share and net operating profits are all up in 1982. 72/ In the short span of three years, HAM has become *** producer of heavyweight motorcycles in the United States. It has achieved this phenomenal growth rate in the face of stiff competition from domestic and foreign competitors as well as a declining demand in two of the three years of its existence. No one can seriously

72/ Report at A-42.

contend that HAM is in need of import relief. Nevertheless, the relief recommended by the majority will allow HAM to continue to grow, unchecked by price competition from Yamaha, Suzuki, et al, and further cement its *** position in the heavyweight motorcycle market.

The imposition of higher tariffs on imported motorcycles will also provide a strong incentive for KMM to increase its production in the United States. It would encourage production of the new shaft-driven model 73/ in the United States instead of Japan. Thus, Harley would have two strong domestic competitors instead of one as a result of import relief.

Harley will nominally be an equal beneficiary of this import protection, but actually Harley stands to gain very little, if anything. First, since the real causes of Harley's injury or threatened injury is not import competition but weak demand and domestic competition from HAM and KMM, the proposed relief does not address the real cause of injury. Nothing would be as helpful to improving Harley's profitability as an early and strong economic recovery. As long as unemployment remains high and demand remains low, Harley's chances of survival in this market are diminished. Second, the windfall to HAM and the probable re-emergence of KMM as a strong competitor, will increase the pressure on Harley from its domestic counterparts. In short, it is doubtful that this import relief will accomplish its intended purpose.

Relief will unduly penalize BMW and other marginal importers not causing injury to the domestic industry.

The burden of tariff increases proposed by the Commission majority will fall equally on all importers of heavyweight motorcycles. Because of the MFN

73/ See discussion infra at 11.

requirement under the GATT, imports from one country cannot be granted an exemption from the higher tariffs, as that would constitute less favorable treatment. Thus, it is not possible to carve out an exception for the marginal importers such as BMW, who even the petitioner Harley admits, 74/ are not causing injury to the domestic industry.

Combined imports of BMW, Triumph, and Ducati motorcycles are so small as to be totally inconsequential to the domestic producers and the Japanese importers. 75/ Most of BMW models already sell above the prices of Harley and other competitors. 76/ A substantial tariff increase as proposed by the majority may threaten to eliminate these smaller competitors from the U.S. marketplace. This would be an unfortunate consequence of import protection not only in terms of increased concentration in the market but also in the elimination of alternative styles and choices for the consumer.

Thus, the President would be well advised to reject the import relief proposal of the majority and impose no restraints on imported heavyweight motorcycles.

74/ See transcript at 165.

75/ See Table 5 of the Report, which shows the imports of heavyweight motorcycles by brand from 1977 to September 1982.

76/ See Report at A-61. It has been suggested that a price-break be included in the proposed tariff increase, so that motorcycles above a certain price would not be subject to the extra duty. The problem with a price-break is that it would encourage importers of lower-priced Japanese motorcycles to upgrade the quality and styling of their motorcycles, thereby increasing competitive pressure on Harley in its traditional high end of the market.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 16, 1982, the United States International Trade Commission instituted investigation No. TA-201-47, under section 201(b) of the Trade Act of 1974, to determine whether motorcycles having engines with total piston displacement over 700 cubic centimeters (cc) and engines and power train subassemblies therefor (whether imported separately or in combination), and parts of such engines and subassemblies, all the foregoing provided for in items 692.50, 660.56, 660.67, and 692.55 of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported articles. The investigation was instituted following receipt of a petition filed on September 1, 1982, by Harley-Davidson Motor Co., Inc., and Harley-Davidson York, Inc. The petitioner requested that the rate of duty be increased on the articles under investigation for a period of 5 years.

Notice of the institution of the investigation and the scheduling of a public hearing to be held in connection with the investigation was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of September 22, 1982 (47 F.R. 41884). 1/ A public hearing was held on Tuesday, November 30, 1982, at 9:30 a.m. 2/ The Commission's injury vote on this case was held in public session on January 25, 1983.

The Trade Act of 1974 directs the Commission to complete its investigation under section 201 at the earliest practicable time, but not later than 6 months after the date on which the petition was filed. In view of the fact that the Commission has some data on motorcycles in its records as a result of a prior investigation (No. AA1921-187, November 1978) and because the petitioner requested an expedited investigation, the Commission has set February 1, 1983, as an administrative deadline for completion of this investigation. The statutory deadline is March 1, 1983.

Prior Commission Investigations Concerning Motorcycles

On August 3, 1978, the U.S. International Trade Commission received advice from the Department of the Treasury that motorcycles from Japan, with the exception of merchandise produced by Suzuki Motor Co., Ltd., were being,

1/ A copy of the Commission's notice of investigation and hearing is presented in app. A.

2/ A calendar of witnesses who appeared at the public hearing is presented in app. B.

or were likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921 (subsequently repealed effective Jan. 1, 1980, by the Trade Agreements Act of 1979 and superseded by new antidumping provisions contained in new title VII of the Tariff Act of 1930, 19 U.S.C. 1677). Accordingly, on August 11, 1979, the Commission instituted an investigation 1/ to determine whether an industry in the United States was being, or was likely to be, injured or was prevented from being established, by reason of the importation of such merchandise into the United States.

The complaint which led to Treasury's determination of sales at LTFV was filed by the Harley-Davidson Motor Co., Inc., at that time a subsidiary of AMF, Inc.

On November 3, 1978, the Commission reported to the Secretary of the Treasury that it had unanimously made a negative determination.

Description and Uses

Motorcycles are two-wheeled motorized vehicles powered by internal-combustion engines having piston displacements greater than 90cc. Motorized two-wheeled vehicles with piston displacement of 90cc or less consist primarily of motor/pedal bicycles (mopeds), minibikes and cycles, and scooters.

Motorcycles are used for a variety of purposes, that include commuting to and from work, touring, recreation, and on- and off-road racing. Within the general category of motorcycles, there are numerous variations, based largely upon the principal intended use. The difference in use dictates the characteristics of the motorcycle.

There are three basic types of motorcycles: (1) on-highway motorcycles, (2) dual-purpose motorcycles, and (3) off-highway motorcycles. Although the scope of this investigation includes only heavyweight motorcycles, which are used almost exclusively on the highway, a brief description of all three types of motorcycles follows.

On-highway motorcycles

On-highway motorcycles, as the name implies, are intended for use primarily on hard-surfaced roadways. This type of motorcycle is required by the Federal Motor Vehicle Safety Standards to be equipped with such items as turn signals, lights (front, tail, and brake), rearview mirror, and a horn. The motorcycle must also meet Federal noise and pollution standards. The generally stiff suspension system contributes to a firm ride and a high resistance to steering wander. On-highway motorcycles are generally operated at moderate to high engine speeds. Full fenders are mounted close to the

1/ Inv. No. AA1921-187.

tread surface of the tire to protect the rider from material thrown from the tires. The exhaust system usually passes beneath the foot pegs, extending to the rear of the motorcycle. The wheel rims and tires are moderately narrow, and the tread on the tires is similar to that on automobile tires.

On-highway motorcycles range in engine size from 90cc to 1,340cc. Each size motorcycle is designed to provide certain operating characteristics; for example, a 125cc unit might provide medium speed, light weight, economy of operation, reliability, and maneuverability. A single motorcycle model may include many of these characteristics, but not necessarily all of them.

Motorcycles of less than 250cc (sometimes referred to as lightweight motorcycles) are economical to operate and maintain but are rarely powerful enough to cruise for extended periods at freeway or expressway speeds. Motorcycles with engine sizes of approximately 360cc to 700cc are maneuverable for city driving and are powerful enough to be driven safely for extended periods on freeways and expressways; however, they are more expensive to operate and maintain than the smaller motorcycles.

Motorcycles with engine sizes of approximately 700cc and over (see definition of heavyweight motorcycles) are usually intended for use on the open highway or limited urban use. They are more expensive to operate and maintain than the lighter motorcycles but tend to perform much better than lighter motorcycles.

Dual-purpose motorcycles

Dual-purpose motorcycles, which are also referred to as street-trail motorcycles, constitute a class of motorcycles that meet the Federal Motor Vehicle Safety Standards for legal street operations and have characteristics that make them suitable for off-highway use such as riding on dirt trails. Almost all of the dual-purpose motorcycles have an engine size of 400cc or less, with the majority of the models falling between 90cc and 250cc.

During the last 3 to 5 years, there has been a declining demand for dual-purpose motorcycles in the United States. Most motorcycle consumers want either a street or an on-highway model, or they want a motorcycle strictly for off-highway use. The dual-purpose motorcycle is, by design, a compromise between on and off highway types and has lost popularity because of this.

Off-highway motorcycles

Off-highway motorcycles are vehicles intended for sporting or recreational use strictly in off-highway areas. These motorcycles are not certified as being in compliance with motor vehicle safety standards for use on highways. They are used in a wide variety of activities such as racing in closed-course competition, cross-country competitive riding, off-highway casual riding, and special types of competition such as hill climbing and maneuvering on obstacle courses. The majority of off-highway motorcycles have engine sizes of less than 250cc, but there are racing motorcycles (for closed-course competition) that have engine sizes of up to 750cc.

Heavyweight motorcycles

For the purpose of this investigation, heavyweight motorcycles are defined as motorcycles having an engine displacement of more than 700cc. Although a motorcycle with an engine displacement of less than 700cc could be heavier than a motorcycle with a larger engine, engine displacement is a relatively good indication of a motorcycle's total weight. In addition to the larger engine, heavyweight motorcycles normally have a much stronger frame, larger wheels and tires, can usually carry more than one rider, and use heavier components (forks, sprockets, shocks, and so forth) than do lightweight mediumweight motorcycles. Heavyweight motorcycles also are able to carry more weight and perform better (higher top speed, faster from a complete stop and so forth) than lighter motorcycles.

For marketing purposes, the motorcycle industry divides heavyweight motorcycles into three basic classes: touring, sport, and cruiser or custom. 1/ It should be noted, however, that these classes tend to overlap. Any heavyweight motorcycle can be used for touring; the distinction between some sport and custom motorcycles can be vague. Most representatives from the industry agree that heavyweight motorcycles are designed and marketed so that they fall into one of the three categories, although a consumer may purchase a motorcycle for more than one reason.

A touring motorcycle is used principally for on-highway, cross-country driving. It will usually have a windshield, fairing, 2/ saddlebags, and a large storage compartment. A model such as this is generally referred to as a "full dresser" because of the manner in which it is equipped. A touring bike has a much more comfortable seat than a sport or custom motorcycle and will almost always have a seat designed specifically for a passenger (app. C, illustration 1). The riding position is fairly upright, and the suspension is easily adjusted for long-distance, comfortable riding.

A sport model is purchased by a buyer that is primarily interested in performance and handling. The riding position will be more forward, and there will usually be no windshield. If there is a windshield, it will be relatively small, and the fairing will be much smaller and more aerodynamically shaped than that of a touring bike. The sport bike will almost always be chain driven and be harsher riding than a touring or custom motorcycle.

The third type of heavyweight motorcycle, the custom or cruiser model, is designed for the consumer that is more interested in image and styling than high performance or cross-country riding. It will often have extended front forks, more chrome than the touring or sport models, lower seat height, and no windshield or fairing. This type of motorcycle is driven mostly for short distances at moderate speeds, although many are capable of being driven at well over 100 miles per hour. The owner may frequently drive the custom model in urban traffic and to and from work.

1/ Illustrations of these motorcycles are presented in app. C.

2/ A fairing is a fiberglass structure attached to the front of the motorcycle. Its primary function is to reduce air resistance (app. C).

All three of the above classes of heavyweight motorcycles are equipped with engines ranging from about 700cc in engine displacement to 1,340cc. Touring motorcycles tend to have engines with a displacement in the upper ranges, yet one company offers a "full dresser" with an engine displacement of less than 700cc. The performance of a motorcycle may usually be equated with the engine displacement size, although some new engine developments, such as turbocharging and fuel injection, make it possible for smaller engine motorcycles to outperform their larger competitors.

Power train subassemblies

Power train subassemblies include the engine, transmission, and related parts that transmit power to the rear wheel of the motorcycle. The engine may vary in size, from 90cc to the current largest displacement engine of 1,340cc. For the purpose of this investigation, a heavyweight power train subassembly is defined as having an engine with a displacement of greater than 700cc.

Motorcycle engines may have one, two, three, four, or six cylinders. All heavyweight motorcycles are equipped with either two, four, or six cylinders; two- and four- cylinder engines are currently the predominant types of heavyweight motorcycle engines. The engine may be either air or liquid cooled. Liquid cooled engines normally run cooler and quieter than air-cooled engines, making on-highway or cross-country driving somewhat more comfortable for the rider.

Motorcycle engines are manufactured in three basic cylinder configurations: in-line, opposed, and V type. ^{1/} Each of these terms defines the placement of the cylinders. An in-line engine has all of the cylinders in a straight line. An opposed engine has one bank of cylinders (or cylinder) horizontally opposed to the other bank, with the cylinder configuration at an angle of 180 degrees. The V engine has one bank of cylinders at an angle less than 180 degrees to the other bank of cylinders, so the cylinders form a shape like the letter "V". Virtually all V-type engines form an angle of 90 degrees or less. In-line heavyweight motorcycles may have two, three, four, or six cylinders; opposed and V-engines have an even number of cylinders, currently either two or four (there are no V-6 motorcycle engines in production).

In addition to cylinder configuration, motorcycle engines vary in many other design characteristics. Some engines have a single or double overhead camshaft which opens and closes the valves; others have a push-rod mechanism which opens and closes the valves. Some engines have only one carburetor, some are equipped with multiple carburetors, and still others are fuel injected and use no carburetor. Another major engine design variation is that some motorcycles have only two valves per cylinder (one intake and one

^{1/} These three types represent virtually all types of engines produced for motorcycles.

exhaust), and others have either three or four valves per cylinder. There are other design differences within motorcycle engines, but the above depicts the major design differences in motorcycle engines which are marketed in the United States.

Most heavyweight motorcycles are equipped with a five-speed transmission, with the fifth gear sometimes being used as an "overdrive" which is a gear ratio lower than one to one. The "overdrive" gear is used so that the motorcycle's engine speed, or revolutions per minute (RPM's), are kept at a lower level during highway driving. This not only decreases the noise level of the engine at higher road speeds, but also prolongs engine life, since at a given road speed the engine will be operating at a lower speed. In addition, a six-speed transmission is available on some motorcycles, and a "dual-range" transmission is available on others. The sixth speed on the transmission is usually an "overdrive" gear; the dual-range transmission simply is a way of changing the final gear ratios of the motorcycle so that the engine may be operated at either lower or higher RPM's at a given road speed.

The final drive assembly components that transmit the power from the transmission to the rear wheel have three basic designs: belt, chain, and shaft. The belt and chain drives are very similar in design. A sprocket assembly is mounted on the transmission and on the rear wheel. The belt or chain is attached to these sprockets so that the power is transmitted from the transmission to the rear wheel. Shaft-driven models have a metal shaft attached directly to the transmission shaft. Power is transmitted to the rear wheel through a ring-and-pinion assembly. 1/

Belt- and chain-drive systems are usually considered to be more efficient (less power loss), and shaft-drive systems are usually quieter and require less maintenance. Performance motorcycles normally utilize a belt or chain drive; and many touring models use the shaft drive. A belt-drive model is considered by some buyers as a compromise between a chain drive and a shaft drive. A chain drive requires more maintenance than a belt-drive, yet it is considered to be more efficient than a shaft-drive model.

U.S. Tariff Treatment

Motorcycles having engines with total piston displacement of over 700cc are dutiable under the provisions of item 692.50 of the Tariff Schedules of the United States TSUS. Heavyweight-motorcycle power train subassemblies and parts thereof fall under items 660.56 (engines other than compression-ignition engines, other), 660.67 (parts of piston-type engines other than compression-ignition engines), and 692.55 (parts of motorcycles) of the TSUS. Presidential Proclamation No. 4707 of December 11, 1979, implementing the agreements negotiated during the Tokyo round of Multilateral Trade Negotiations, provided for a gradual duty reduction for imports under these items to be effected in eight annual stages beginning January 1, 1980. The current rate of duty (as of Jan. 1, 1983) and the final rate of duty for each of the TSUS items are as follows (in percent ad valorem):

1/ Illustrations of a shaft drive are presented in app. C.

<u>TSUS item No.</u>	<u>Jan. 1, 1983</u>	<u>Jan. 1, 1987</u>
692.50-----	4.4	3.7
660.56-----	2.0	Free
660.67-----	3.6	3.1
692.55-----	5.1	4.2

Title V of the Trade Act of 1974 authorizes the establishment of a Generalized System of Preferences (GSP) for eligible articles imported from beneficiary developing countries. The President has designated all of the above TSUS items as eligible for duty-free treatment under the provisions of GSP, but countries eligible for GSP treatment currently possess little or no capacity to produce either heavyweight motorcycles or heavyweight motorcycle power train subassemblies.

Two U.S. producers of heavyweight motorcycles currently produce motorcycles in foreign-trade zones (FTZ). ^{1/} The imported parts used in the motorcycles enter the foreign-trade zone free of duty, where they are then used in the assembly of the motorcycles. Only when the completed motorcycle is shipped from the FTZ do the producers pay duty on any imported parts. All of the imported parts that are used in the assembly of motorcycles in the FTZ, except motorcycle engines, are subject to the complete motorcycle (TSUS item 692.50) rate of 4.4 percent ad valorem. The engines in the completed motorcycles, however, are subject to the rate of 2.0 percent ad valorem as provided for in item 660.56.

U.S. Producers

There have been approximately 150 producers of motorcycles in the United States since the first commercially produced motorcycle was manufactured by E.R. Thomas in 1901. Currently, there is one U.S.-owned firm, Harley-Davidson, and two Japanese-owned firms, Kawasaki and Honda, operating in the United States.

The last U.S.-owned heavyweight motorcycle producer to cease production in the United States was Indian Motorcycle Co. It last produced and sold a heavyweight motorcycle in the United States in the early 1950's. Also, the following light/mediumweight motorcycle companies have ceased production since 1973:

<u>Company</u>	<u>Year production ceased</u>
Rupp Industries-----	1973
Fox Corp-----	1974
Rokon Inc-----	1978

^{1/} Honda and Kawasaki.

Harley-Davidson and Honda produce only heavyweight motorcycles in their U.S. plants, and Kawasaki produces mediumweight and heavyweight motorcycles. 1/ Only Harley-Davidson produces heavyweight power train subassemblies in the United States; both Honda and Kawasaki import the heavyweight power train subassemblies for their U.S.-produced motorcycles from Japan.

Harley-Davidson Motor Co. Inc., is a Wisconsin corporation headquartered in Milwaukee. Harley-Davidson York, Inc., and Harley-Davidson International are separate corporations located in York, Pa. and Stamford, Conn., respectively. All three corporations are wholly owned subsidiaries of Harley-Davidson, Inc., a Delaware corporation. Hereinafter, the term "Harley-Davidson" will refer to all the operations of Harley-Davidson, Inc. From 1903 to 1969, Harley-Davidson was an independent company operated principally by its original founders and their families. In 1969, Harley-Davidson merged with AMF, Inc., a large corporation involved in energy services and products, specialty materials, electronic controls and systems, automated process equipment, and leisure and marine products. The merger with AMF provided additional capital to Harley-Davidson which was utilized for additional growth and research and development. On February 26, 1981, a group of Harley-Davidson and AMF executives signed a letter of intent to purchase the Harley-Davidson operations from AMF. The return of the company to private ownership was completed in June 1981.

Harley-Davidson has three production facilities, located in Milwaukee and Tomahawk, Wis., and York, Pa. In addition to its production facilities, Harley-Davidson has a parts distribution center and headquarters in Milwaukee and an international division located in Stamford, Conn. The Tomahawk facility produces such fiberglass parts as fairings, luggage compartments, and saddlebags, as well as some other minor parts used in the assembly of the motorcycle. Most of the major fiberglass parts produced at the Tomahawk plant are used on Harley-Davidson's FL models, or touring models.

The Milwaukee engine plant is basically a machine shop and engine/transmission assembly facility. Harley-Davidson purchases castings and forgings, which are then machined at the Milwaukee plant for assembly into the engine and transmission. In addition, some finished parts are purchased from outside suppliers, both from United States and foreign sources. Both a four-speed and five-speed transmission are produced at this facility, and both production engines (the 1,000cc and the 1,340cc) are produced in this plant. The racing engine is also produced in Milwaukee, but it is assembled in the racing division, which is located in the same area as the administrative, engineering, and general office buildings located at the firm's original Juneau Avenue manufacturing facility.

1/ Kawasaki is currently producing primarily heavyweight motorcycles designed for police use in its Lincoln plant, although it has produced other sizes and styles in the past.

The assembled engines and transmissions are shipped to the York plant, where they are incorporated into the various Harley-Davidson models. ^{1/} Workers in this facility bend the tubing for the frame, and then weld these pieces to form a complete motorcycle frame. The gas tanks for the motorcycle are stamped and welded at York, and virtually all painting is done there. Currently, there are no robots in use at York, but Harley-Davidson plans to install both welding and painting robots in the future. On the assembly line, the models are mixed as they are assembled; that is, a police motorcycle may be first, a dresser next, and a custom motorcycle may follow. Harley-Davidson has also recently initiated a closer inventory control procedure, quality circles, and a new preventive maintenance program in order to increase productivity in all of its plants. ^{2/}

Harley-Davidson, as well as the other two U.S. producers of heavyweight motorcycles, imports certain motorcycle parts, primarily from Japan. A complete listing of the parts imported by Harley-Davidson for use in assembly of its heavyweight motorcycle power train subassemblies can be found in app. D. According to representatives from Harley-Davidson, many of the components, such as carburetors, shock absorbers, and instruments, are imported from Japan, because no U.S. producer is willing to produce these parts for Harley-Davidson because of the limited production runs. According to company officials, if these items were purchased domestically, the cost to Harley-Davidson would be prohibitive, increasing the final price to the consumer substantially.

Both Kawasaki and Honda have separate production and distribution/sales organizations. Motorcycles are produced by Kawasaki Motors Manufacturing and Honda America Manufacturing, and they are distributed/sold by Kawasaki Motors Corp., U.S.A., and American Honda Motor Co.

Kawasaki and Honda have similar U.S. production facilities. Kawasaki began production of motorcycles in Lincoln, Nebr., in 1975, Honda's motorcycle production commenced in Marysville, Ohio, in 1979. Currently, none of the heavyweight motorcycle models produced by either company are imported from Japan; they are produced domestically for the U.S. market or for export.

At the Kawasaki and Honda plants, the tubing for the frame of the motorcycle is bent and welded. Both U.S. plants perform welding, painting, and final assembly operations. However, at the Honda Marysville plant, some of the major fiberglass components, such as fairings, are produced; Kawasaki purchases most of its fiberglass components either from U.S. suppliers or importers. Both companies import heavyweight power train subassemblies from their parent companies located in Japan for assembly into complete motorcycles. In addition to heavyweight power train subassemblies, each company imports items such as instrumentation, shock absorbers, and certain other parts from abroad. All of the heavyweight motorcycles produced in the U.S. plants of Kawasaki and Honda use some U.S.-manufactured parts. The precise percentage of U.S. content differs from model to model,

^{1/} Harley-Davidson also produced engines for golf cars and complete golf cars until 1982, when the golf car business was sold.

^{2/} For additional information, see "Producer's Efforts to Compete" section.

and even the same model of heavyweight motorcycle produced in the United States may have a different percentage of U.S. content, depending upon each production run. Both production facilities are located in foreign-trade zones, as explained in the "U.S. Tariff Treatment" section.

The production facilities of the three firms producing heavyweight motorcycles vary in the degree to which they utilize imported components, and consequently, the amount of U.S. content in the motorcycles they produce varies. In an attempt to develop comparative data on U.S. content, domestic producers' provided data on their purchases of U.S.-made and imported raw materials and supplies used in the production of motorcycles, the value of direct labor, and other costs incurred in such production. These data are presented in the following tabulation. Each cost component is presented as a share of total costs of goods manufactured.

Item	Harley-Davidson				Honda				Kawasaki			
	1980	1981	Jan.-Sept.--		1980	1981	Jan.-Sept--		1980	1981	Jan.Sept--	
			1981	1982			1981	1982			1981	1982
Purchases of raw materials and supplies:												
U.S. made <u>1/</u> --	***	***	***	***	***	***	***	***	***	***	***	***
Imported <u>1/</u> ---	***	***	***	***	***	***	***	***	***	***	***	***
Direct labor compensation-----	***	***	***	***	***	***	***	***	***	***	***	***
Other costs	***	***	***	***	***	***	***	***	***	***	***	***
Total U.S. content-----	***	***	***	***	***	***	***	***	***	***	***	***
Total costs of goods manufactured-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ F.o.b. the firm's receiving platform.

As shown in the tabulation, the production of a Harley-Davidson motorcycle utilize more U.S.-made components and more U.S. labor than either of the Japanese-owned producers. U.S. content represented over *** percent of Harley-Davidson's cost of producing motorcycles in January-September 1982, but only *** and *** percent of Honda's and Kawasaki's respective costs. In responding to the Commission's data request, both Honda and Kawasaki noted that the value of imported components, measured on a f.o.b. receiving platform basis, includes expenditures for duty and U.S. inland freight. Such costs could be considered part of the U.S. content of the finished motorcycles since they constitute payments to the U.S. Government and domestic carriers, respectively. If such expenditures were considered part of other incurred production costs, the U.S. content in January-June 1982 of Honda's motorcycles would increase to *** percent; Kawasaki's would increase to *** percent.

Another measure of U.S. content is one based on the total sales value of a motorcycle rather than production costs. Such a measure would include profit as well as marketing and overhead costs incurred in selling the motorcycles to a dealer. The U.S. content of motorcycles produced in the United States as a percentage of total sales value is shown in the following tabulation:

	<u>1980</u>	<u>1981</u>	<u>January-September--</u>	
			<u>1981</u>	<u>1982</u>
Harley-Davidson-----	***	***	***	***
Honda-----	***	***	***	***
Kawasaki-----	***	***	***	***

Foreign Producers

Virtually all of the heavyweight motorcycles and heavyweight motorcycle power train subassemblies imported into the United States since 1977 were manufactured in Japan. The four major Japanese manufacturers are Honda Motor Co., Ltd.; Yamaha Motor Co., Ltd.; Suzuki Motor Co., Ltd.; and Kawasaki Heavy Industries, Ltd. In Japan, Honda produces motorcycles in four plants; Suzuki, two plants; Kawasaki, one plant, and Yamaha, one plant. ^{1/} In addition to motorcycles, Honda produces automobiles, lawn and garden equipment, generators, outboard engines, and all terrain vehicles. Kawasaki is a large conglomerate which manufactures steel, railway equipment, ships, aircraft, and many other industrial, commercial, and consumer products. Suzuki produces machinery, all-terrain vehicles, automobiles, cast-iron parts, and outboard engines, and Yamaha produces snowmobiles, all-terrain vehicles, and marine equipment in its Japanese plant.

In Japan, all four manufacturers utilize subsidiary or affiliated wholesalers to distribute most of their motorcycles to dealers. Kawasaki makes all of its sales to Japanese dealers through wholesalers which are wholly owned by Kawasaki. The other three firms (Honda, Yamaha, and Suzuki) utilize affiliated and independent wholesalers to distribute their motorcycles to dealers, with the majority of their sales going through affiliated distributors.

^{1/} Based upon information from Guide to the Motor Industry of Japan, 1982, published by the Japan Motor Industrial Federation, 1982.

Japan is by far the leading manufacturer of all motorcycles in the world. Production of motorcycles, by companies, during 1977-81 is shown in table 1.

Table 1.--Motorcycles: 1/ Japanese production, by companies, 1977-81

(In thousands of unit's)

Year	Honda	Kawasaki	Suzuki	Yamaha	Total
1977-----	1,328	335	760	1,415	3,838
1978-----	1,429	326	791	1,116	3,662
1979-----	946	270	546	724	2,486
1980-----	1,532	475	816	1,143	3,966
1981-----	1,709	446	803	1,247	4,205

1/ Over 50cc.

Source: Japan Automobile Manufacturers Association, Inc., Motor Vehicle Statistics of Japan, 1982.

Japan is also the largest exporter of motorcycles in the world. Although data on make of motorcycles are not available, exports from Japan by engine size categories, are shown in table 2.

Table 2.--Motorcycles: Japanese exports, by engine sizes, 1977-81

(In thousands of units)

Year	51 to 125cc	126 to 250cc	Over 250cc	Total
1977-----	2,322	374	701	3,397
1978-----	2,198	366	677	3,241
1979-----	1,344	297	667	2,308
1980-----	1,901	548	972	3,421
1981-----	2,240	437	1,191	3,868

Source: Japan Automobile Manufacturers Association, Inc.

Exports of motorcycles in the 51 to 125cc size declined slightly during 1977-81, exports of motorcycles with engines displacing 126-250cc increased 17 percent during 1977-81, and exports of motorcycles with engines displacing over 250cc increased 70 percent during the same period.

Data, by destinations are available only for exports of motorcycles with an engine displacement of over 50cc (table 3).

Table 3.--Motorcycles: 1/ Japanese exports, by destinations, 1977-81

(In thousands of units)							
Year	Asia	Europe	Oceania	North and South America	Africa	Total	
1977-----	1,360	448	71	1,154	364	3,397	
1978-----	1,395	483	73	1,084	206	3,241	
1979-----	664	425	89	957	173	2,308	
1980-----	965	682	144	1,294	336	3,421	
1981-----	1,222	707	127	1,284	528	3,868	

1/ Over 50cc.

Source: Japan Automobile Manufacturers Association, Inc.

Exports of motorcycles with an engine displacement of over 50cc declined from 3.4 million in 1977 to 2.3 million in 1979, and then increased to 3.9 million by 1981. Japanese exports increased to all areas of the world except Asia during 1977-81, with the largest increases occurring in Europe and Africa.

As shown in table 4, about 90 percent of the production of Japanese motorcycles with an engine displacement of over 50cc is exported. The United States accounted for almost 1 million of the Japanese exports of motorcycles over 50cc in 1981, or approximately 26 percent of Japan's total motorcycle exports. The other major sources of Japanese exports of motorcycles displacing over 50cc in 1981 were Indonesia (592,058 units), Nigeria (415,130 units), West Germany (268,338 units), the United Kingdom (165,749 units), Iran (170,390 units), Malaya (184,521 units), and Canada (114,346 units). During 1977-81, the ratio of exports to production of Japanese motorcycles displacing over 50cc increased from 88.5 to 92.0 percent, although it dipped to 86.3 percent in 1980.

Table 4.--Motorcycles: 1/ Japanese production, 2/ and exports, 1977-81

Year	Production	Exports	Ratio of exports to production
-----In thousands of units-----			Percent
1977-----	3,838	3,397	88.5
1978-----	3,662	3,241	88.5
1979-----	2,486	2,308	92.8
1980-----	3,966	3,421	86.3
1981-----	4,205	3,868	92.0

1/ Over 50cc only.

2/ Includes Honda, Kawasaki, Suzuki, and Yamaha only. These four firms together accounted for over 99 percent of Japanese production and exports of motorcycles with an engine displacement of over 50cc during 1977-81.

Source: Japan Automobile Manufacturers Association, Inc.

According to the Japanese Automobile Manufacturer's Association (JAMA), most heavyweight motorcycles (motorcycles over 700cc) are exported. Only about 50,000 heavyweight motorcycles are sold annually in Japan. All of these have an engine displacement of less than 751cc, since the Japanese Ministry of Transport will not allow the Japanese motorcycle manufacturers to sell motorcycles in Japan with engine displacements of over 750cc. However, motorcycles with engine displacements of over 750cc can be imported and sold in Japan.

Based upon JAMA statements, the annual production of Japanese-built motorcycles with an engine displacement of over 500cc for 1982 was estimated to be slightly less than 600,000 units, with 500,000 of those units having engines displacing over 700cc. In addition, the JAMA estimated that exports of 700cc or over motorcycles to the United States for 1982 and 1983 would average 225,000 units or less per year: 1/

Counsel for the importers of Japanese-brand motorcycles testified that their clients were reducing their future imports from Japan in order to adjust to declining U.S. demand and reduce inventory levels. Data were submitted by counsel which indicates that Japanese production of heavyweight motorcycles will be reduced in 1983 and that imports by three of the four firms in 1983 would be reduced to approximately *** units. The fourth firm, Honda, has testified that production by its Japanese parent was being reduced to adjust for declining demand in the U.S. market. 2/

U.S. Market and Channels of Distribution

The 10 leading brands of motorcycles their countries or origin, and their shares of the U.S. market during 1977-81, are shown in table 5.

Table 5.--Motorcycles: Leading brands and their shares of U.S. imports, by countries of origin, 1977-81

Brand <u>1/</u>	Country of origin	1981	1980	1979	1978	1977
Honda-----	Japan/United States--	37.5	38.8	39.2	35.3	40.5
Yamaha-----	Japan-----	25.4	23.4	23.1	25.9	21.2
Kawasaki-----	Japan/United States--	16.2	15.7	14.9	15.5	16.8
Suzuki-----	Japan-----	14.0	15.2	13.3	13.2	11.2
Harley-Davidson	: United States-----	5.2	4.9	6.3	6.6	6.1
Vespa-----	: Italy-----	.5	.8	.7	-	-
BMW-----	: West Germany-----	.4	.4	.7	.6	.9
Triumph-----	: United Kingdom-----	.2	.3	.6	.8	.7
Husqvarna-----	: Sweden-----	.2	.2	.3	.4	.3
Can Am-----	: Canada-----	.1	.1	-	-	-
	:	:	:	:	:	:

1/ Separate registration data for U.S.- and Japanese-produced Hondas and Kawasakis are not available; thus, shares from both countries are combined.

Source: R. L. Polk & Co., New Motorcycle Registrations, reprinted from Motorcycle Industry Council, Inc., 1982 Motorcycle Statistical Annual, p. 16.

Note.--This tabulation includes all new motorcycle registrations, not just heavyweight motorcycles.

1/ Department of State telegram dated November 18, 1982.

2/ Hearing transcript, p. 228.

Total new registrations of the ten leading brands of all motorcycles registered in the United States are shown in table 6.

Table 6.--Motorcycles: Total new registrations of the 10 leading brands registered in the United States, 1977-81

(In thousands)

Brand	1977	1978	1979	1980	1981
Honda	344	270	338	325	298
Yamaha	180	198	199	196	201
Kawasaki	143	118	128	132	129
Suzuki	95	101	115	127	111
Harley-Davidson	52	50	54	41	41
Vespa	0	0	6	7	4
BMW	8	5	6	3	3
Triumph	6	6	5	2	2
Husqvarna	2	3	3	2	1
Can Am	0	0	0	1	1

Source: R. L. Polk & Co.

Based upon data submitted in response to questionnaires of the U.S. International Trade Commission, domestic shipments of the five leading brands of heavyweight motorcycles (accounting for over *** percent of heavyweight motorcycle shipments) by U.S. producers and importers during 1977-81 were as shown in the following tabulation:

Brand	1977	1978	1979	1980	1981
Honda	***	***	***	***	***
Yamaha	***	***	***	***	***
Kawasaki	***	***	***	***	***
Suzuki	***	***	***	***	***
Harley-Davidson	***	***	***	***	***

According to data supplied by the three domestic producers of heavyweight motorcycles, shipments of U.S.-produced models for 1977-81 were as shown in the following tabulation:

Brand	1977	1978	1979	1980	1981
Kawasaki	***	***	***	***	***
Honda	***	***	***	***	***
Harley-Davidson	***	***	***	***	***
Total	***	***	***	***	***

Harley-Davidson ships its completed motorcycles from its York production plant directly to dealers while Honda and Kawasaki motorcycles are distributed through sales organizations which are subsidiaries of their Japanese parent firms. 1/ U.S. production is shipped to regional warehouses by both Honda and Kawasaki.

All Japanese-built motorcycles are imported by a subsidiary of the parent firm, then shipped to regional warehouses for distribution. BMW (West Germany) and Triumph (United Kingdom) import their motorcycles through their U.S. subsidiaries, while Ducati (Italy) is imported by a non-affiliated firm.

As of September 1982, U.S. producers and importers responding to Commission questionnaires reported the following number of retail dealers:

<u>Brand</u>	<u>Exclusive</u>	<u>Dual</u>	<u>Total</u>
Harley-Davidson-----	***	***	***
Honda-----	***	***	***
Kawasaki-----	***	***	***
Suzuki-----	***	***	***
Yamaha <u>1/</u> -----	***	***	***
BMW-----	***	***	***
Triumph-----	***	***	***
Ducati <u>2/</u> -----	***	***	***

1/ Did not report exclusive and dual separately.

2/ Did not report number of dealers.

The Question of Increased Imports

Importers representing over 99 percent of the imports of heavyweight motorcycles and heavyweight motorcycle power train subassemblies responded to Commission questionnaires. Imports from Japan represented over *** percent of the heavyweight motorcycles and *** percent of the heavyweight motorcycle power train subassemblies imported during 1977-81.

U.S. imports of heavyweight motorcycles (all units having an engine displacement of over 700cc) increased irregularly from 153,506 units, valued at \$222 million, in 1977 to 202,399 units, valued at \$440 million, in 1981. U.S. imports during January-September 1982 increased by 30,600 units, or 21 percent, compared with imports in January-September 1981; the value of such imports increased by only 8.0 percent during the same period (table 7).

1/ Kawasaki also has one independent distributor located in the Rocky Mountain area.

Table 7.--Heavyweight motorcycles: U.S. imports ^{1/} for consumption, by brands, 1977-81, January-September 1981, and January-September 1982

Brand	1977	1978	1979	1980	1981	Jan.-Sept--	
						1981	1982
Quantity (units)							
Honda-----	***	***	***	***	***	***	***
Kawasaki---	***	***	***	***	***	***	***
Suzuki-----	***	***	***	***	***	***	***
Yamaha-----	***	***	***	***	***	***	***
BMW 2/-----	***	***	***	***	***	***	***
Triumph----	***	***	***	***	***	***	***
Ducati-----	***	***	***	***	***	***	***
Total--:	153,506	185,918	159,210	195,531	202,399	145,564	176,164
Value (1,000 dollars)							
Honda-----	***	***	***	***	***	***	***
Kawasaki---	***	***	***	***	***	***	***
Suzuki-----	***	***	***	***	***	***	***
Yamaha-----	***	***	***	***	***	***	***
BMW 2/-----	***	***	***	***	***	***	***
Triumph----	***	***	***	***	***	***	***
Ducati-----	***	***	***	***	***	***	***
Total--:	222,013	337,792	334,767	393,179	440,065	346,267	373,949

^{1/} Do not include motorcycles assembled in the United States by Honda and Kawasaki.

^{2/} BMW data not available for 1977-79.

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

During 1977-80, *** accounted for the largest share of imports, with *** accounting for the second largest share. However, *** became the number one importer of heavyweight motorcycles in 1981, with *** second. *** again became the largest importer during January-September 1982, and *** fell back to second place. ***.

U.S. imports of heavyweight motorcycles in engine sizes 700cc but not over 850cc fluctuated between a low of *** units in 1979 and a peak of *** units in 1981. U.S. imports of heavyweight motorcycles in sizes over 850cc but not over 1,025cc followed a similar trend, reaching a low of *** units in 1979 and a high of *** units in 1981. However, imports of heavyweight motorcycles with engines displacing over 1,025cc increased from *** units in 1977 to their highest level of *** units in 1979 and then declined to ***

units in 1981. Imports of heavyweight motorcycles in the category over 1,025cc for January-September 1982 were *** units, representing ***-percent increase over such imports in the corresponding 1981 period (table 8).

Table 8.-Heavyweight motorcycles: U.S. imports for consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982

Engine size	1977	1978	1979	1980	1981	Jan.-Sept.--	
						1981	1982
Quantity (units)							
Over 700cc but not over 850cc-----	***	***	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	153,506	185,918	159,210	195,531	202,399	149,296	176,164
Value (1,000 dollars)							
Over 700cc but not over 850cc-----	***	***	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	222.013	337,792	334,767	393,179	440,065	322,147	373,949
Unit value							
Over 700cc but not over 850cc-----	***	***	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Average-----	1,446	1,817	2,103	2,011	2,174	2,158	2,123

According to the petitioner, the Japanese manufacturers have introduced models that emulate the traditional Harley-Davidson style and image during the last 4 years. Specifically, the petitioner noted that some Japanese motorcycles are now equipped with the traditional Harley-Davidson V-type engine and that imports and inventories of these models have increased substantially and now account for a large share of the U.S. heavyweight motorcycle market. In addition, Harley-Davidson also stated that the Japanese have attempted to capture its market for dresser motorcycles. Shipments of imported V-type engines and dresser models, by brands, are shown in the following tabulation (in units):

Shipments of imported heavyweight motorcycles equipped with V-type engines

<u>Year</u>	<u>Ducati</u>	<u>Yamaha</u>	<u>Honda</u>	<u>Total</u>
1977-----	***	***	***	***
1978-----	***	***	***	***
1979-----	***	***	***	***
1980-----	***	***	***	***
1981-----	***	***	***	***
Jan.-Sept. 1981--	***	***	***	***
Jan.-Sept. 1982--	***	***	***	***

Shipments of imported heavyweight motorcycles equipped as "dresser" models

<u>Year</u>	<u>Kawasaki</u>	<u>Suzuki</u>	<u>Honda</u>	<u>Yamaha</u>	<u>BMW</u>	<u>Total</u>
1977-----	***	***	***	***	***	***
1978-----	***	***	***	***	***	***
1979-----	***	***	***	***	***	***
1980-----	***	***	***	***	***	***
1981-----	***	***	***	***	***	***
Jan-Sept. 1981--	***	***	***	***	***	***
Jan-Sept. 1982--	***	***	***	***	***	***

The ratio of imported heavyweight motorcycles to total U.S. production of those products (including units incorporating imported power train subassemblies) ranged from a low of *** percent in 1981 to a high of *** percent in 1978. For January-September 1982, the imports-to-production ratio was *** percent, *** from *** percent during January-September 1981. If only Harley-Davidson's production data are used in determining the ratio of imports to production, a different trend is apparent. The ratio for 1977-81 increased from *** percent in 1977 to *** percent in 1981, and the ratio increased from *** percent during January-September 1981 to *** percent during the corresponding period in 1982, as shown in the following tabulation:

<u>Period</u>	<u>Total U.S. 1/</u> <u>production</u>	<u>Harley-</u> <u>Davidson</u> <u>production</u>	<u>Imports</u>	<u>Ratio of</u>	<u>Ratio of</u>
				<u>imports to:</u> <u>total U.S.:</u> <u>production:</u>	<u>imports to</u> <u>Harley-Davidson</u> <u>production</u>
	<u>Units</u>	<u>Units</u>	<u>Units</u>	<u>Percent</u>	<u>Percent</u>
1977-----	***	***	***	***	***
1978-----	***	***	***	***	***
1979-----	***	***	***	***	***
1980-----	***	***	***	***	***
1981-----	***	***	***	***	***
Jan.-Sept--					
1981-----	***	***	***	***	***
Jan.-Sept--					
1982-----	***	***	***	***	***

1/ Includes motorcycles assembled in the United States by Harley-Davidson, Honda, Kawasaki.

U.S. imports of heavyweight motorcycle power train subassemblies increased from *** units in 1977 to *** units in 1981. During 1977 and 1978, all power train subassemblies were imported by Kawasaki for use in assembly of its heavyweight motorcycles in Lincoln, Nebraska. In 1979, Honda began production of heavyweight motorcycles in Marysville, Ohio and began importing heavyweight power train subassemblies. Kawasaki's imports declined from *** units in 1977 to *** units in 1981 as U.S. production decreased; Honda's imports steadily increased from *** units in 1979 to *** units in 1981 (table 9). ^{1/}

Table 9.--Heavyweight motorcycle power train subassemblies: U.S. imports for consumption, by brand and engine size 1977-81, January-September 1981, and January-September 1982

(In units)								
Brand/engine size	1977	1978	1979	1980	1981	Jan.-Sept.--		
						1981	1982	
Honda:								
Over 850cc but								
not over								
1,025cc-----	***	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***	***
Kawasaki:								
Over 850cc but								
not over								
1,025cc-----	***	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***	***
Total:								
Over 850cc but								
not over								
1,025-----	***	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***	***

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

The ratio of imports to production of heavyweight motorcycles power train subassemblies increased from *** percent in 1977 to *** percent in 1981. For January-September 1981, the ratio was *** percent compared with *** percent during the corresponding 1982 period, as shown in the following tabulation:

^{1/} Neither Kawasaki nor Honda have power train subassembly production in the United States. The only such facilities in the United States are owned and operated by Harley-Davidson.

Period	Production	Imports	Ratio of imports to production
	units		percent
1977-----	***	***	***
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***
Jan-Sept-----			
1981	***	***	***
Jan-Sept-----			
1982	***	***	***

The Question of Serious Injury or Threat Thereof

U.S. production

U.S. production of heavyweight motorcycles increased from *** units in 1977 to *** units in 1981. Harley-Davidson was the only U.S. producer of heavyweight motorcycles having an engine displacement of over 700cc but not over 850cc. All of these motorcycles have engine displacement of 750cc, are used for racing, and are not legal for street use. U.S. production of heavyweight motorcycles with an engine displacement of over 850cc but not over 1,025cc *** from *** units in 1977 to *** units in 1981. Harley-Davidson's production in this size category *** by more than *** percent during 1977-81, and Kawasaki's production declined by *** percent during the same period. Honda did not begin U.S. production of this engine size until late 1980, but it accounted for almost *** percent of U.S. production in the 850 to 1,025cc range in 1981.

U.S. production of the largest engine size (over 1,025cc) increased steadily from *** units in 1977 to *** units in 1981. Honda accounted for the largest increase in this category, increasing from *** units in 1979 (its first year of U.S. production in the category over 1,025cc) to *** units in 1981. Kawasaki did not produce any motorcycles over 1,025cc during 1977-81; Harley-Davidson's production increased from *** units in 1977 to *** units in 1981 (table 10). ^{1/}

U.S. production of heavyweight motorcycles by Harley-Davidson and Honda declined during January-September 1982 when compared with such production in the corresponding 1981 period, and production by Kawasaki increased. Harley-Davidson reported a decrease of *** percent and Honda *** percent;

^{1/} Transcript of the hearing, pp. 279-281.

Kawasaki reported an increase of *** percent. Harley-Davidson's and Honda's declines were exclusively in the category over 1,025cc, and Kawasaki's increase was in the range of 850 to 1,025cc (table 10).

Table 10.--Heavyweight motorcycles: U.S. production, by firms and by engine sizes, 1977-81, January-September 1981, and January-September 1982

(In units)								
Firm/engine size	1977	1978	1979	1980	1981	Jan.-Sept--		
						1981	1982	
Harley-Davidson:								
Over 700cc but								
not over								
850cc-----	***	***	***	***	***	***	***	***
Over 850cc but								
not over								
1,025cc-----	***	***	***	***	***	***	***	***
Over 1,025cc----	***	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***	***
Kawasaki: 1/								
Over 850cc but								
not over								
1,025cc-----	***	***	***	***	***	***	***	***
Over 1,025cc----	***	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***	***
Honda: 1/								
Over 850cc but								
not over								
1,025cc-----	***	***	***	***	***	***	***	***
Over 1,025cc----	***	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***	***
Total, all pro-								
ducers:								
Over 700cc but								
not over								
850cc-----	***	***	***	***	***	***	***	***
Over 850cc but								
not over								
1,025cc-----	***	***	***	***	***	***	***	***
Over 1,025cc----	***	***	***	***	***	***	***	***
Total:								
All engine								
sizes-----	***	***	***	***	***	***	***	***

1/ Neither Kawasaki nor Honda produced a heavyweight motorcycle in the United States with an engine displacement of over 700cc but less than 850cc.

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

Harley-Davidson is the sole U.S. producer of heavyweight motorcycle power train subassemblies. All of Harley-Davidson's subassemblies are used in the assembly of Harley-Davidson heavyweight motorcycles in the York production facility, except the 700 to 850cc engine, which is used in the assembly of racing motorcycles built in the Milwaukee racing division facility. Production of engines at Harley-Davidson is directly related to the production of heavy-weight motorcycles, since few engines are built for inventory. As the engines are built in the Milwaukee plant, they are shipped by Harley-Davidson-owned trucks to the York plant. 1/

Production of heavyweight motorcycle power train subassemblies increased irregularly from *** units in 1977 to *** units in 1980, and then declined to *** units in 1981 (table 11).

Table 11.--Heavyweight motorcycle power train subassemblies: Harley-Davidson's production, by engine size, 1977-81, January-September 1981, and January-September 1982

(In units)

Engine size	1977	1978	1979	1980	1981	Jan.-Sept.--	
						1981	1982
Over 700cc but not over 850cc-----:	***	***	***	***	***	***	***
Over 850cc but not over 1,025cc-----:	***	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***	***

1/ Engines and power train subassemblies built by Harley-Davidson are not compatible with engines or power train subassemblies used in Japanese-brand motorcycles.

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

U.S. production capacity and capacity utilization

U.S. capacity to produce heavyweight motorcycles fluctuated between 1977 and 1979 and then rose dramatically in 1980 as Honda's Marysville plant came on stream (table 12). Aggregate production capacity has remained constant since 1980. Capacity figures for Kawasaki are overstated in that the firm utilizes the same assembly lines for middleweight and heavyweight motorcycles, as well as jet skis and three-wheel all-terrain vehicles. Harley-Davidson and Honda, however, currently produce only heavyweight motorcycles in their U.S.

facilities; therefore, their data more closely approximate their actual capabilities. 1/

Harley-Davidson's production capacity remained constant during 1977-82 at *** units per year. Its capacity utilization rate ranged from a high of *** percent in 1980 to a low of *** percent during January-September 1982. During 1980 and 1981 and January-September 1982, Honda also had a capacity of *** units per year. Honda produced both heavyweight and other motorcycles in 1980; only heavyweight motorcycles were produced in 1981 and January-September 1982. Honda operated at *** percent capacity during 1981 and at *** percent during January-September 1982 (table 12).

Table 12.--Heavyweight motorcycles: U.S. production capacity and capacity utilization, by firms, 1977-81, January-September 1981, and January-September 1982

Item/firm	1977	1978	1979	1980	1981	Jan.-Sept.--	
						1981	1982
Quantity (1,000 units)							
Capacity:							
Harley-Davidson--:	***	***	***	***	***	***	***
Kawasaki-----:	***	***	***	***	***	***	***
Honda-----:	***	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***	***
Percent							
Capacity utilization:							
Harley-Davidson--:	***	***	***	***	***	***	***
Kawasaki-----:	***	***	***	***	***	***	***
Honda-----:	***	***	***	***	***	***	***
Average-----:	***	***	***	***	***	***	***

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

1/ Honda produced motorcycles other than heavyweight models in 1979 and 1980; thus, only 1981 and 1982 capacity and capacity utilization data are meaningful for comparative purposes.

The capacity of Harley-Davidson's heavyweight power train facility in Milwaukee has been *** units per year since 1977. During this period, its capacity utilization rate ranged from a peak of *** percent in 1978 to a low of *** percent in January-September 1982, as shown in the following tabulation:

<u>Period</u>	<u>Capacity utilization (Percent)</u>
1977-----	***
1978-----	***
1979-----	***
1980-----	***
1981-----	***
Jan.-Sept.--	
1981----	***
1982----	***

U.S. producers' shipments

During 1977-81, U.S. shipments of heavyweight motorcycles rose from *** units, valued at *** million, in 1978 to *** units, valued at *** million, in 1981 (table 13). Harley-Davidson's shipments remained relatively constant during 1977-80, but dropped substantially during 1981. Shipments for January-September 1982 also declined when compared with those in the corresponding period of 1981, dropping from *** units to *** units, or by *** percent. Kawasaki's shipments decreased from *** units in *** to *** units in 1981. During January-September 1982, Kawasaki shipped *** heavyweight motorcycles from its U.S. plant. The reason for this decline was that Kawasaki decided to import virtually all of its heavyweight motorcycles from Japan, except for the police and one other model, which the firm continues to produce in the United States. Honda's shipments increased from *** units, valued at ***, in 1979 to *** units, valued at *** million, in 1981. Shipments for January-September 1982 were down *** percent compared with those in the corresponding 1981 period in terms of units, and the value of such shipments increased by *** percent.

U.S. exports

U.S. exports of heavyweight motorcycles increased each year from 1977 to 1981, and then declined during January-September 1982 compared with the number in the corresponding period of 1981 (table 14). ***.

Table 13.--Heavyweight motorcycles: U.S. producers' shipments, by firms and by engine sizes, 1977-81, January-September 1981, and January-September 1982

Firm/engine size	1977	1978	1979	1980	1981	Jan.-Sept.--		
						1981	1982	
	Quantity (units)							
Harley-Davidson:								
Over 700cc but not:								
over 850cc-----:	***	***	***	***	***	***	***	***
Over 850cc but not:								
over 1,025cc----:	***	***	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***	***	***
Kawasaki: 1/								
Over 850cc but not:								
over 1,025cc----:	***	***	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***	***	***
Honda: 1/								
Over 850cc but not:								
over 1,025cc----:	***	***	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***	***	***
Total, all pro-								
ducers:								
Over 700cc but not:								
over 850cc-----:	***	***	***	***	***	***	***	***
Over 850cc but not:								
over 1,025cc----:	***	***	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***	***	***
Total, all heavy:								
weight motor-								
cycles-----:	***	***	***	***	***	***	***	***

See footnote at end of table.

Table 13.--Heavyweight motorcycles: U.S. producers' shipments, by firms and by engine sizes, 1977-81, January-September 1981, and January-September 1982--Continued

Firm/engine size	1977	1978	1979	1980	1981	Jan.-Sept.--	
						1981	1982
Value (1,000 of dollars)							
Harley-Davidson:							
Over 700cc but							
not over							
850cc-----	***	***	***	***	***	***	***
Over 850cc but							
not over							
1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Kawasaki: 1/							
Over 850cc but							
not over							
1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Honda: 1/							
Over 850cc but							
not over							
1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Total, all pro-							
ducers:							
Over 700cc but							
not over							
850cc-----	***	***	***	***	***	***	***
Over 850cc but							
not over							
1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total, all							
heavyweight							
motorcycles--	***	***	***	***	***	***	***

1/ Neither Kawasaki nor Honda produced a heavyweight motorcycle in the United States with an engine displacement between 701cc and 850cc.

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

Table 14.--Heavyweight motorcycles: U.S. exports, by firms, 1977-81, January-September 1981, and January-September 1982

Firm	1977	1978	1979	1980	1981	Jan.-Sept.--	
						1981	1982
Quantity (units)							
Harley-Davidson----	***	***	***	***	***	***	***
Kawasaki-----	***	***	***	***	***	***	***
Honda-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Value (1,000 of dollars)							
Harley-Davidson----	***	***	***	***	***	***	***
Kawasaki-----	***	***	***	***	***	***	***
Honda-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***

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

Harley-Davidson's exports of heavyweight motorcycles increased slightly during January-September 1982, rising from *** to *** units, or by *** percent, compared with exports in January-September 1981. Kawasaki's exports declined from *** to *** units during the same period, while Honda's exports decreased from *** to *** units. There were no exports of heavyweight motorcycle power train subassemblies reported.

U.S. producers' inventories

U.S. producers' inventories of U.S.-produced heavyweight motorcycles increased from *** units as of September 30, 1977, to a peak of *** units in 1980, and then dropped to *** units in 1982. Both Harley-Davidson and Kawasaki recorded their lowest level of inventory in 1977--*** and *** units, respectively. However, Harley-Davidson's highest level was *** units in 1981; Kawasaki's highest level was *** units in 1980. Honda did not begin production of heavyweight motorcycles until after September 30, 1979, but during each of the succeeding years, Honda's level of inventory declined (table 15).

Table 15.--Heavyweight motorcycles: U.S. producers' inventories, by firms and engine sizes, as of Sept. 30 of 1977-82

(In units)							
Firm/engine size	1977	1978	1979	1980	1981	1982	
Harley-Davidson:							
Over 700cc but not over 850cc-----	***	***	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Kawasaki: 1/							
Over 850cc but not over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Honda: 1/							
Over 850cc but not over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Total, all firms:							
Over 700cc but not over 850cc-----	***	***	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***

1/ Neither Kawasaki nor Honda produced a heavyweight motorcycle in the United States with an engine displacement of over 700cc but less than 850cc.

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

Inventories of heavyweight motorcycles at the dealer level were also reported by the three U.S. producers. Dealer inventory reached its highest level in 1980, when the three producers recorded *** units, and was at its lowest level in 1979, when the dealers held *** units. At the dealer level, Harley-Davidson's inventory of heavyweight motorcycles fluctuated between *** units in 1979 and *** units in 1980. Kawasaki's dealer inventory also fluctuated widely during 1977-82, ranging from a low of *** units in 1977 to a peak of *** units in 1980. Honda reported dealer inventories of *** units in 1981 and *** units in 1982 (table 16).

Table 16.--Heavyweight motorcycles: Dealers' inventories of U.S.-produced motorcycles, by brands and engine sizes, as of Sept. 30 of 1977-82

(In units)							
Brand/engine size	1977	1978	1979	1980	1981	1982	
Harley-Davidson:							
Over 850cc but not							
over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Kawasaki:							
Over 850cc but not							
over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Honda:							
Over 850cc but not							
over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Total, all brands:							
Over 850cc but not							
over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***

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

As of September of each year, Harley-Davidson's total inventory (producer and dealers) of motorcycles, as compiled from the Commission questionnaire, was as follows:

1977-----	***
1978-----	***
1979-----	***
1980-----	***
1981-----	***
1982-----	***

U.S. producers' inventories of U.S.-produced dresser motorcycles (basically motorcycles equipped with windshield, fairing, and luggage compartments) increased each year during 1977-82. Harley-Davidson's inventory increased from *** units in 1977 to a high of *** units in 1980, and then declined to *** units in 1982. Kawasaki's inventory of dressers fluctuated between *** in 1978 and *** in 1982. Honda did not begin production of dresser models until 1980, when it had *** units in inventory, increasing to *** units in 1982. U.S. producers' inventories of dresser heavyweight

motorcycles, by brands, were compiled from questionnaire data and are presented in the following tabulation: 1/

	<u>Harley-Davidson</u>	<u>Kawasaki</u>	<u>Honda</u>	<u>Total</u>
1977-----	***	***	***	***
1978-----	***	***	***	***
1979-----	***	***	***	***
1980-----	***	***	***	***
1981-----	***	***	***	***
1982-----	***	***	***	***

1/ Includes inventories held by U.S. producers and dealers.

Harley-Davidson, the only U.S. producer of heavyweight motorcycle power train subassemblies, reported a low of *** units in inventory in 1979 and a peak of *** units in 1980 (table 17).

Table 17.--Heavyweight motorcycle power train subassemblies: U.S. producers' inventories, by firms and by engine sizes, as of Sept. 30 of 1977-82

(In units)							
Firm/engine size	1977	1978	1979	1980	1981	1982	
Harley-Davidson:							
Over 700cc but not							
over 850cc-----	***	***	***	***	***	***	***
Over 850cc but not							
over 1,025cc-----	***	***	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***

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

U.S. importers' inventories

U.S. importers' inventories of heavyweight motorcycles increased from 29,769 units in 1977 to 125,534 units in 1982, representing an increase of 322 percent. Honda's inventories increased from *** to *** during 1977-82; Kawasaki's increased from *** to ***; Suzuki's, from *** to ***; and Yamaha's from *** to ***. Thus, U.S. importers' inventories of imported Japanese motorcycles increased from *** in 1977 to *** in 1982 (table 18).

Inventories of imported heavyweight motorcycles held by dealers increased from 23,631 units in 1977 to 79,680 units in 1982, or by 237 percent. Most of this increase can be attributed to imports from Japan; Honda's inventory increased by *** percent; Kawasaki's, by *** percent; Suzuki's, by *** percent; and Yamaha's, by *** percent (table 19).

Table 18.--Heavyweight motorcycles: U.S. importers' inventories, 1/ by brands and by engine sizes, as of Sept. 30 of 1977-82

(In units)						
Brand/engine size	1977	1978	1979	1980	1981	1982
Honda:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***
Kawasaki:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***
Suzuki:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***
Yamaha:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***
BMW:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***
Triumph:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Ducati:						
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***

See footnotes at end of table.

Table 18.--Heavyweight motorcycles: U.S. importers' inventories, by brands and by engine sizes, as of Sept. 30 of 1977-82--Continued

(In units)						
Brand/engine size	1977	1978	1979	1980	1981	1982
Total, all brands:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***
Total-----:	29,769	60,908	40,003	54,160	61,756	125,534

1/ Imported motorcycles only.

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

Table 19.--Heavyweight motorcycles: Dealers' inventories of imported motorcycles, by brands and by engine sizes, as of Sept. 30 of 1977-82

(In units)						
Brand/engine size	1977	1978	1979	1980	1981	1982
Honda:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***
Kawasaki:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***
Suzuki:						
Over 700cc but not:						
over 850cc-----:	***	***	***	***	***	***
Over 850cc but not:						
over 1,025cc----:	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***

See footnote at end of table.

Table 19.--Heavyweight motorcycles: Dealers' inventories of imported motorcycles, by brands and by engine sizes, as of Sept. 30 of 1977-82--Continued

(In units)							
Brand/engine size	1977	1978	1979	1980	1981	1982	
Yamaha:							
Over 700cc but not:							
over 850cc-----:	***	***	***	***	***	***	***
Over 850cc but not:							
over 1,025cc----:	***	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***	***
BMW:							
Over 700cc but not:							
over 850cc-----:	***	***	***	***	***	***	***
Over 850cc but not:							
over 1,025cc----:	***	***	***	***	***	***	***
Total-----:	***	***	***	***	***	***	***
Triumph:							
Over 700cc but not:							
over 850cc-----:	***	***	***	***	***	***	***
Ducati:							
Over 850cc but not:							
over 1,025cc----:	***	***	***	***	***	***	***
Total, all brands:							
Over 700cc but not:							
over 850cc-----:	***	***	***	***	***	***	***
Over 850cc but not:							
over 1,025cc----:	***	***	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***	***	***
Total-----:	23,631	41,857	45,303	57,115	52,807	79,680	

1/ Not available.

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

Only Ducati imported V-type engines during 1977-80; Yamaha began importing models equipped with V-type engines in 1981 as did Honda in 1982. The following tabulation, compiled from questionnaire responses, shows the inventory of imported heavyweight motorcycles with V-type engines held by the three importers as of September 30 of each year: 1/

	Ducati	Yamaha	Honda	Total
1977-----	***	***	***	***
1978-----	***	***	***	***
1979-----	***	***	***	***
1980-----	***	***	***	***
1981-----	***	***	***	***
1982-----	***	***	***	***

1/ Do not include inventories held by dealers.

There were no dresser models imported until 1979, when Kawasaki and Suzuki had a total of *** units in inventory. However, by 1982, all four Japanese companies were importing dressers, as was BMW. The U.S. inventory of imported dressers increased from none in 1977 to *** units in 1982, as shown in the following tabulation derived from data submitted by the respondents to the questionnaire: 1/

	<u>Honda</u>	<u>Kawasaki</u>	<u>Suzuki</u>	<u>Yamaha</u>	<u>BMW</u>	<u>Total</u>
1977-----	***	***	***	***	***	***
1978-----	***	***	***	***	***	***
1979-----	***	***	***	***	***	***
1980-----	***	***	***	***	***	***
1981-----	***	***	***	***	***	***
1982-----	***	***	***	***	***	***

The above data are overstated since some importers defined a "dresser" model differently than did others. Some importers included motorcycles equipped with sports fairing and windshields as "dressers", but these are not "dressers" as defined for the purposes of this report. The purpose of the fairing/windshield on these motorcycles is to lessen wind resistance in order to increase the aerodynamics of the motorcycle, and not for touring purposes.

U.S. employment

Employment data were reported by all three firms that produced motorcycles in the United States. The total number of persons employed by those firms increased from *** in 1977 to *** in 1981, or by *** percent (table 20). During January-September 1982, total employment declined by *** percent from the level of January-September 1981. 2/ Employment of production and related workers producing heavyweight motorcycles and heavyweight motorcycle power train subassemblies increased from *** in 1977 to *** in 1981, but declined from *** during January-September 1981 to *** during the corresponding 1982 period. This represented a decrease of *** employees, or *** percent.

The number of hours worked by production and related workers in the production of all products in motorcycle producing establishments increased from *** million in 1977 to *** million in 1981. The total hours worked in the production of motorcycles increased from *** million in 1977 to *** million in 1981, but declined during January-September 1982 to *** million compared with *** million during the corresponding period of 1981.

Wages paid to production workers producing all products increased from *** million in 1977 to *** million in 1981, and the value of fringe benefits increased from *** million in 1977 to *** million in 1981. Wages paid to motorcycle-related production workers rose from *** million in 1977 to *** million in 1981 (table 20).

1/ Do not include inventories held by dealers.

2/ It should be noted that Kawasaki has currently ceased production of most models of heavyweight motorcycles in the United States and instead imports them, while Honda began production of heavyweight motorcycles in 1979.

Table 20.--Employment: Average number employed in the reporting establishments, hours worked by production and related workers, and wages paid to production and related workers (all products and heavyweight motorcycles and heavyweight motorcycle power train subassemblies only) 1977-81, January-September 1981, and January-September 1982

Item	1977	1978	1979	1980	1981	January-September--	
						1981	1982
Average number employed in the reporting establishment(s)							
All persons-----Number--	***	***	***	***	***	***	***
Production and related workers producing--							
All products-----Number--	***	***	***	***	***	***	***
Motorcycles and heavyweight motorcycle power train subassemblies-----Number--	***	***	***	***	***	***	***
Hours worked by production and related workers producing--							
All products-----1,000 hours--	***	***	***	***	***	***	***
Motorcycles and heavyweight motorcycle power train subassemblies-----1,000 hours--	***	***	***	***	***	***	***
Wages paid to production and related workers producing--							
All products-----1,000 dollars--	***	***	***	***	***	***	***
Motorcycles and heavyweight motorcycle power train subassemblies-----1,000 dollars--	***	***	***	***	***	***	***
Value of fringe benefits provided to production and related workers							
1,000 dollars--	***	***	***	***	***	***	***

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

The average number of production and related workers at all of Harley-Davidson's facilities producing heavyweight motorcycles and heavyweight power train subassemblies increased irregularly from *** workers in 1977 to *** workers during January-September 1981. However, employment of these workers declined by ***, or *** percent, during January-September 1982. Kawasaki's employment fluctuated between a low of *** workers in 1979 and a peak of *** in 1981. Production of heavyweight motorcycles by Honda did not begin until late 1979, when only *** workers were employed in the production of heavyweight motorcycles at the Marysville plant; the number of production and related workers was at its highest level during January-September 1982, when employment averaged *** workers (table 21).

Harley-Davidson production workers hourly wage rates were *** (table 21). The workers at Harley-Davidson's production facilities in Milwaukee are members of the International Union of Allied Industrial Workers of America, and the workers at York are members of the International Association of Machinists and Aerospace Workers. Production workers at the Kawasaki and Honda facilities are not unionized.

An attempt was made by the Commission staff to measure and compare productivity among the three U.S. producers; however, the different manner in which the three producers reported employment data precluded any meaningful comparison. Harley-Davidson reported employment data for all heavyweight motorcycles and heavyweight power train subassemblies; Kawasaki and Honda reported employment data for all motorcycles produced in their facilities. Thus, no statistically significant comparisons could be made among the three motorcycle producers.

Table 21.--Average U.S. employment of production and related workers producing motorcycles hours worked, and average hourly wages, by firms, 1977-81, January-September 1981, and January-September 1982 ^{1/}

Firm	1977	1978	1979	1980	1981	Jan.-Sept.--	
						1981	1982
Production and related workers							
Harley-Davidson--	***	***	***	***	***	***	***
Kawasaki----	***	***	***	***	***	***	***
Honda-----	***	***	***	***	***	***	***
Total---	***	***	***	***	***	***	***
Hours worked (1,000 hours) ^{2/}							
Harley-Davidson--	***	***	***	***	***	***	***
Kawasaki----	***	***	***	***	***	***	***
Honda-----	***	***	***	***	***	***	***
Total---	***	***	***	***	***	***	***
Average wages (dollars per hour)							
Harley-Davidson--	***	***	***	***	***	***	***
Kawasaki----	***	***	***	***	***	***	***
Honda-----	***	***	***	***	***	***	***
Average-	***	***	***	***	***	***	***

^{1/} Include data for all motorcycle and heavyweight power train subassembly operations.

^{2/} Data do not include fringe benefits.

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

Financial Experience of U.S. Producers

Income-and-loss data for heavyweight motorcycles and/or power train subassemblies for heavyweight motorcycle operations and for operations of the establishments where these products were produced were received from all three firms which manufacture motorcycles in the United States. Two Japanese-owned firms, Kawasaki and Honda, provided data on income-and-loss experience on their manufacturing operations only. These two firms transferred their finished motorcycles and other products to company subsidiaries responsible for the sale of motorcycles in the United States. Both firms also purchased raw materials for heavyweight motorcycles, which accounted for over *** percent of their net sales, from their parent companies in Japan. As all of these transactions were intercompany transfers, data for both firms are limited in their use as a measure of profitability.

The data for heavyweight motorcycles and/or power train subassemblies for heavyweight motorcycles, by firms, are presented in table 22.

* * * * *

Table 22.--Income-and-loss experience of U.S. producers on their operations on motorcycles and/or power train sub-assemblies for heavyweight motorcycles, by firms, 1977-81, January-September 1981, and January-September 1982

Firm and item	Commercial sales	Inter-company transfers	Total net sales	Cost of sales	Gross profit (loss)	General administrative and selling expenses	Operating income (loss)	Interest expense	Other income (expense)	Net income (loss) before taxes	Cash flow (deficit) from operations	As a share of total net sales		
												Operating income	Net income (loss) before taxes	
1,000 dollars													Percent	
1977:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1978:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1979:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
sub-total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc 1/	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1980:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1981:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
January-September--														
1981:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1982:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***

1/ Honda started production of motorcycles in September of 1979.
 2/ ***.

* * * * *

* * * * *

* * * * *

The income-and-loss data for U.S. producers' overall establishments in which motorcycles and/or power train subassemblies for heavyweight motorcycles are produced are shown, by firms, in table 23. ***.

Table 23.--Income-and-loss experience of U.S. producers on their operations on the establishment within which motorcycles and/or power train subassemblies for heavyweight motorcycles are produced, by firms, 1977-81, January-September 1981, and January-September 1982

Firm and item	Commercial sales	Inter-company transfers	Total net sales	Cost of sales	Gross profit (loss)	General, administrative and selling expenses	Operating income (loss)	Interest expense	Other income (expense)	Net income (loss) before taxes	Cash flow: (deficit) from operations	As a share of total net sales		
												Operating income	Net income (loss) before taxes	
											Percent			
											1,000 dollars			
1977:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1978:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1979:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
sub-total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc 1/	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1980:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1981:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
January-September--:														
1981:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***
1982:														
Harley-Davidson	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Honda of America Mfg., Inc	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total or average	***	***	***	***	***	***	***	***	***	***	***	***	***	***

A-44

1/ Honda started U.S. production of motorcycles in September 1979.

The ratios of operating income or loss to original cost and book value of fixed assets, by firms, are presented in table 24. These ratios followed trends similar to those for the ratios of operating income to net sales.

Mr. John P. Reilly, Vice President of Citicorp Industrial Credit, Inc., testified that as a result of Harley-Davidson's disproportionate loss of sales, Harley is in an overadvance situation and is using daily overadvances for its working capital. Thus, Citicorp is actually funding the company's losses. Under these circumstances, a lender would be entitled to declare the borrower in default under the terms of the loan. To date, Citicorp has not taken such action.

1/ Transcript of the hearing, pp. 39-44.

Table 24.--Investment in fixed assets employed in the production of motorcycles and power train subassemblies for heavyweight motorcycles, by firms, 1977-81, January-September 1981, and January-September 1982

Firm and item	Fixed assets--			Operating profit (loss)	Ratio of operating profit to--		
	Original cost	Book value	Replacement cost		Fixed assets		
					Original cost	Book value	Replacement cost
	-----1,000 dollars-----			-----Percent-----			
1977:							
Harley-Davidson-----	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc-----	***	***	***	***	***	***	***
Total or average-----	***	***	***	***	***	***	***
1978:							
Harley-Davidson-----	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc-----	***	***	***	***	***	***	***
Total or average-----	***	***	***	***	***	***	***
1979:							
Harley-Davidson-----	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc-----	***	***	***	***	***	***	***
Sub-total or average-----	***	***	***	***	***	***	***
Honda of America Mfg., Inc-----	***	***	***	***	***	***	***
Total or average-----	***	***	***	***	***	***	***
1980:							
Harley-Davidson-----	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc-----	***	***	***	***	***	***	***
Honda of America Mfg., Inc-----	***	***	***	***	***	***	***
Total or average-----	***	***	***	***	***	***	***
1981:							
Harley-Davidson-----	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc-----	***	***	***	***	***	***	***
Honda of America Mfg., Inc-----	***	***	***	***	***	***	***
Total or average-----	***	***	***	***	***	***	***
January-September--							
1981:							
Harley-Davidson-----	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc-----	***	***	***	***	***	***	***
Honda of America Mfg., Inc-----	***	***	***	***	***	***	***
Total or average-----	***	***	***	***	***	***	***
1982:							
Harley-Davidson-----	***	***	***	***	***	***	***
Kawasaki Motors Mfg., Inc-----	***	***	***	***	***	***	***
Honda of America Mfg., Inc-----	***	***	***	***	***	***	***
Total or average-----	***	***	***	***	***	***	***

1/ Not available.

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

Capital expenditures and research and development costs

The three producers' capital expenditures and research and development costs in connection with their motorcycle and/or power train subassemblies for heavyweight motorcycle operations were compiled from questionnaire data and are presented in table 25.

* * * * *

U.S. producers' research and development costs include development of new products, improvement of present products, testing of competitors' products, development of new or improved manufacturing methods, development of new and special machines, testing of new materials, and pure research. ***. The vast majority of research and development costs were incurred by Harley-Davidson. Such expenditures by Japanese parent companies were not reported by their U.S. subsidiaries and are, therefore, unknown.

Table 25.--Capital expenditures and research and development costs on U.S. producer's operations for heavyweight motorcycles and power train sub-assemblies, by firms, 1977-81, January-September 1981, and January-September 1982

(In thousands of dollars)

Item	1977	1978	1979	1980	1981	an.-Sept-	
						1981	1982
Capital expenditures:							
Harley Davidson-----	***	***	***	***	***	***	***
Kawasaki-----	***	***	***	***	***	***	***
Honda 1/-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
Research and and development:							
Harley Davidson-----	***	***	***	***	***	***	***
Kawasaki-----	***	***	***	***	***	***	***
Honda 1/-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***

1/ Honda started its U.S. production of heavyweight motorcycles in September 1979.

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

The Question of Imports as a Substantial Cause of Serious Injury

U.S. consumption and market penetration

Apparent U.S. consumption of heavyweight motorcycles increased from *** units in 1977 to *** units in 1978, declined to *** units in 1979, and then increased to *** units in 1981. Consumption of heavyweight motorcycles in the categories over 700cc but not over 850cc increased from *** units in 1977 to *** units in 1981, or by *** percent. During 1977-81, there was a decrease in consumption in the over 850cc but not over 1,025cc category of *** units, or by *** percent. The largest increase during 1977-81 occurred in the category over 1,025cc where consumption climbed from *** units in 1977 to *** in 1981, or by *** percent (table 26).

Total apparent consumption of heavyweight motorcycles increased during January-September 1982 to *** units when compared with consumption in the corresponding the 1981 period when consumption was *** units. Consumption of heavyweight motorcycles in the range over 850cc but not over 1,025cc range declined *** percent during January-September 1982 when compared with consumption in the corresponding 1981 period; consumption of motorcycles over 700cc but not over 850cc and motorcycles over 1,025cc increased *** and *** percent, respectively.

During 1977-81, the share of U.S. consumption supplied by imports ranged from a low of *** percent in 1977 to a high of *** percent in 1980. By engine sizes, the import share ranged from *** to *** percent for the category over 700cc but not over 850cc, *** to *** percent for over 850cc but not over 1,025cc and *** to *** percent for over 1,025cc (table 26).

Table 26.--Heavyweight motorcycles: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982

Period/engine size	Shipments	Exports	Imports	Consumption	Ratio of imports to consumption
	Units				Percent
1977:					
Over 700cc but not over 850cc-----	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***
Total-----	***	***	***	***	***
1978:					
Over 700cc but not over 850cc-----	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***
Total-----	***	***	***	***	***

Table 26.--Heavyweight motorcycles: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982--Continued

Period/engine size	Shipments	Exports	Imports	Consumption	Ratio of imports to consumption
	Units				Percent
1979:					
Over 700cc but not over 850cc-----	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***
Total-----	***	***	***	***	***
1980:					
Over 700cc but not over 850cc-----	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***
Total-----	***	***	***	***	***
1981:					
Over 700cc but not over 850cc-----	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***
Total-----	***	***	***	***	***
Jan.-Sept. 1981:					
Over 700cc but not over 850cc-----	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***
Over 1,025cc-----	***	***	***	***	***
Total-----	***	***	***	***	***
Jan.-Sept. 1982:					
Over 700cc but not over 850cc-----	***	***	***	***	***
Over 850cc but not over 1,025cc-----	***	***	***	***	***
Over 1,025 cc-----	***	***	***	***	***
Total-----	***	***	***	***	***

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

In its petition and in hearing testimony, 1/ Harley-Davidson argued that the U.S. facilities of Honda and Kawasaki are merely used to assemble imported motorcycles and, as such, the output of these facilities should not be considered domestic production, but rather imports. If U.S.-assembled Honda and Kawasaki brand heavyweight motorcycles are included in import data and not reported as U.S. shipments, the share of the U.S. market held by importers would be greater than that shown in table 26. Data calculated in such a manner are shown in the following tabulation:

Period	Harley-Davidson shipments	Harley-Davidson exports	Imports <u>1/</u>	Consumption	Ratio of imports to consumption
	Units				Percent
1977-----:	***	***	***	***	***
1978-----:	***	***	***	***	***
1979-----:	***	***	***	***	***
1980-----:	***	***	***	***	***
1981-----:	***	***	***	***	***
Jan-Sept--:					
1981	***	***	***	***	***
Jan-Sept--:					
1982	***	***	***	***	***

1/ Includes shipments of all U.S.-built Honda and Kawasaki heavyweight motorcycles; however, exports of these motorcycles are not included.

The U.S. market for heavyweight motorcycles is currently characterized by large inventories at the importer and dealer level. Use of imports for consumption statistics in calculating consumption results in data which represent the volume of motorcycles available for purchase by dealers rather than actual sales to the retail level. Table 27 presents consumption data using importers' shipments (sales) of motorcycles to dealers rather than imports to consumption. As can be seen, calculating consumption on this basis results in a different trend during the last 2 years as shown in table 26.

1/ Hearing transcript, pp. 9-21.

Table 27.--Heavyweight motorcycles: U.S. producers' shipments, exports of domestic merchandise, importers' shipments, and apparent consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982

Period/engine size	Shipments	Exports	Importers' shipments	Consumption	Ratio of imports to consumption
	Units				Percent
1977:					
Over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
1978:					
Over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
1979:					
Over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
1980:					
over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025 cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
1981:					
over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***

Table 27.--Heavyweight motorcycles: U.S. producers' shipments, exports of domestic merchandise, importers' shipments, and apparent consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982--Continued

Period/engine size	Shipments	Exports	Importers' shipments	Consumption	Ratio of imports to consumption
	Units				Percent
Jan.-Sept. 1981:	:	:	:	:	:
Over 700cc but not:	:	:	:	:	:
over 850cc-----:	***	***	***	***	***
Over 850cc but not:	:	:	:	:	:
over 1,025 cc---:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
Jan.-Sept. 1982:	:	:	:	:	:
Over 700cc but not:	:	:	:	:	:
over 850cc-----:	***	***	***	***	***
Over 850cc but not:	:	:	:	:	:
over 1,025cc---:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***

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

Apparent U.S. consumption increased from *** units in 1977 to *** units in 1980, then declined slightly to *** units in 1981. For January-September 1982, consumption declined to *** units when compared with *** units during January-September 1981.

Consumption of heavyweight motorcycles in the category over 700cc but less than 850cc increased irregularly from *** units in 1977 to *** units in 1981. Consumption of heavyweight motorcycles in the category over 850cc but not over 1,025cc, however, declined from *** units in 1977 to *** in 1980, and then increased to *** units in 1981. The most significant change in consumption of heavyweight motorcycles during 1977-81 occurred in the class over 1,025cc. Consumption of over 1,025cc motorcycles increased from *** units in 1977 to *** units in 1980, and then decreased to *** units in 1981. While consumption of over 700cc but not over 850cc motorcycles and over 850cc but not over 1,025cc motorcycles declined during January-September 1982, when compared with consumption in the corresponding 1981 period, and consumption of motorcycles with engines displacing over 1,025cc increased from *** units to *** units.

During 1977-81, the import share of U.S. consumption, based upon shipments data, ranged from a low of *** percent in 1977 to a high of *** percent in 1980. Imports accounted for virtually 100 percent of the U.S. consumption of over 700cc but not over 850cc motorcycles during this 5-year period, and the ratio of imports to consumption of motorcycles equipped with

engines displacing over 850cc but not over 1025cc increased from *** percent in 1977 to *** in 1981. In the category over 1,025cc, the ratio increased from *** percent in 1977 to *** percent in 1980, and then declined to *** percent in 1981.

If U.S.-assembled Honda and Kawasaki brand heavyweight motorcycles were included in import shipment data and not reported as U.S. shipments, the share of the U.S. market held by imports would be greater than that shown on table 27. Data calculated in such a manner are shown in the following tabulation:

Period	Harley-Davidson shipments	Harley-Davidson exports	Importers' shipments ^{1/}	Consumption	Ratio of imports to consumption
	Units				Percent
1977-----	***	***	***	***	***
1978-----	***	***	***	***	***
1979-----	***	***	***	***	***
1980-----	***	***	***	***	***
1981-----	***	***	***	***	***
Jan-Sept--					
1981	***	***	***	***	***
Jan-Sept--					
1982	***	***	***	***	***

^{1/} Includes shipments of U.S.-built Honda and Kawasaki heavyweight motorcycles; however, exports of these motorcycles are not included.

Apparent U.S. consumption of heavyweight motorcycle power train subassemblies increased from *** units in 1977 to *** units in 1981. Harley-Davidson produced all U.S. subassemblies during this period, and Kawasaki and Honda were the only importers of these products. There were no imports of power trains between 700cc and 850cc during 1977-81. Consumption of power trains between 850cc and over 1,025cc declined from *** units in 1977 to *** units in 1981, or by *** percent; consumption of power trains over 1,025cc increased from *** units in 1977 to *** units in 1981, or by *** percent.

The ratio of imports to consumption of power train subassemblies during 1977-81 ranged from a low of *** percent in 1978 to a high of *** percent in 1981. Based upon engine size, the ratio of over 850cc but not over 1,025cc increased from *** percent in 1977 to *** percent in 1979, dropped to *** percent in 1980, and then increased to *** percent in 1981, the highest level during the 5-year period. No power trains over 1,025cc were imported until 1979, when they accounted for *** percent of U.S. consumption; however, the ratio rose to *** percent by 1981. For January-September 1982, power trains over 1,025cc represented *** percent of consumption, compared with *** percent during the corresponding period of 1981 (table 28).

Table 28.--Heavyweight motorcycle power train subassemblies: U.S. producer's shipments, exports of domestic merchandise, and imports for consumption, by engine sizes, 1977-81, January-September 1981, and January-September 1982

Period/engine size	Shipments	Exports	Imports	Consumption	Ratio of imports to consumption
Units					Percent
1977:					
Over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
1978:					
Over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
1979:					
Over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
1980:					
over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025 cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***

Table 28.--Heavyweight motorcycle power train subassemblies: U.S. producer's shipments, exports of domestic merchandise, and imports for consumption, by engine size, 1977-81, January-September 1981, and January-September 1982--Continued

Period/engine size	Shipments	Exports	Imports	Consumption	Ratio of imports to consumption
	Units				Percent
1981:					
over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
Jan.-Sept. 1981:					
Over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025 cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
Jan.-Sept. 1982:					
Over 700cc but not:					
over 850cc-----:	***	***	***	***	***
Over 850cc but not:					
over 1,025cc----:	***	***	***	***	***
Over 1,025cc-----:	***	***	***	***	***
Total-----:	***	***	***	***	***

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

Prices

Developing consistent data to compare prices of domestic and imported motorcycles is difficult for several reasons. Besides the fact that new models are frequently introduced, existing models often change significantly from year to year because of continuing improvements and adjustments. Moreover, at any given time, the price of a particular model can vary, depending upon whether or not it is equipped with fairings, a luggage rack, a radio, or a variety of other options. Finally, price comparisons between domestic and imported motorcycles may not be very useful if the comparisons involve models that are intended for different purposes. For example, heavyweight motorcycles which are designed expressly for long highway trips do not compete closely with models that are intended mainly for use around town.

During January 1979-September 1982, the Commission requested average transaction prices from importers and domestic producers on sales to dealers of the two best selling motorcycles in three different size ranges. Prices were requested for the two best selling models during the entire 15-quarter period, with the expectation that producers and importers would consistently

provide prices for the same models from one quarter to the next. Although this approach worked reasonably well in obtaining price data from Harley-Davidson, there were serious problems in interpreting the data provided by the other two domestic producers and several of the major importers. These problems will be discussed further in this section.

Prices of Harley-Davidson's two best selling models in the category over 1,025cc and the 851 to 1,025cc category are presented in tables 27 and 28. Both models in the larger engine category were equipped with 1,340cc engines and those in the 851 to 1,025cc category were equipped with 1,000cc engines. Quarterly price data for the over 1,025cc engine category represent the same model in all quarters from January 1980 to September 1982. The same motorcycle models in the 851cc to 1,025cc category were reported throughout the period. Although Harley-Davidson sells a special racing model in the 701 to 850cc category, the sales volume for this model is extremely small, since it is not available for on-road use. Therefore, prices of this model were not presented in this report. 1/

Prices of Harley's 1,340cc model and its 1,000cc models both increased moderately for the overall period from January 1980 through September 1982, even though both experienced significant declines July-September 1981 and 1982. The average price of the 1,340cc models increased steadily from *** in January-March of 1980 to *** in April-June 1981 and then fell sharply to *** in July-September 1981. The price then recovered, increasing during the next three quarters to *** before falling back sharply to *** in July-September 1982. Similarly, the price of the 1,000cc model rose irregularly from *** in January-March 1980 to *** in April-June 1981 and then dropped to *** in July-September. The price subsequently increased to *** in April-June of 1982 and then declined to *** in July-September.

The relatively moderate increases in prices of Harley-Davidson's heavy-weight motorcycles between January 1980 and September 1982 were typical of movements in prices of related products. During this period, the average price of Harley's 1,340cc motorcycles increased by *** percent, and the average price of its 1,000cc motorcycles rose by *** percent. In the same period, the producer price index for new passenger cars increased by 9 percent, and the index for all motorcycles increased by 6 percent. 2/

Although eight of nine firms completed the price section of the importer's questionnaire, most of these firms were not able to provide a consistent quarterly price series for the 15-quarter period. In some cases, models which were the best sellers early in the period were discontinued. In other cases, the best selling models for the entire period were not introduced until 1980 or 1981. The ever increasing number of heavyweight models offered by some suppliers greatly complicated the problem.

1/ The *** model, which was the second best selling model for the entire 15-quarter period, was not introduced until 1980. Therefore, prices of the ***, the second best selling model in 1979, were used in computing the averages during all quarters in 1979. The *** was the best selling model in the large-engine category for the entire period.

2/ Developed from data provided by the Bureau of Labor Statistics of the U.S. Department of Labor.

Meaningful trends cannot be determined from the average domestic and average import prices of best selling models shown in tables 29 and 30, but the data do offer some useful information. It is evident from examining table 29, that Harley-Davidson's prices for its best selling models in the over 1,025cc category were consistently and significantly higher than the average prices of imported motorcycles during all 15 quarters, by amounts ranging from about *** in April-June 1979 to about *** in April-June 1982. Harley's prices in this engine class also exceeded the average for the domestic industry during all quarters of the period. In the 851 to 1,025cc category, Harley's prices were consistently below import prices in 1979, but were higher than import prices during most quarters from January 1980 onward (table 30). Harley's prices for its motorcycles in the 851 to 1,025cc class were higher than the average for the domestic industry in all quarters throughout 1979-81 and January-June 1982. They were also consistently higher in all 15 quarters than the average prices of importers for best selling models in the 701 to 850cc engine class.

Table 29.--Heavyweight motorcycles: Average prices received by all U.S. producers, by Harley-Davidson, and by importers of best selling models of heavyweight motorcycles with engine displacements of over 1,025cc, by quarters, January 1979-September 1982

(In dollars per unit)			
Period	All U.S. producers	Harley-Davidson	Importers
1979:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September-----:	***	***	***
October-December----:	***	***	***
1980:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September-----:	***	***	***
October-December----:	***	***	***
1981:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September-----:	***	***	***
October-December----:	***	***	***
1982:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September-----:	***	***	***

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

Table 30.--Average prices received by all U.S. producers, by Harley-Davidson and by importers of best selling models of heavyweight motorcycles with engine displacements of 851 to 1,025cc and average prices received by importers of motorcycles with engine displacements of 701 to 850cc, by quarters, January 1979-September 1982

Period	(In dollars per unit)			
	851 to 1,025cc's		701 to 850cc's	
	All U.S. : producers	Harley- Davidson	Importers	Importers
1979:	:	:	:	:
January-March-----	***	***	***	***
April-June-----	***	***	***	***
July-September-----	***	***	***	***
October-December-----	***	***	***	***
1980:	:	:	:	:
January-March-----	***	***	***	***
April-June-----	***	***	***	***
July-September-----	***	***	***	***
October-December-----	***	***	***	***
1981:	:	:	:	:
January-March-----	***	***	***	***
April-June-----	***	***	***	***
July-September-----	***	***	***	***
October-December-----	***	***	***	***
1982:	:	:	:	:
January-March-----	***	***	***	***
April-June-----	***	***	***	***
July-September-----	***	***	***	***

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

Because of the problems associated with the reported transaction price data, average unit values of shipments during recent years are presented in table 31 for all three motorcycle size classes in order to provide additional indicators of the differences between domestic and imported motorcycle prices. The data show that the unit values of Harley-Davidson's domestic shipments of its largest motorcycles are consistently well above the unit values of shipments of imports during 1979-81 and January-September 1982 and are also consistently higher than the averages for domestic producers during these periods. In the 851 to 1,025cc category, the average unit value of shipments for Harley was below the average for imports in 1979, but above the import average during the next 2 years, and during January-September 1982. The unit values of Harley's shipments in this category were below the average for domestic producers in 1979 and 1980, but were higher than the industry average in all later periods.

The unit values of Harley's 851 to 1,025cc motorcycles were consistently higher than the unit values of shipments of imported motorcycles in the 701 to 850cc class throughout 1979-81 and January-September 1982.

Table 31.--Average unit values of domestic shipments of motorcycles by all U.S. producers, by Harley Davidson, and by importers with engine displacements of over 1,025cc, 850 to 1,025cc and 701 to 850cc, 1979-81, January-September 1981, and January-September 1982

(In dollars per unit)			
Period	All U.S. producers	Harley-Davidson	Importers
	Over 1,025 cc's		
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***
January-September 1981-----	***	***	***
January-September 1982-----	***	***	***
851 to 1,025 cc's			
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***
January-September 1981-----	***	***	***
January-September 1982-----	***	***	***
701 to 850cc's			
1979-----			***
1980-----			***
1981-----			***
January-September 1981-----			***
January-September 1982-----			***

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

Net prices to dealers of some selected heavyweight motorcycles that were obtained from confidential price lists supplied by Harley-Davidson and by importers are presented in table 32. The Harley-Davidson FLH Classic, the Honda GL 1100I, the BMW R100RS, and the Suzuki GS1100KZ are all large touring motorcycles that are somewhat similar in specifications and appearance. During January 1982, the net prices of these models ranged widely from a high

Table 32.--Heavyweight motorcycles: Dealer net prices ^{1/} for selected models of motorcycles, January 1980, 1981 and 1982

(In dollars per unit)

Period	Model				
	Harley-Davidson: FLH Classic	Honda GL1100I	BMW R100RS	Suzuki GS1100GKZ	
1980-----	***	***	***	2/	
1981-----	***	***	***	2/	
1982-----	***	***	***		***
	Harley-Davidson XLS	Honda CB900C	Yamaha XV920J	Kawasaki KZ100KZ	
1980-----	***	2/	2/	2/	
1981-----	***	***	2/		***
1982-----	***	***	***		***

^{1/} Represent price to dealer less assembly and preparation charges.

^{2/} Model not yet available in this period.

Source: Compiled from confidential company price lists supplied to the U.S. International Trade Commission.

of *** for the FLH Classic to a low of *** for the Honda GL 1100I. However, during 1980 and 1981, the BMW model was priced significantly higher than the Harley model.

The models shown in the bottom half of the table represent a variety of models that are intended mainly for use around town. These models are also similar in appearance and in some specifications. Harley Davidson's XLS was consistently priced higher than any of the other three models. The Honda and Kawasaki models became available in 1981, and the Yamaha model was first introduced in 1982.

Average Rebates and Discounts Per Unit Sold.--Domestic producers and importers were asked to calculate their average rebates and discounts per unit of sales, by quarters, from January 1979 through September 1982. Items classified as rebates and discounts on the questionnaire included special pricing programs, dealer inventory financing, advertising allowances, freight absorption, and other financial credits and incentives to dealers.

Harley Davidson's data are presented in the following tabulation:

Harley Davidson's average rebates and discounts
per unit of sales

<u>Period</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
January-March-----	***	***	***	***
April-June-----	***	***	***	***
July-September----	***	***	***	***
October-December--	***	***	***	***
Annual average--	***	***	***	***

The large per-unit rebates and discounts of *** in July-September 1981 and *** in July-September 1982 consist mainly of dollars credited by Harley-Davidson to dealers to subsidize price reductions at the retail level. Harley's average rebates and discounts rose from *** per unit in 1979 to *** in 1980 and then climbed to *** in 1981. During January-September 1982 they averaged *** per unit.

Most of the importers did not provide data on average rebates and subsidies, and none were able to furnish a detailed quarterly breakdown of this data. Average annual rebates and discounts by Honda on its total sales of both imported and domestically produced heavyweight motorcycles are presented in the following tabulation for 1979-81 and for January-September 1982:

Honda's average rebates and discounts
per unit of sales

<u>Period</u>	
1979-----	***
1980-----	***
1981-----	***
1982 (Jan.-Sept.)----	***

Though these rebates and discounts increased steadily from *** per unit in 1979 to *** in January-September 1982, they were well below Harley's average rebates and discounts from 1980 onward. Suzuki provided quarterly data on its average rebates and discounts for all imported motorcycles between January 1979 and September 1982, but it did not allocate these rebates and discounts between heavyweight and lighter weight motorcycles. Suzuki's average rebates and discounts for all motorcycles ranged from a low of only *** per unit in 1979 to a high of *** in July-September 1981. BMW stated that it provided *** in advertising allowances for each new motorcycle purchased by its dealers between January and September of 1982.

Other Possible Causes of Injury

Recessionary conditions appear to have contributed to the decline in the total U.S. demand for heavyweight motorcycles (domestic and imported) in recent periods. After increasing for several years, U.S. consumption dipped slightly from about *** units in 1980 to about *** units in 1981 and then fell by *** percent during January-September 1982 compared with consumption in the corresponding period of 1981. These declines in motorcycle consumption were associated with a slump in the U.S. economy during most of 1981 and 1982. To get an indication of the extent of the association between sales of U.S.-produced motorcycles and the condition of the U.S. economy, trends in annual domestic shipments of these motorcycles and total U.S. consumption were compared with trends in several aggregate economic measures including the rate of unemployment. Since heavyweight motorcycles are not a necessity for most buyers, sales of these costly items could be expected to decline during periods of high or rising unemployment.

Total domestic shipments of heavyweight motorcycles, domestic shipments by Harley-Davidson, and the aggregate rate of unemployment are shown in table 33.

Table 33.--Heavyweight motorcycles: Total U.S. consumption, total domestic shipments by U.S. producers, domestic shipments by Harley Davidson, and the aggregate rate of civilian unemployment, 1977-81, January-September 1981, and January-September 1982

Period	Total U.S. consumption	Total domestic shipments	Shipments by Harley-Davidson	Unemployment rate
	Units	Units	Units	Percent
1977-----	***	***	***	***
1978-----	***	***	***	***
1979-----	***	***	***	***
1980-----	***	***	***	***
1981-----	***	***	***	***
1981 (January-September)--	***	***	***	***
1982 (January-September)--	***	***	***	***

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

The data show that Harley's shipments of motorcycles moved in the same direction as unemployment throughout the period. As the unemployment rate improved between 1977 and 1979, falling from 7.0 percent to 5.8 percent, Harley's shipments rose from *** units to *** units. Similarly, as the employment picture worsened in 1980 and 1981, Harley-Davidson's shipments plummeted in each of those years, falling to *** units in 1981. The relationship between unemployment and shipments by Harley continued during January-September 1982.

During this time span, the unemployment rate averaged 9.4 percent as compared with an average rate of 7.4 percent during the corresponding period of 1981. In turn, Harley's shipments were down by *** percent when compared with those in the corresponding period of the previous year.

The association between total consumption and the unemployment rate was fairly close during most of the period; employment increased between 1977 and 1979, and consumption of heavyweight motorcycles also rose. It continued to increase in 1980, despite a sharp increase in the unemployment rate from 5.8 to 7.1 percent. However, as unemployment continued to rise during 1981 and January-September 1982, consumption of heavyweight motorcycles declined.

Although unemployment was closely associated with shipments by Harley-Davidson, it was not closely related to total annual U.S. shipments of motorcycles during 1977-81. Total shipments declined during 1978 and 1979 when employment was improving and then increased during each of the next 2 years despite rising rates of unemployment in 1980 and 1981. However, as the rate continued to climb sharply during January-September 1982, total shipments declined, falling by about *** percent from the level in the corresponding period of 1981.

In addition to the unemployment rate, trends in motorcycle shipments were compared with trends in two other aggregate economic measures, disposable personal income in constant dollars and real gross national product. Neither of these measures were closely associated with total consumption of heavyweight motorcycles, total domestic shipments, or with shipments by Harley-Davidson on a year-to-year basis. Disposable personal income, an indicator of aggregate consumer purchasing power that was adjusted for inflation increased in all years during 1977-81, and continued to increase during January-September 1982. Real Gross National Product increased during 1978 and 1979, declined in 1980, and then increased again in 1981, representing a pattern that was not closely followed by either measure of motorcycle shipments during 1977-81. However, during January-September 1982, real GNP declined by about 2 percent from its level in January-September 1981. This decline accompanied the sharp reductions in total consumption, total domestic shipments, and shipments by Harley-Davidson between January-September 1981 and January-September 1982.

In addition to measures of aggregate economic activity, trends in interest rates were compared with trends in domestic shipments and total consumption during 1977-81. Since a large percentage of buyers finance their purchases of motorcycles, it is likely that high interest rates tend to discourage sales of these items. Although data on the interest rates changes on sales of motorcycles is not available, trends in the prime interest rate are probably indicative of trends in these rates. The prime rate increased significantly from 6.8 percent in 1977 to 12.7 percent in 1979 and then rose sharply again in 1980 to 15.3 percent before climbing to an average of 18.9 percent in 1981. ^{1/} During January-September 1982, the rate averaged 15.8 percent, representing, a moderate decline from the average of 19.5

^{1/} Developed from data published by the Board of Governors of the Federal Reserve System.

percent during January-September 1981. A comparison of annual movements in the prime rate with the annual data on shipments and consumption offers no evidence that year-to-year changes in interest rates are closely associated with annual changes in heavyweight motorcycles consumption or shipments. However, the drop in shipments by Harley-Davidson that began in 1980, the decline in total consumption that started in 1981, and the decline in total domestic shipments that began in 1982 all occurred during a period when interest rates were at historically high levels.

Producers' Efforts to Compete

All three of the domestic motorcycle producers, Harley-Davidson, Honda, and Kawasaki, stated in their questionnaire responses that they have been making efforts to compete with imports. Harley-Davidson, the petitioner, presented an extensive discussion of its recent efforts to develop new products, to improve existing products, to increase productivity by improved management of its materials and work force, and to implement new marketing strategies.

Harley-Davidson is currently working on a completely new family of advanced-design motorcycles that will be available in the lower price range of the heavyweight motorcycle market. These new models will be aimed at certain classes of customers who presently buy Japanese motorcycles. ***. The company has already invested *** million in development expenses thus far, and an additional investment of *** million will be required for engineering, tooling, personnel, and marketing needs before these new products can be offered to the public. Harley-Davidson hopes to introduce these new models in 1985.

The petitioner has been making extensive efforts to upgrade its existing motorcycle engines. 1/ Thus far, it has invested *** million in redesigning the "top end" (heads, cylinders, and pistons) of these engines in order to increase the horsepower by 15 percent, to improve fuel economy and reliability, to reduce oil consumption by 50 percent (relative to that in 1981), and to reduce emission and noise levels. The changes in Harley's 1,340cc engine have been largely completed, and the company hopes to incorporate the improved engine in several of its Super Glide and touring models in the summer of 1983. Similar work on the "top end" of the 1,000cc engine has also been partially completed, but the company stated that an additional investment of *** million will be needed to complete the effort.

In the future, Harley-Davidson also plans to invest *** million in redesigning the "lower end" (crankcase and crankshaft) of its V-twin engine in order to improve performance and reliability, to reduce engine vibration and to further reduce noise levels. It is expected that these redesigned engines will be less costly to produce than the present versions, and the company estimates that it will be able to lower its retail price by over *** per vehicle as a result of the cost savings to be realized from this program.

1/ Harley Davidson currently produces two basic engines; a 1,000cc and a 1,340cc engine.

Harley-Davidson has expanded and improved its existing product line significantly over the past 5 years. It currently offers 16 heavyweight models compared with only three in 1976. While the company acknowledged that these new models are similar in appearance to earlier versions, it stated that virtually all of the components have been improved and redesigned. Improvements included the industry's first all solid-state ignition system that is maintenance free, a completely new braking system that was introduced in 1981, the industry's first modern belt-driven production motorcycle introduced in 1979 to reduce maintenance costs, improved engine mountings to reduce vibration, and improvements in steering that make its large touring motorcycles easier to handle at low speeds and more stable at high speeds. In addition, Harley increased the size of its largest engine from 1,200 to 1,340cc and introduced welded frames to replace the triangulated frame with its heavy forgings and castings. Finally, Harley has upgraded its seat suspension systems, hand controls, tires, headlights, and batteries.

The petitioner has also taken a number of steps to increase productivity, reduce costs, and improve the quality of its product. It has introduced new procedures that have reduced its inventory costs by *** million during January-September 1982, and it is presently converting its production operations from a batch process to a flow process to reduce manufacturing set-up time and production lead time, and to further reduce inventory costs. Harley has shifted from internal production to obtaining of many of its components with nearby suppliers. Other measures have included temporary plant shutdowns, hiring freezes, reduced salaries of officers and employees, negotiated price reductions with suppliers, and longer payment terms in order to cut costs. The petitioner was one of the first five companies in the United States to introduce quality circles. Harley-Davidson believes that this program, which began in 1978, has improved the morale and efficiency of participating employees by providing them with a greater voice in production decisions. It hopes to expand the program to include *** percent of the company's hourly employees and *** percent of its salaried Wisconsin work force in the near future. Finally, the company says that its "defect-free" shipments have more than doubled since January 1981, and its warranty complaints have declined sharply as a result of the application of higher standards of acceptability in every phase of production and increased pressures on its suppliers.

The petitioner also described a variety of marketing efforts that it has taken to compete more effectively with imports. About *** percent of Harley's customers must finance their purchases of motorcycles, but many of these customers have had difficulty in obtaining loans from traditional sources in recent periods. Therefore, in May 1982, the company hired a consultant to approach savings and loans and other institutions to attract new financing sources for its dealers in the 25 States where financing problems have been the most severe. Since May, financial institutions in all of those States have agreed to approach Harley dealers for the purpose of financing their retail sales. The company also stated that since May 1978, it has steadily expanded the range of services that it offers its dealers. Besides conducting management workshops, these services have included the establishment of uniform accounting systems, the provision of assistance in marketing research, and in inventory and sales analyses. In addition, Harley-Davidson has provided presentations to dealers that are designed to bolster morale and to instruct dealers on how they can combat import competition more effectively.

In the future, Harley-Davidson hopes to provide financial assistance to promising individuals who have insufficient capital to finance a dealership. However, the company has stated that it lacks the funds to implement a program of this type at the present time.

Besides working directly with dealers, Harley has taken other marketing steps to compete with imports. It has launched an advertising campaign to call attention to its claim that the Japanese have been copying certain features of Harley-Davidson motorcycles such as its "V"-type engine. In addition, since its independence from AMF in June 1981, the company has taken significant steps to attract future customers by licensing its trademark for apparel, toys, personal accessories, and novelty items to be offered to the general public through mass retail distribution channels that are outside of its traditional dealer network. Finally, it is establishing a new Harley Owners Group (H.O.G.) to foster increased brand loyalty among Harley owners.

Honda and Kawasaki, the other two domestic producers, also discussed their efforts to compete with imports, even though both of these companies oppose the petition for import relief. Honda maintains minimal inventories of parts in order to keep costs low, and it uses an advanced, semiautomated welding machine for the frame and for other welding operations. Honda also uses an advanced injection molding machine for plastic parts which has an automatic mechanism for changing the dies very quickly, and constantly strives to improve the layout of its production and assembly operations in order to promote maximum efficiency. For example, Honda attempts to minimize distances between related work areas, and also assembles several types of motorcycles on the production line at one time in order to attain the most efficient use of its production employees. Honda emphasizes quality at all stages of the production process, and it encourages its employees to serve as "inspectors" for their operations. Finally, Honda focuses on training and on team work and cooperation in all aspects of motorcycle production.

Kawasaki simply stated that it competes with imports and domestic competition by continuous product innovations of its own design and by keeping up with the innovations of its competitors. Kawasaki considers its electronic fuel injection system (the first in the industry) and the development of an air injection system which meets the Clean Air Act requirements to be its most important innovations.

As an additional indicator of efforts to compete, total research and development and capital expenditures were obtained from Harley-Davidson and are presented at "Capital expenditures and research and development" (pp. 47 and 48).

APPENDIX A
COMMISSION'S NOTICE OF INVESTIGATION

injury by reason of the allegedly subsidized imports of tool steel bar and rod from Brazil and by reason of tool steel bar and rod imports from West Germany which are allegedly sold at less than fair value.

Issued: September 13, 1982.

By Order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-28119 Filed 9-21-82; 8:45 am]

BILLING CODE 7020-02-M

[TA-201-47]

Heavyweight Motorcycles, Engines, and Power Train Subassemblies; Investigation and Hearing

AGENCY: United States International Trade Commission.

ACTION: Institution of an investigation under section 201 of the Trade Act of 1974 (19 U.S.C. § 2251) to determine whether motorcycles having engines with total piston displacement over 700 cubic centimeters (cc) and engines and power train subassemblies therefore (whether imported separately or in combination), and parts of such engines and subassemblies, all the foregoing provided for in items 692.50, 660.56, 660.67, and 692.55 of the Tariff Schedules of the United States, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

For the purposes of this investigation, the term "power train subassemblies" covers transmissions and the other parts of a motorcycle which transmit power from the engine to the rear wheel.

EFFECTIVE DATE: September 16, 1982.

FOR FURTHER INFORMATION CONTACT: Daniel Leahy, Senior Investigator, U.S. International Trade Commission, Washington, D.C. 20436 (202-523-1369).

SUPPLEMENTARY INFORMATION:

Background.—The investigation (No. TA-201-47) was instituted following receipt of a petition on September 1, 1982, filed on behalf of Harley-Davidson Motor Co., Inc., and Harley-Davidson York, Inc. This investigation is governed by the Commission's Rules of Practice and Procedure, part 201 (19 CFR § 201) and part 206, subparts A and B (19 CFR § 206, subparts A and B).

Public hearing.—A public hearing in connection with this investigation will be held in Washington, D.C., at 9:30 a.m., on Tuesday, November 30, 1982, in the Hearing Room, U.S. International

Trade Commission Building, 701 E Street, NW. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission at his office in Washington no later than the close of business Friday, November 19, 1982.

Prehearing procedures.—To facilitate the hearing process, it is requested that persons wishing to appear at the hearing submit prehearing briefs enumerating and discussing the issues which they wish to raise at the hearing. An original and fourteen copies of such prehearing briefs should be submitted to the Secretary no later than the close of business Monday, November 22, 1982 (19 CFR § 201.8). Confidential submissions should be in accordance with the requirements of section 201.8 of the Commission's rules (19 CFR § 201.8). Copies of any prehearing briefs submitted will be made available for public inspection in the Office of the Secretary. Any prepared statements submitted will be made a part of the transcript. Oral presentations at the hearing should, to the extent possible, be limited to issues raised in the prehearing briefs.

A prehearing conference will be held on Wednesday, November 24, 1982, at 10 a.m., in Room 117 of the U.S. International Trade Commission Building.

Persons not represented by counsel or public officials who have relevant matters to present may give testimony without regard to the suggested prehearing procedures outlined above.

Other written submissions.—Other written submissions should be filed with the Secretary to the Commission not later than December 6, 1982. Commercial or financial data which are confidential should be clearly marked "Confidential Business Information" and should be submitted in accordance with the requirements of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR § 201.8). Submissions should also conform to the general requirements of section 201.8 of the Commission's rules (19 CFR § 201.8).

Inspection of petition.—The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

Issued: September 17, 1982.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-28112 Filed 9-21-82; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 701-TA-87 (Final)]

Hot-Rolled Carbon Steel Plate From Brazil

AGENCY: United States International Trade Commission.

ACTION: Suspension of final countervailing duty investigation.

SUMMARY: On September 7, 1982, the United States Department of Commerce suspended its countervailing duty investigation involving hot-rolled carbon steel plate from Brazil (47 FR 39394, September 7, 1982). The basis for the suspension is an agreement by the Government of Brazil to offset all benefits which Commerce found to constitute subsidies with an export tax on all exports of the subject products to the United States. Accordingly, the United States International Trade Commission hereby gives notice of the suspension of its countervailing duty investigation involving hot-rolled carbon steel plate, provided for in items 607.6615, 607.9400, 608.0710, and 608.1100 of the Tariff Schedules of the United States Annotated, from Brazil (investigation No. 701-TA-87 (Final)).

EFFECTIVE DATE: September 13, 1982.

FOR FURTHER INFORMATION CONTACT: Mr. Robert Eninger (202-523-0312), Office of Investigations, U.S. International Trade Commission.

This notice is published pursuant to section 207.40 of the Commission's Rules of Practice and Procedure (19 CFR 207.40).

Issued: September 14, 1982.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-28114 Filed 9-21-82; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 731-TA-107 (Preliminary)]

Melamine From Brazil; Investigation and Conference

AGENCY: United States International Trade Commission.

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

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-107 (Preliminary) under section 733(a) of the Tariff Act (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

APPENDIX B

CALENDAR OF WITNESSES FOR THE COMMISSION'S PUBLIC HEARING

TENTATIVE CALENDAR OF PUBLIC HEARING

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

Subject : Heavyweight Motorcycles, Engines,
and Power Train Subassemblies

Inv. No. : TA-201-47

Date and time: November 30, 1982 - 9:30 a.m., e.d.t.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

Congressional appearance:

Honorable Robert W. Kasten, United States Senator, State of Wisconsin

In support of the petition:

Steptoe & Johnson--Counsel

Washington, D.C.

Rogers & Wells--Counsel

Washington, D.C.

on behalf of

Harley-Davidson Motor Co., Inc.,

and

Harley-Davidson York, Inc.

Vaughn L. Beals, Chairman and Chief Executive Officer,
Harley-Davidson Motor Co., Inc., and Harley-Davidson
York, Inc.

Economic Consulting Services, Inc., Washington, D.C.

Stanley Nehmer, President

Clark Chandler, Senior Economist

Howard Whittington, President, Harley-Davidson of
Washington, D.C.

Philip Peterson, President, Harley-Davidson, Inc.,
of Miami and Harley-Davidson South

John P. Reilly, Vice President, Citicorp Industrial
Credit, Inc.

Jerry Knackert, President, Local 209 of the
International Union of Allied Industrial Workers
of America, AFL-CIO

Glover Morgan, III, former Harley-Davidson employee

William D. Laughlin, Vice President, Citicorp
Industrial Credit, Inc.

Steptoe & Johnson

Richard O. Cunningham)
Ms. Susan G. Esserman)--OF COUNSEL
Ms. Deborah D. Kennedy)

Rogers & Wells

Joseph Levie--OF COUNSEL

In opposition to the petition:

Covington & Burling--Counsel
Washington, D.C.
on behalf of

American Honda Motor Co., Inc. and
Honda of America Manufacturing, Inc.

Gary Jones, Motorcycle Sales Manager

Harvey M. Applebaum)
O. Thomas Johnson, Jr.)--OF COUNSEL
Paul G. Gaston)

Tanaka, Walders & Ritger--Counsel
Washington, D.C.
on behalf of

Kawasaki Motors Manufacturing Corporation, U.S.A.

H. William Tanaka)
Lawrence R. Walders)--OF COUNSEL
Robert S. Schwartz)

John Reilly, Principal ICF, Incorporated, Washington, DC

Cladouhos & Brashares--Counsel
Washington, D.C.
on behalf of

U. S. Suzuki Motor Corporation

Richard Orth, Vice President-Operations

Harry W. Cladouhos--OF COUNSEL

Arter, Hadden & Hemmendinger--Counsel
Washington, D.C.
on behalf of

Yamaha Motor Corporation, U.S.A.

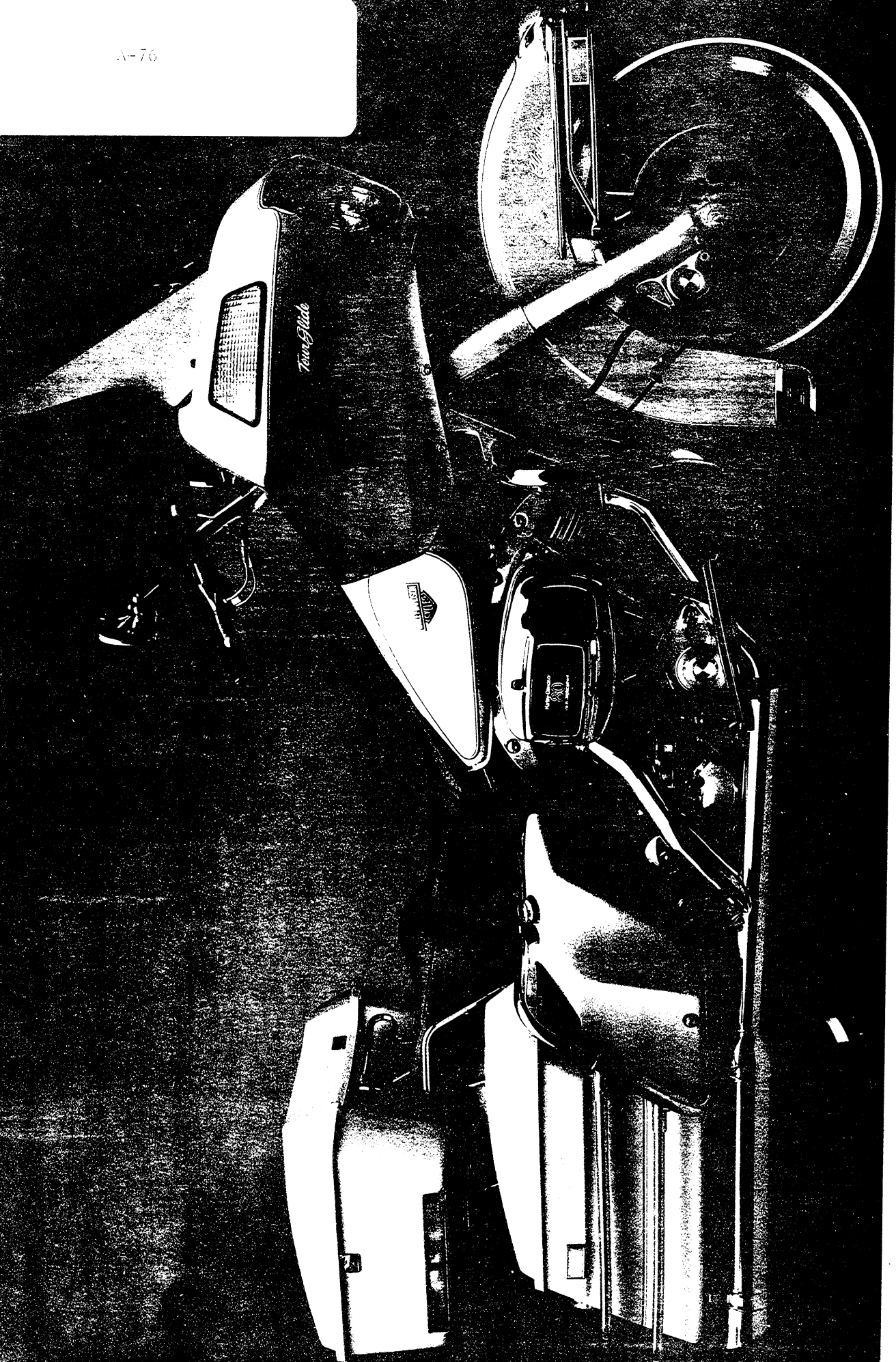
Glenvil Whitehead, Marketing Research Manager

William H. Barringer--OF COUNSEL

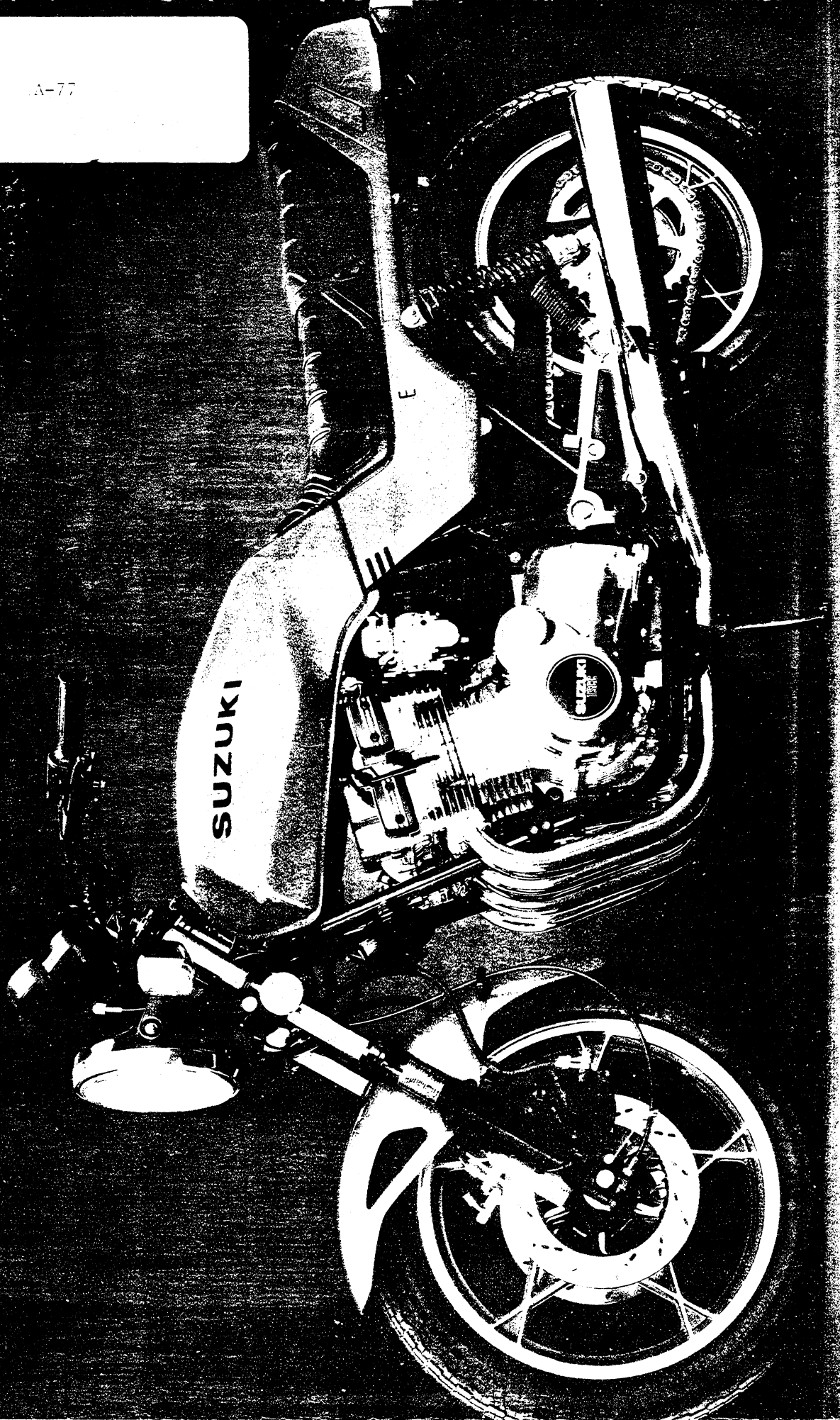
A-75

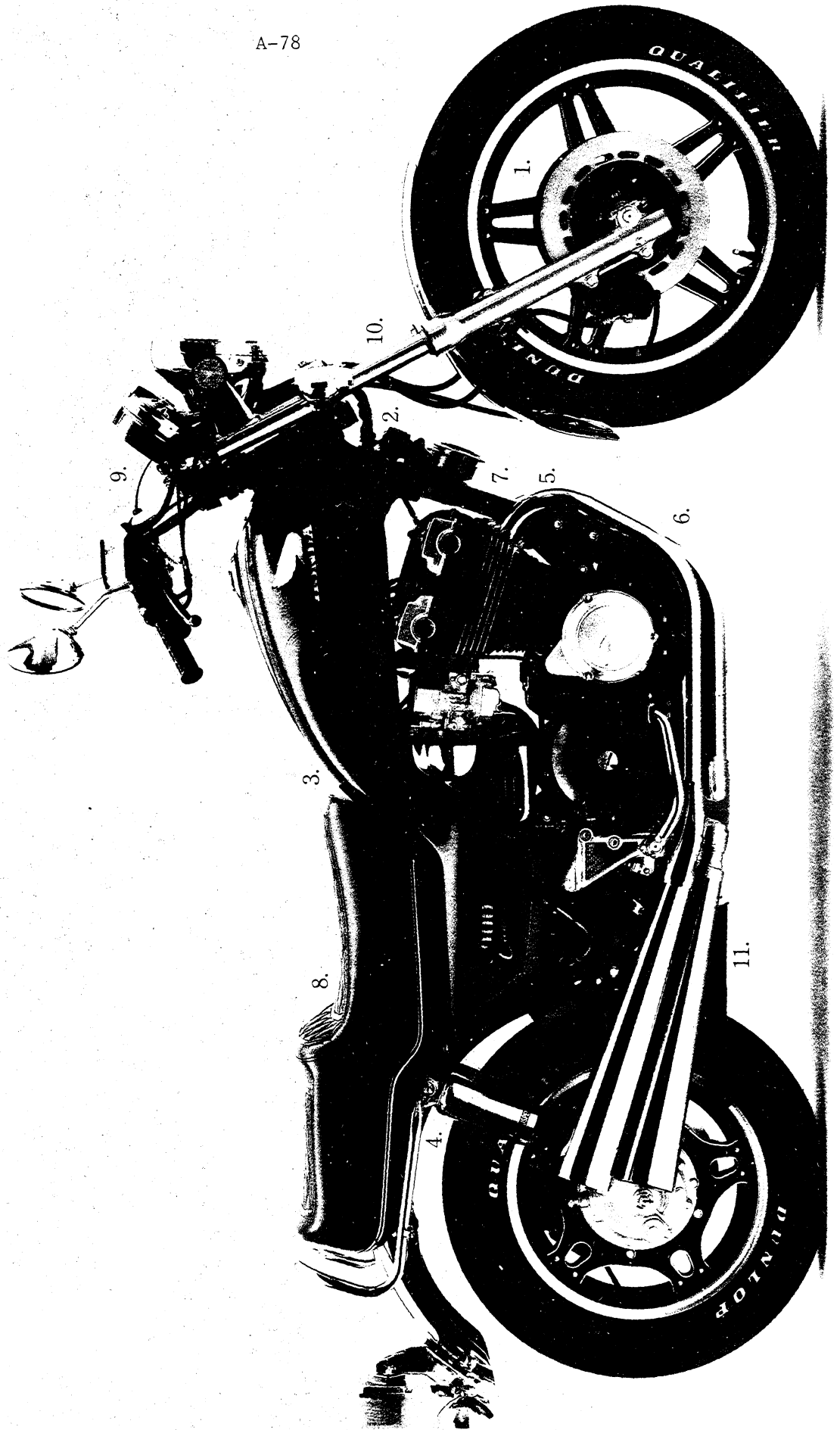
APPENDIX C
ILLUSTRATIONS

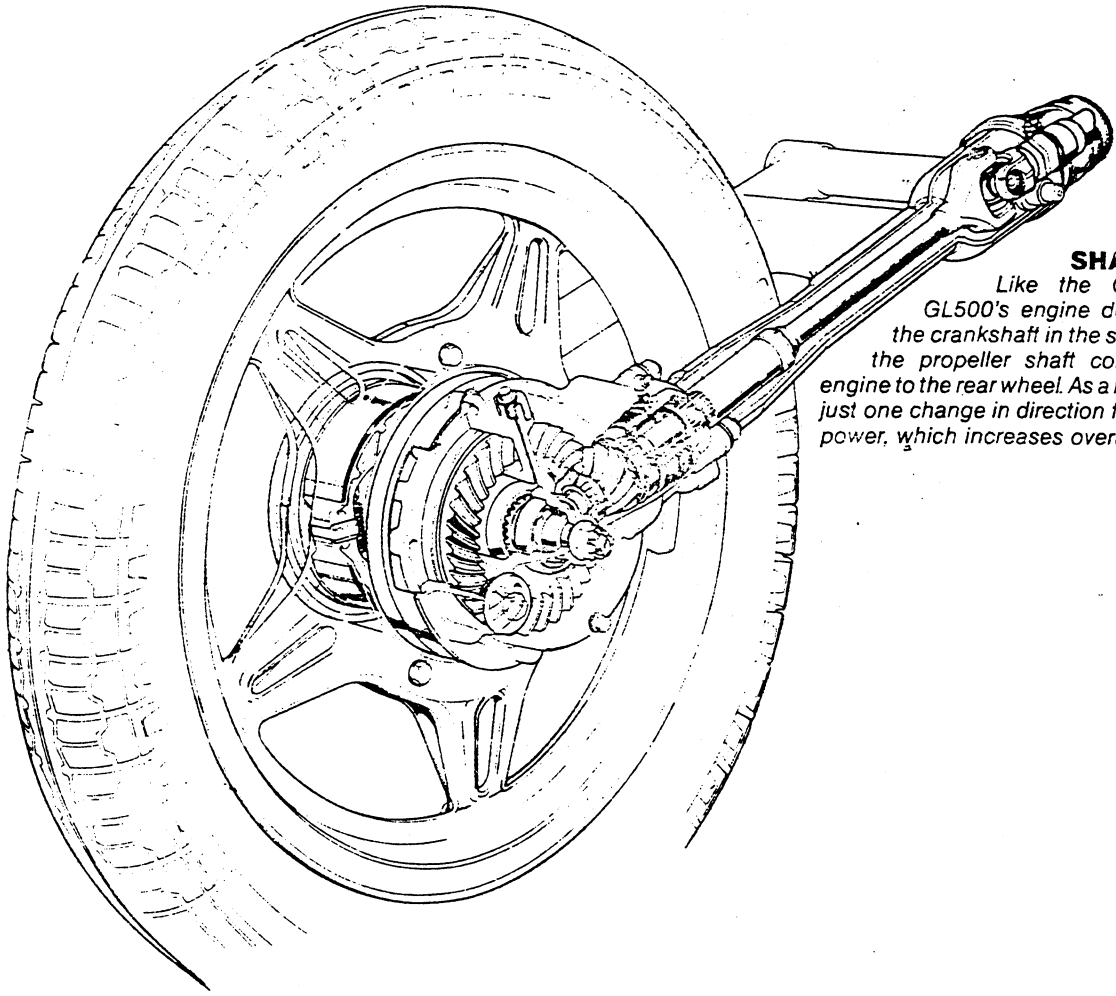
A-76



A-77

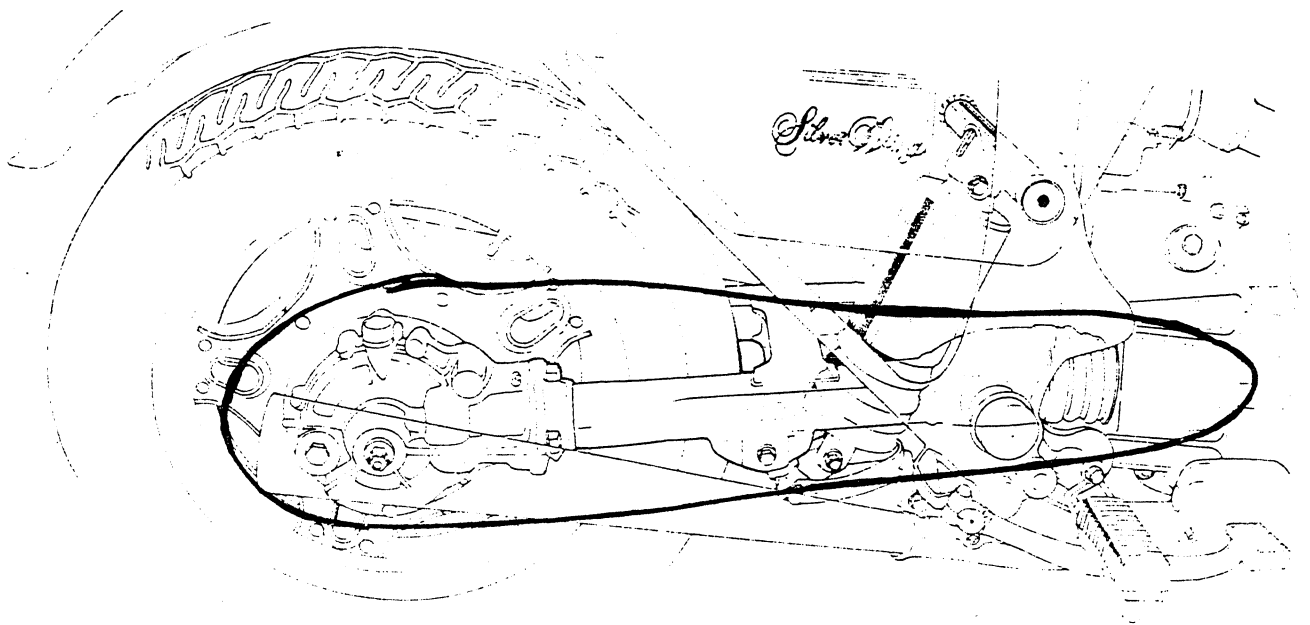






SHAFT DRIVE

Like the GL1100, the GL500's engine design rotates the crankshaft in the same plane as the propeller shaft connecting the engine to the rear wheel. As a result, there is just one change in direction for the flow of power, which increases overall efficiency.



APPENDIX D

LIST OF PARTS FOR HEAVYWEIGHT MOTORCYCLE POWER TRAIN SUBASSEMBLIES
IMPORTED BY HARLEY-DAVIDSON

* * * * *