CERTAIN CAMERAS

Report to the President on
Investigation No. TA-201-62
Under Section 202 of the
Trade Act of 1974

USITC PUBLICATION 2315

SEPTEMBER 1990

United States International Trade Commission
Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

REPORT TO THE PRESIDENT ON INVESTIGATION NO. TA-201-62

CERTAIN CAMERAS

Determination[1]

On the basis of the information developed in the subject investigation, the Commission unanimously determines that certain cameras[2] 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.[3]

Background

Following receipt of a petition filed on March 29, 1990, on behalf of Keystone Camera Company, Clifton, NJ, the United States International Trade Commission instituted investigation No. TA-201-62 under section 202 of the Trade Act of 1974 to determine whether certain cameras 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 article. The petitioner alleged that critical circumstances exist within the meaning of section 203(b)(3)(B) of the Trade Act and sought provisional relief.

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[1] This determination became final on July 27, 1990.

[2] The imported articles covered by this investigation include two categories of photographic (other than cinematographic) cameras for roll film: all fixed-focus, hand-held, 110 cameras (subheading 9006.52.10 of the Harmonized Tariff Schedule of the United States (HTS)); and all hand-held, 35mm cameras other than single-lens-reflex ("SLR") cameras (subheading 9006.53.00 of the HTS).

[3] Having made a negative injury determination, the Commission did not make a determination with respect to whether critical circumstances exist within the meaning of section 203(b)(3)(B) of the Trade Act of 1974.

Notice of the institution of the Commission's investigation and of public hearings to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 18, 1990 (55 FR 14488). The hearing in connection with the injury phase of the investigation was held in Washington, DC, on June 20, 1990, and all persons who requested the opportunity were permitted to appear in person or by counsel. The hearing on the remedy phase scheduled for August 14, 1990, was canceled because the Commission made a negative injury determination and accordingly did not reach the question of remedy.

VIEWS OF THE COMMISSION

We determine that "certain cameras" 1/ 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 a domestic industry producing articles like or directly competitive with such cameras.

Introduction

On March 29, 1990, Keystone Camera Company, Clifton, New Jersey (Keystone or petitioner), filed a petition under section 202 of the Trade Act of 1974, as amended, 2/ seeking relief from imports of "certain cameras." The Commission thereupon instituted investigation No. TA-201-62 to determine whether the cameras in question "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 article." 3/

More than 25 parties appeared in the Commission investigation, many of them filing briefs and testifying at the June 20, 1990 public hearing. 4/

1/ The imported articles covered by this investigation include two categories of photographic (other than cinematographic) cameras for roll film: all fixed focus, hand-held, 110 cameras, provided for in subheading 9006.52.10 of the Harmonized Tariff Schedule of the United States (HTS); and all hand-held, 35mm cameras other than single-lens-reflex ("SLR") cameras, provided for in subheading 9006.53.00 of the HTS. Commission "Notice of Investigation," 55 Fed. Reg. 14488 (April 18, 1990).

2/ 19 U.S.C. § 2252.

3/ 55 Fed. Reg. 14488 (April 18, 1990).

4/ In addition to petitioner, the following filed notices of appearance: Eastman Kodak Company (Kodak), Polaroid Corp., the Japan Camera Industry Association (JCIA) and its individual member companies and their U.S. subsidiaries, Olympus Corporation, Fuji Photo Film Co., Ltd., Pentax

(continued...)

Although some parties did not take a position with respect to the petition, none of the parties (other than petitioner) publicly expressed support for the petition in briefs or hearing testimony. Comments from the public were also received, expressing a broad range of views.

In order to render an affirmative determination, section 202 of the Trade Act of 1974 requires the Commission to find that:

> (1) the imported article subject to the investigation is being imported into the United States in increased quantities;
>
> (2) the domestic industry producing an article like or directly competitive with the imported article is seriously injured, or is threatened with serious injury; and
>
> (3) the increased imports are a substantial cause of serious injury, or the threat thereof, to the domestic industry. 5/

In this investigation, we find that the subject imports have increased and that Keystone is seriously injured or threatened with serious injury. 6/

4/(...continued)
Corporation, Canon, Inc., Minolta Camera Co., Ricoh Company, Ltd., Taiwan Ricoh Company, Ltd., Ricoh Corporation, Vivitar Corporation, Nikon, Inc., Chinon Industries, Inc., Canon U.S.A., Inc., the International Electronics Manufacturers and Consumers of America, Inc. (IEMCA), W. Haking Enterprises Ltd., ANSCO Photo-Optical Products Corporation, Taiwan Optical Appliance Manufacturers' Association and its individual members, Coalition of American Camera Equipment and Film Distributors and Consumers, Kalimar, Inc., the Federation of German Industries and the Association of German Chambers of Industry and Commerce, Concord Camera Corp., China Association of Enterprises with Foreign Investment, Samsung Aerospace, International Mass Retail Association, Photographic Manufacturers and Distributors Association, Inc., the American Association of Exporters and Importers, and the U.S. Federal Trade Commission.

5/ 19 U.S.C. § 2252(b)(1)(A).

6/ Consistent with section 202 of the Trade Act of 1974, this finding of injury relates only to the condition of the domestic industry, not to the causes of such injury. After finding injury, we have then examined the causation issue.

However, we do not find that the increased imports of "certain cameras" are a substantial cause of serious injury or the threat of serious injury to the domestic industry. Because we issue a negative determination, we do not reach issues relating to critical circumstances, provisional relief, or final relief.

The domestic industry

Before addressing the three statutory criteria for determination, it is necessary to define the domestic industry which is at issue in this investigation. The statute instructs the Commission to examine the domestic industry producing an "article like or directly competitive with the imported article[s] . . ." 7/ According to the legislative history of 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, 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. 8/

7/ Id.

8/ H.R. Rep. No. 571, 93rd Cong., 1st Sess. 45 (1973); S. Rep. No. 1298, 93rd Cong., 2d Sess. 121-122 (1974). See also Mushrooms, Inv. No. TA-201-43, USITC Pub. No. 1089 at 8 (Aug. 1980) ("the intent of the drafting committees was that 'like' has to do with the physical identity of the articles themselves, while 'directly competitive' relates more to the notion of commercial interchangeability.") In addition, section 601(5) of the Trade Act of 1974 specifies that the term "directly competitive with" a domestic article may

(continued...)

Moreover, the legislative history indicates that the Commission is to consider "the question of serious injury to the productive resources (e.g., employees, physical facilities, and capital) employed in the divisions or plants in which the article in question is produced." 9/

In determining what facilities constitute the appropriate domestic industry, the Commission generally has followed a "product-line" approach, finding the industry to consist of the facilities producing articles like or directly competitive with an imported product. 10/ When the Commission has concluded that the scope of an investigation involves several products, it has often found there to be several domestic industries, each producing an article or articles like certain of the imported articles. 11/ Conversely, when the Commission has found that the relevant domestic facilities produce two or more products in the same plant and that per-product allocations would be impractical, arbitrary, or unreliable, the Commission has considered the

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8/(...continued)
include an imported article at an earlier or later stage of processing if the importation of the article has an economic effect on producers of the domestic article comparable to the effect of the importation of an article at the same stage of processing as the domestic article. 19 U.S.C. § 2481(5).

9/ H.R. Rep. No. 571, 93d Cong., 1st Sess. 46 (1973).

10/ See, e.g., Apple Juice, Inv. No. TA-201-59, USITC Pub. 1861 (June 1986) at 5 (Views of Chairman Stern, Commissioners Eckes, Lodwick, and Brunsdale); Certain Canned Tuna Fish, Inv. No. TA-201-53, USITC Pub. 1558 (Aug. 1984) at 4-5 (Views of Commissioners Eckes, Lodwick, and Rohr).

11/ See, e.g., Certain Metal Castings, Inv. No. TA-201-58, USITC Pub. 1849 (June 1986); Stainless Steel and Alloy Tool Steel, Inv. No. TA-201-48, USITC Pub. 1377 (May 1983) at 15; Carbon and Certain Alloy Steel Products, Inv. No. TA-201-51, USITC Pub. 1553 (July 1984) at 12-18.

industry to include resources producing two or more products, whether or not all are like or directly competitive with the imported articles. Thus, the domestic industry or industries are not necessarily coterminous in scope with the imported articles--that is, there may be more than one industry, and/or the industry or industries may encompass a broader or narrower array of products than that identified in the notice of investigation.

The scope of this investigation encompasses a broad range of cameras, including all fixed-focus, hand-held 110 cameras and all hand-held, 35mm cameras (other than SLR cameras). 12/ These cameras are often described as "point-and-shoot," compact, range-finder, or lens-shutter cameras. They are marketed at widely varying prices and with many different features. At the low end of the spectrum are the so-called "keychain" cameras which sell in the premium/incentive market for a few dollars or are even given away as promotional items in conjunction with other products. Typically, "keychain" cameras have no camera body in which the film is inserted. Instead, the film cartridge serves as the camera body and is attached to a simple lens and viewfinder. At the high end of the spectrum are non-SLR 35mm zoom cameras and so-called "bridge" cameras, which often are sold at retail for more than $250 or $300 respectively. 13/ Also included within the scope of this

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12/ 55 Fed. Reg. 14488 (April 18, 1990).

13/ "Bridge" cameras have the same features as the fully-featured "regular" point and shoot cameras but often also offer picture taking options commonly associated with SLRs, such as more than one auto exposure program. Report to the Commission, Certain Cameras, Inv. No. TA-201-62 at A-13 n.27 (hereinafter "Report"). The JCIA argued that "bridge" cameras cannot be distinguished from fully featured zoom cameras and that many manufacturers do not use or recognize this nomenclature. JCIA Posthearing Brief at Exhibit 2.

investigation are single-use (disposable) cameras, which, unlike other still-picture cameras, are designed for use with only the roll of film that is contained within the camera at the time of purchase. When the film exposed in single-use cameras is developed, the camera body is disassembled and not returned.

Among the imported cameras that are not included within the scope of the Commission's investigation are instant-print cameras, 35mm SLR cameras, disc cameras, and 126 cameras. Instant-print cameras use a series of film rollers to distribute developing chemicals onto the sensitized (exposed) film, then eject the coated film from the camera. The photograph then develops within minutes. SLR cameras, unlike lens-shutter 35mm cameras, employ a system of prisms and mirrors that enables the photographer to see through the viewfinder exactly what the lens sees. 14/ The film for disc cameras and 126 cameras differs from the film used in 110 or 35mm cameras. Accordingly, the disc and 126 cameras are designed somewhat differently from 110 and 35mm cameras. 15/ 16/

In determining which producers constitute the domestic industry, the Commission generally considers the productive facilities, manufacturing

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14/ The lens-shutter 35mm camera contains a viewfinder which operates independently of the lens and approximates what will eventually appear in the photograph.

15/ Although disc and 126 cameras are not included in the scope of imports, Commissioner Lodwick considers both products part of the domestic industry competing with the imported articles. See discussion of Commissioner Lodwick infra.

16/ Commissioner Rohr further notes that neither disc nor 126 cameras are currently being produced.

processes, and the markets for the product or products at issue in the investigation. 17/ In this case, we have considered whether there is one product, all cameras, because of the common characteristics, features and uses of all cameras, and thus whether producers of all domestically produced cameras should be included within a single domestic industry. We also have considered whether there are two or more distinct camera products, and thus multiple domestic camera industries. For the reasons set forth below, we have concluded that there are as many as five basic camera products covered within the scope of this investigation -- 110, conventional (reusable) 35mm, single-use, high-end, and "keychain" cameras; 18/ and that there is a domestic industry producing 110 and conventional 35mm cameras, and a second domestic industry producing disposable cameras. We find that domestic instant-print cameras are not like or directly competitive with any of the imported articles covered by the scope of this investigation. Finally, because there is no domestic production of high-end or "keychain" cameras, we determine that there are no domestic industries producing those cameras.

17/ See, e.g., Wood Shakes and Shingles, Inv. No. TA-201-56, USITC Pub. 1826 (March 1986) at 5.

18/ Commissioner Rohr believes that the "like or directly competitive" analysis involves two distinct questions in this investigation. The first is whether any imported cameras under investigation are so different from other imports under investigation that they should be viewed as separate products. If such distinctions exist among imports, the second part of the analysis requires the Commission to identify the domestic articles that are "like or directly competitive with" each imported product. In this case, Commissioner Rohr does not find that imported high-end or low-end (the "keychain") cameras are separate products from other camera imports. Therefore, the issue of whether there are separate domestic industries manufacturing high-end or low-end cameras does not arise.

No parties disputed that domestically produced conventional 110 and 35mm (non-SLR) cameras are "like or directly competitive with" certain of the imported cameras that are the subject of this investigation. Nor did any party suggest that the producers of 110 and 35mm cameras comprise separate industries. The evidence before the Commission establishes that the same manufacturers make both kinds of cameras, using much of the same equipment and some of the same employees. The channels of distribution are the same and many 35mm cameras are priced competitively with 110 cameras. We therefore find a single domestic industry manufacturing these two types of cameras.

Several parties argued that producers of single-use cameras and instant-print cameras should be included within the same domestic industry as producers of conventional 110 and 35mm (non SLR) cameras. 19/ We do not agree. Single-use cameras differ in many respects from conventional cameras. With respect to physical characteristics, single-use cameras cannot be reloaded by the consumer with new film and then used to take additional pictures, whereas conventional cameras permit film re-loading. More durable encasements usually are used in conventional cameras than in single-use cameras. 20/ There are also some differences with respect to productive resources, marketing, and uses. A subset of camera manufacturers make single-use 35mm cameras, i.e., only those manufacturers who also make film. In addition, different production processes are necessary in order to pre-load the film into 35mm disposable cameras and Kodak states that less skilled labor

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19/ See, e.g., Kodak Posthearing Brief at 4-22; Kodak Prehearing Brief at 6-19; JCIA Posthearing Brief at 4-5.

20/ Report at A-3-A-5.

is necessary to produce single-use cameras. 21/ Furthermore, single-use cameras are distributed through additional channels of distribution and occupy a unique market niche, appealing to customers with particular needs and preferences, e.g., owners of reusable cameras who forget or do not want to use their expensive cameras in certain environments and persons who need the specific features of a single-use camera for a particular event (e.g., underwater use). 22/ We therefore conclude that single-use cameras are a distinct "like or directly competitive" article and that they are produced by a separate domestic industry. 23/ 24/

21/ See Report at A-3, A-4, A-10, A-12 n.20.

22/ Report at A-8. In addition to the channels of distribution that are used for other cameras, single-use cameras are being sold at grocery stores, national parks, amusement parks, establishments devoted principally to the development of film, etc.

23/ Kodak, the sole domestic producer of single-use cameras, has opposed the petition and has asserted that increased imports of "certain cameras" are not seriously injuring or threatening serious injury to its domestic production facilities. Accordingly, because Kodak does not allege injury to its facilities manufacturing single-use cameras and we find that those facilities comprise a separate domestic industry, we do not examine injury to that industry.

24/ Acting Chairman Brunsdale believes that there are good arguments for the inclusion of producers of both conventional and single-use cameras within the same domestic industry. Kodak manufactures both conventional and single-use cameras, using some of the same equipment and employees, and both types of cameras use the same film and possess many of the same basic features. The growing market for single-use cameras would indicate that they are more than just a niche product available when a conventional camera is forgotten. Given their low price (particularly considering that film is included) and the high quality of pictures that they take, they may replace conventional cameras for the person who takes pictures infrequently. Since they are a new product, however, it is too soon to tell the extent to which their sales will displace conventional camera sales. Because inclusion of single-use cameras would have only added support for her negative determination and was not dispositive, she has decided not to include them for purposes of this investigation.

Similarly, instant-print cameras differ from 110 and 35mm cameras in many important respects. Instant-print cameras have different components and technology which allow for the immediate production of a photograph and immediate film development and which cause instant-print cameras to be larger and bulkier than many conventional cameras. Instant cameras use a glass lens whereas many 35mm (non-SLR) cameras and 110 cameras use a plastic lens. 25/ The producers, manufacturing processes, and end uses differ between instant-print cameras and conventional 110 and 35mm cameras. The domestic manufacturer of instant-print cameras (Polaroid) does not make other cameras, and neither Kodak nor Keystone presently makes instant cameras. 26/ In addition, Polaroid maintains that some of its manufacturing equipment for instant-print cameras could not be used for other cameras. 27/ The instant-print camera, because of its unique feature, is particularly attractive to certain camera customers. The camera is targeted for industrial and professional uses. 28/ In light of this evidence and the position of Polaroid that it does not manufacture an article that is "like or directly competitive with" the imports that are the subject of this investigation, we conclude that the facilities of Polaroid constitute a separate domestic industry and that

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25/ Report at A-3-A-4.

26/ However, Kodak manufactured instant cameras in 1985. Intellectual property litigation with Polaroid caused Kodak to discontinue its instant camera operations.

27/ Kodak represents that basic manufacturing equipment is similar for instant cameras and conventional 110 and 35mm cameras, but that some additional equipment is necessary for instant cameras. Report at A-14.

28/ Report at A-4.

they do not produce an article that is "like or directly competitive with" any of the subject imports. 29/

We also find that no disc cameras or 3-D cameras are presently being manufactured in the United States and, therefore, that no domestic industry presently exists with respect to either of these articles. Although disc cameras were produced in the United States during the last five years, they are no longer manufactured in the United States and are unlikely to be domestically manufactured in the future. 30/ 31/

29/ Acting Chairman Brunsdale believes that there are good arguments to support the view that producers of instant cameras should be included within the same domestic industry manufacturing conventional 35mm and 110 cameras. They sell for a similar price, take similar quality pictures, and are sold in the same stores. Again, because inclusion of these cameras would only have added support for her negative determination, she has decided not to include them for purposes of this investigation.

30/ Commissioner Lodwick considers the domestic industry to consist of the domestic facilities producing conventional cameras, including 110, non-SLR 35mm, 126, and disc cameras (but not including instant and single-use cameras). He has thus considered information related to production and sales of disc and 126 cameras in his analysis of injury and causation, even though such cameras are no longer made in the United States. In reaching this conclusion, he notes that Keystone and Kodak generally made their 126 and disc cameras in the same plants, on the same basic equipment, and with the same workforce and marketing staff as they did in producing their 110 and 35mm cameras. While the parts for such cameras were not generally interchangeable with parts for their 110 and 35mm cameras (largely because each camera type was designed to accommodate a different film format) all four types of camera were fairly similar in features and method of manufacture. Although Kodak and Keystone maintained separate production and shipment data for the four types of cameras, neither firm maintained separate capacity, employment, or financial data for each type of camera. Thus, because of the nature of the domestic manufacturing operations, it is difficult to allocate overall Kodak and Keystone data to each type of camera.

31/ Acting Chairman Brunsdale agrees that information related to production and sales of disc and 126 cameras should be considered in the analysis of injury and causation.

Several parties argued that domestic camera producers do not manufacture any articles that are "like or directly competitive with" certain imported high-end 35mm cameras and very low-end cameras. 32/ We conclude that certain high-end cameras are less competitive with domestic cameras than middle and low-end imports. We also conclude that the best dividing line for identifying high-end imports which are less competitive with domestic articles is the presence of a large scale integrated circuit (LSI) and auto exposure. Relying on the best information available, Acting Chairman Brunsdale, Commissioner Lodwick, and Commissioner Newquist exclude imports with these characteristics from their analyses. Commissioner Rohr does not exclude such data but recognizes that some imports are less competitive with domestic articles than other imports. 33/

Similarly, Acting Chairman Brunsdale, Commissioner Lodwick, and Commissioner Newquist conclude that imported keychain cameras are less competitive with domestic articles than other low-end cameras, 34/ 35/ and exclude these imports from their analyses. Regardless of approach, we all note that our decisions to exclude or give less weight to high-end and/or low-end imports did not alter our ultimate decision to render a negative determination.

32/ See, e.g., JCIA Posthearing Brief at 29-42.

33/ Commissioner Rohr refers to his discussion supra at n.18.

34/ Commissioner Rohr refers to his discussion supra at n.18. He believes that keychain cameras compete with other cameras which are also sometimes used as premiums.

35/ By contrast, we find that mini 110 imports compete directly with certain domestic articles.

We have also examined in detail whether or not to include within the domestic industry Kodak's production facilities of 110 camera parts that are exported to Mexico for assembly and of 35mm camera parts that are exported to Mexico and Brazil. 36/ 37/ The Commission unanimously concludes that domestic production activities relating to 35mm camera parts for export to Mexico and Brazil should not be included within the domestic industry manufacturing cameras. The foreign value added to 35mm cameras in Mexico and Brazil is * * * and U.S. content is * * *. 38/ Unlike 110 camera parts exported to Mexico, much more than mere assembly is performed on 35mm cameras in Mexico and Brazil. 39/

With respect to the treatment of Kodak's 110 camera parts that are exported to Mexico for assembly, the Commission is evenly divided.

Acting Chairman Brunsdale and Commissioner Newquist conclude that Kodak engages in sufficient domestic production activity relating to these 110 cameras that the cameras should be viewed as domestic articles. In their view, Kodak's domestic production activities should not be excluded from the domestic industry manufacturing conventional 110 cameras simply because Kodak's last stage of production (i.e., assembly) occurs offshore. 40/ Accordingly, Acting Chairman Brunsdale and Commissioner Newquist include

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36/ See Additional Views of Acting Chairman Brunsdale.

37/ See Additional Views of Commissioner Newquist.

38/ Report at A-20.

39/ Id. at Table 4 and Table D-2.

40/ They note that the foreign value of imported Keystone components is * * * the foreign value added in Mexico by Kodak.

within the domestic industry Kodak's 110 cameras and do not include the captive imports of those 110 cameras from Mexico in the import data. 41/

Commissioner Lodwick and Commissioner Rohr believe that Kodak's imported 110 cameras from Mexico should be treated as imports and not as domestic articles and note that any alternative approach would extend beyond prior Commission practice. 42/ 43/

41/ Acting Chairman Brunsdale and Commissioner Newquist each has examined whether exclusion of these 110 cameras from the domestic industry would have resulted in an affirmative vote. Each concludes that a negative determination would have been appropriate in those circumstances as well.

42/ In defining the domestic industry to exclude Kodak's imports of cameras finished in Mexico, Commissioner Lodwick is giving the petitioner the benefit of the doubt, or a best case scenario. Had he included such operations as part of the domestic industry, it would not have changed his negative determination. Commissioner Lodwick recognizes the significance of Kodak's operations in the United States and the importance of such operations to the competitiveness of the U.S. camera industry. Commissioner Lodwick does not see a clear basis in the statute to include such products in the domestic industry, however, he does see some merit in the views of Commissioners Brunsdale and Newquist on this point and does not necessarily preclude a similar analysis in a future case.

43/ In Commissioner Rohr's view, Kodak manufactures only parts of 110 cameras and those parts are not "like or directly competitive with" the imported cameras that are subject to this investigation. See United Shoe Workers of America, AFL-CIO v. Bedell, 506 F.2d 174 (D.D.C. 1974). The scope of this investigation does not include parts of cameras. He believes that the statute, as presently written, requires different treatment of articles with foreign value added at the stage of production which transforms them into the articles which are being investigated and articles with foreign value added in the form of imported components. Most importantly, Commissioner Rohr believes that inclusion of Kodak's "Mexican" cameras within the domestic industry analysis would be inconsistent with statutory provisions advising the Commission to exclude imports by domestic producers from its analysis of injury to a domestic industry and to examine all "imports" into the United States. See 19 U.S.C. § 2252(c)(4)(A) (the Commission, "to the extent information is available, shall, in the case of a domestic producer which also imports, treat as part of such domestic industry only its domestic production.") See also 19 U.S.C. § 2252(c)(1)(A)(ii); H.R. Rep. No. 40, 100th Cong., 1st Sess., pt. 1 at 97 (1987); S. Rep. No. 71, 100th Cong., 1st Sess. 49 (1987). However, he believes that the U.S. content of imports may be relevant to remedy issues for such cases as reach that stage of consideration.

Increased imports

The first of the three statutory criteria which must be satisfied is that imports are increasing. This increase can be "either actual or relative to domestic production." 44/

For purposes of analyzing this criterion, we have examined all imports of "certain cameras" except single-use cameras 45/ and then, to the extent possible, Acting Chairman Brunsdale, Commissioner Lodwick and Commissioner Newquist have also examined import data excluding high-end cameras, keychain cameras, and 3-D cameras. In quantity terms, U.S. imports of "certain" conventional cameras for domestic consumption increased in the first three years of the investigation and then declined in 1988 and 1989. * * *, imports increased by approximately * * * percent overall from 1985 to 1989. In value terms, imports of conventional cameras increased steadily and significantly throughout the five years investigated, with imports in 1989 exceeding 1985 imports by approximately * * * percent. 46/ 47/ This divergence in quantity and value trends suggests that the product mix of imports has changed over

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44/ 19 U.S.C. § 2252(c)(1)(C); H.R. Rep. No. 40, 100th Cong., 1st Sess., pt. 1 at 101 (1987).

45/ We have excluded single-use cameras from our analysis because, as discussed above, we find that domestic facilities producing single-use cameras comprise a separate domestic industry. In light of this finding, we do not examine the imports of single-use cameras when analyzing injury to the domestic industry manufacturing conventional cameras.

46/ Report at Table 8.

47/ Acting Chairman Brunsdale and Commissioner Newquist note that neither of these trends changes if imports of 110 cameras from Mexico are excluded from import data. They do note, however, that the exclusion of those imports results in a smaller increase in imports from 1985 to 1989. See Report at Table 10.

time, with more expensive cameras being imported in the most recent years and a surge in cheaper camera imports in 1987. 48/

Examining imports of conventional cameras relative to domestic production, we also find an overall increase from 1985 to 1989, although the ratio was at its highest in 1987. 49/ These figures are based on quantity data, rather than on value data, and therefore do not reflect the recently increasing value of imports.

We have also examined import data to determine if these import trends differ when high-end, keychain, and 3-D cameras are excluded. 50/ Available information only permits us to estimate these import levels. 51/ We find that imports of conventional cameras increased overall from 1985 to 1989 (by * * * percent overall in quantity terms and by * * * percent in value terms) when

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48/ Report at Table 8. See also Transcript of June 20, 1990, Hearing, Certain Cameras, Inv. No. TA-201-62 at 194 (hereinafter "Hearing Transcript").

49/ Report at Table 13. For purposes of this analysis, we have used petitioner's definition of the domestic industry, thereby providing petitioner with the best case scenario. When examining ratios of U.S. production to imports, we note that the relative market share of imports at the beginning of the investigation period significantly affects the percentage change in imports relative to production. When a domestic market is composed predominantly of imports, a small increase in imports will have a large effect on the ratio of imports to U.S. production.

50/ Commissioner Rohr does not join in this discussion. Because, as he notes supra n.18, he does not view these to be separate and distinct articles from the other cameras in this investigation, this issue is not relevant to the statutory inquiry before him.

51/ Ideally, we would exclude only high-end cameras with auto exposure and LSI, but available information does not permit such a precise analysis. In the absence of data permitting a more precise breakout, our estimates have excluded cameras with these two characteristics but also have excluded some auto focus cameras that do not have auto exposure or LSI.

these high and low-end imports are excluded from the import data. 52/ These imports also increased overall relative to U.S. production, although the ratio of imports to U.S. production was highest in 1987. 53/ 54/

In view of these facts, we find that this statutory criterion has been satisfied.

Serious injury or the threat thereof

The second of the three statutory criteria which must be met is that the domestic industry must be seriously injured or threatened with serious injury. The statute does not define the term "serious injury," but rather sets forth certain economic factors which the Commission is to consider in making its determination. Section 202(c)(1) provides that:

> . . . the Commission shall take into account all economic factors which it considers relevant, including (but not limited to)--
>
> (A) with respect to serious injury--

52/ See Memorandum from Office of Investigations to Commissioners' staff, dated July 20, 1990. Acting Chairman Brunsdale and Commissioner Newquist also note that this upward trend exists even when imports of 110 cameras from Mexico are also excluded, although the percentage increase in imports is smaller. In quantity terms, the overall increase is less than * * * percent. Id.

53/ Id. This comparison relies on quantity data and, as with other figures based on quantity import data, shows a peak in imports during the middle of the period of investigation.

54/ Acting Chairman Brunsdale and Commissioner Newquist note that imports as a ratio of U.S. production are lower in 1989 than in 1985 if the domestic industry is defined to include the 110 cameras assembled by Kodak in Mexico and if the import data exclude 110 cameras assembled in Mexico, as well as high-end cameras, keychain cameras, and 3-D cameras. Id. Nonetheless, they find an absolute increase in imports over the period and therefore examine the other statutory criteria.

> (i) the significant idling of productive facilities in the domestic industry,
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> (ii) the inability of a significant number of firms to carry out domestic production operations at a reasonable level of profit, and
>
> (iii) significant unemployment or underemployment within the domestic industry; 55/

The statute defines the term "significant idling of productive resources" to include "the closing of plants or the underutilization of production capacity." 56/

With respect to threat of serious injury, the Commission is instructed to examine:

> (i) a decline in sales or market share, a higher and growing inventory (whether maintained by domestic producers, importers, wholesalers, or retailers), and a downward trend in production, profits, wages, or employment (or increasing underemployment) in the domestic industry,
>
> (ii) the extent to which firms in the domestic industry are unable to generate adequate capital to finance the modernization of their domestic plants and equipment, or are unable to maintain existing levels of expenditures for research and development,
>
> (iii) the extent to which the United States market is the focal point for the diversion of exports of the article concerned by reason of restraints on exports of such article to, or on imports of such article into, third country markets; 57/

55/ 19 U.S.C. § 2252(c)(1)(A).

56/ 19 U.S.C. § 2252(c)(6)(B).

57/ 19 U.S.C. § 2252(c)(1)(B).

Legislative history states that the threat of serious injury must be "clearly imminent" if import trends continue unabated. 58/ None of these enumerated factors is necessarily dispositive. 59/

We each have considered the question of serious injury or threat thereof to the domestic industry by examining the industry that was proposed by petitioner (i.e., including conventional 110 cameras and 35mm (non-SLR) cameras, and excluding Kodak's "Mexican" cameras) and then, if our industry definition differs from petitioner's, by examining the domestic industry as we have each defined it.

With respect to the industry proposed by petitioner, we first have examined whether there is a significant idling of productive facilities. At the public hearing, Keystone reported the existence of significant underutilized production capacity. 60/ Confidential information available to the Commission shows a * * *. 61/ However, we note that this * * * may be partially explained by * * *. 62/

We have also examined available financial data to assess whether Keystone and relevant Kodak operations are able to carry out domestic production operations at a reasonable level of profit and to generate adequate capital for modernization and research and development. Financial data for

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

59/ 19 U.S.C. § 2252(c)(3).

60/ Hearing Transcript at 33-34, 124.

61/ Report at Table 14.

62/ Id.

Keystone reveal that Keystone has been in a severe state of distress, particularly during * * *. Operating income figures for 110 and 35mm cameras combined reveal * * *. Similarly, Keystone's operating income ratio to net sales of all conventional cameras * * *. 63/ In the last three years, * * *. 64/ In view of Keystone's financial situation, lending institutions have been unwilling to finance additional loans and, after infusing additional equity into the company, Keystone's principals reportedly have exhausted their personal resources. 65/ Although Keystone's research and development expenses have increased in recent years, recent investments remain modest in view of the competitive character of the camera market. 66/

No separate financial information is available from Kodak regarding conventional cameras. Accordingly, financial data regarding Kodak's conventional camera operations also include information relating to single-use cameras. This combined information shows operating * * * and a * * * ratio of operating income to net sales during the same years. 67/

63/ Report at Table 29.

64/ Report at A-42-A-43.

65/ Hearing Transcript at 59; Report at B-34.

66/ Report at Table 34. In the public record, Keystone testified that research and development and capital expenditures rose from 1987 to 1989. Prepared Testimony of Michael Bradley at 8-9. See also Hearing Transcript at 114.

67/ Report at Table 29.

We also have examined employment figures for both domestic producers. Available data cannot be adjusted to correspond perfectly to petitioner's industry definition. For example, certain figures in Table 19 of the Report to the Commission in this case include Kodak production and related workers producing parts for export to Mexico and Brazil and other figures reflect activities of Keystone employees manufacturing disc cameras. Recognizing the limitations of available data, we note that the number of production and related workers manufacturing conventional cameras (which includes Kodak employees manufacturing parts for export) * * *. 68/ This * * * may be partially explained by * * * in labor productivity of * * *. 69/

Production, inventory, and shipment data are also relevant for purposes of analyzing the existence of serious injury or threat of serious injury. Production fluctuated over the five-year period of investigation, * * *. 70/ A comparison between interim period 1989 (January-March) and interim period

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68/ At the public hearing, Keystone's union representative reported a considerable decline in employees over the period of investigation. Hearing transcript at 133. The number of Keystone employees * * * between interim period 1989 and interim period 1990. Kodak's data do not permit a comparison of interim data. Report at Table 19.

69/ Report at Table 19. Keystone has improved its efficiency in recent years. Prepared Testimony of Michael Bradley at 8. Kodak's productivity data do not segregate conventional and single-use production activities.

70/ Id.

1990 shows a * * *. U.S. producers' inventories followed a similar pattern of fluctuations * * *. Thus, in addition to * * * production in 1989, the domestic industry was warehousing * * * inventories, totaling * * * percent of production in that year. In interim period 1990, inventories were * * * than in interim period 1989, but were nonetheless * * * percent of production.

Domestic shipments fluctuated over the period of investigation. In terms of quantity, domestic shipments * * * from 1985 to 1986, * * * in 1987, * * * in 1988, and then * * * again in 1989 to a level * * *. In terms of value, domestic shipments * * * from 1985 to 1986, * * * in 1987, * * * in 1988, and then * * * in 1989 to a level * * *. This difference in trends between quantity and value data may be explained in part by * * * in unit values from 1985 to 1989 of * * * percent. 71/ As discussed below, the market share of U.S. producers * * * over the period of investigation. 72/

In view of these facts, we conclude that the domestic industry, as defined by petitioner (to include only conventional 110 and 35mm cameras and to exclude Kodak's production of parts for export to Mexico), is seriously

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71/ Report at Table 15.

72/ We note the existence of import duties imposed by other countries on cameras that exceed current U.S. duties on cameras. These barriers to trade might increase camera exports to the United States modestly, but are not of sufficient magnitude or prevalence to form a significant basis for our determination. See Report at A-54-A-56.

injured or threatened with serious injury. 73/ 74/ Keystone's condition in the last three years has been deteriorating. However, as discussed in our causation analysis, we do not find increased imports to be a substantial cause of serious injury or threat of serious injury.

Substantial cause

Having determined that the first two statutory criteria are met - imports have increased, and the domestic industry is seriously injured or threatened with serious injury - we must determine whether increased imports are a substantial cause of that injury or threat. Substantial cause is defined as "a cause which is important and not less than any other cause." 75/ In 1988, Congress added provisions requiring the Commission to examine factors other than imports which may be a cause of serious injury and to consider the

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73/ Acting Chairman Brunsdale and Commissioner Newquist have considered all the relevant factors in determining whether there is serious injury to the domestic industry that includes operations related to the production of 110 cameras assembled in Mexico. While much of the above information also applies to the industry as they defined it, they note that production and shipments of cameras have * * *. In addition, although market share * * * in quantity terms, it has * * *. They find it is difficult to evaluate the financial information from Kodak for the reasons noted above. Although there is evidence that the condition of the domestic industry has improved in the last two years, they conclude that the domestic industry is seriously injured. Given the problems with the data that are necessary to evaluate injury to this industry, they note that this conclusion is not crucial to their final negative determinations.

74/ Commissioner Lodwick concurs with the analysis regarding the condition of the domestic industry as defined by the petitioner. Having included disc and 126 cameras in his analysis, Commissioner Lodwick finds that the information relating to the idling of capacity, ability to carry out domestic operations at a reasonable level of profit and underemployment within the domestic industry supports the same finding, that this domestic industry is seriously injured.

75/ 19 U.S.C. § 2252(b)(1)(B).

condition of the domestic industry over the course of the relevant business cycle. 76/ Legislative history of the Trade Act of 1974 included examples of other causes "such as changes in technology or in consumer tastes, domestic competition from substitute products, plant obsolescence, or poor management," which, if found to be more important causes of injury than increased imports, would require a negative determination. 77/ The statute further provides that the Commission, in considering the issue of causation, 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 production) and a decline in the proportion of the domestic market supplied by domestic producers. 78/

First, we examine whether increased imports are an important cause of serious injury or threat thereof to the domestic industry (as defined by petitioner). In quantity terms, U.S. apparent consumption of conventional cameras has fluctuated significantly over the period and increased overall. In value terms, U.S. apparent consumption has increased steadily. 79/ In light of this growing consumption, we focus on the proportion of the domestic market supplied by domestic producers. These confidential figures suggest that the domestic industry producing conventional cameras has, with some fluctuations, * * * market share overall during the period of investigation.

76/ See 19 U.S.C. § 2252(c)(2)(A); H.R. Rep. No. 40, 100th Cong., 1st Sess., pt. 1 at 100-101 (1987); S. Rep. No. 71, 100th Cong., 1st Sess. 50 (1987).

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

78/ 19 U.S.C. § 2252(c)(1)(C).

79/ Report at Table 6.

In addition to this * * *, inventories of imported conventional cameras have increased from 1.9 million units in 1985 to 6.9 million units in 1989. 80/ The ratio of imports to U.S. production of conventional cameras * * * from 1985 to 1989. 81/ 82/

In light of these facts, we conclude that imports of conventional 110 and 35mm (non-SLR) cameras are a cause of serious injury or threat thereof to the domestic industry. 83/ 84/ 85/

80/ Report at Table 49.

81/ Report at Tables 6 and 13. As discussed above, some of these imports compete less directly, if at all, with domestically produced conventional cameras. However, available information does not permit a detailed analysis of only the most competitive imports.

82/ See, e.g., Report at Figures 7, 9, and 10. Commissioner Rohr notes that while prices declined when imports increased, they also declined when imports did not increase. Cameras are not the fungible type of product on which one can predict price effects from quantities supplied or demanded. Price declines appear in large measure to be the result of worldwide manufacturing cost reductions. He believes that many of Keystone's recent problems are attributable to significant price competition from imports, not necessarily to increased import volumes alone.

83/ Acting Chairman Brunsdale does not believe that imports are a cause of serious injury. In addition, she thinks that it is not necessary to determine whether increased imports are an important cause in absolute terms. In evaluating the importance of increased imports relative to other causes of injury, she finds that they are not a "substantial cause" of injury.

84/ Commissioner Rohr believes that a fair reading of the data is that increased imports are an important cause of the injury being experienced by the domestic industry. The question which is critical to his decision, as discussed below, is whether the increased imports are not less important than any other cause.

85/ Even if increased imports are considered an important cause of serious injury or threat thereof, Commissioner Lodwick finds that there is another cause that is clearly more important than the increased imports. Commissioner Lodwick notes that the effect of Kodak's imports from its Mexican plant may have a lesser adverse effect on the domestic camera industry because of the high U.S. content of these products, as opposed to imports of purely foreign content. Regardless of whether this factor is considered, the increased imports are far less important than the primary cause of injury outlined in these views.

The Commission's task is not, however, completed upon finding a causal connection between increased imports and injury to a domestic industry (as defined by petitioner). As noted above, the Commission must examine other possible causes and find that increased imports are "a cause which is important and not less than any other cause" in order to render an affirmative determination. We find other causes are more important than the increased imports. In reaching this decision, we have focused on the causes of serious injury or threat thereof to Keystone, which is the only firm alleging that increased imports are a substantial cause of serious injury or threat.

In our view, several decisions of Keystone's prior management are more important than increased imports in explaining the serious injury or threat of serious injury. 86/ The brief investment by a wholly owned subsidiary of Keystone in the videocassette business was a disaster with long-term financial consequences for the camera company. In 1988, Keystone assumed $7.9 million of outstanding debt attributable to the discontinued videocassette business. That same year, Keystone's parent company absorbed into equity the videocassette losses of $18.6 million incurred by the videocassette company. * * *. Although new investors infused additional equity into Keystone in 1989, there continue to be financial repercussions from the videocassette investment. The $18.6 million deficit still presumably affects Keystone's

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86/ Commissioner Rohr notes that the poor management of Keystone over the period of investigation manifested itself in a variety of discrete decisions. The prior practice of the Commission is unclear as to whether in looking at discrete "causes," one should look at a "cause" such as poor management or technological obsolescence as a single factor or try to disaggregate the multiple discrete events which may result from such a single factor. He notes that quantitatively several of the discrete results of poor management may have had greater impacts than the increased imports, but that "poor management" as a single factor was certainly more important.

ability to obtain financing and investors. 87/ In addition, the opportunity costs of the poor videocassette investment cannot be ignored. But for those losses, Keystone likely would now have had additional equity with which to expand its camera operations. 88/

Keystone's management also seemed unable to adapt to changes in the camera market. In particular, Keystone was not able to gain a strong foothold in the market for 35mm cameras where demand has been growing rapidly. Keystone's management failed to pursue a consistent and effective plan to develop brand name recognition or to develop a distinctive market niche. In a market where brand names command significant price premiums and where new models, features, and concepts rapidly capture market share, Keystone followed no consistent approach to expand its sales and profits. Instead, it sporadically invested in advertising and developed primarily cheaper versions of existing models. 89/ 90/ In this particular industry, such an approach has

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87/ We note that Keystone has acknowledged difficulty in raising capital from lending institutions.

88/ Commissioner Rohr notes that the variance analysis conducted by the Commission provides a measure of the relevant importance of various financial impacts on Keystone. This analysis indicates the far greater impact of such factors as the videocassette losses in comparison to the declines in Keystone sales and/or prices that could be attributed to the imports. In noting the quantitative difference, he does not mean to imply that a quantitative assessment of the relative losses on the balance sheet of the company is sufficient for an assessment of the relative importance of various factors on the condition of the industry.

89/ Commissioner Newquist notes that Keystone's failure to make substantial investments in advertising and to develop new camera models with expanded features may well be due to Keystone's consistent undercapitalization and heavy debt load throughout the period of investigation.

90/ Commissioner Rohr notes that it was not Keystone's attempt per se to focus on the low price market or the attempt at one point during the period to develop a brand name niche that is the problem. In his view, it was the costly switching back and forth between the two strategies that resulted in substantial costs with no concomitant return.

not proven to be effective or profitable. Perhaps most telling is Keystone's adjustment plan, which suggests a number of revised management strategies. 91/

The decisions of prior management regarding product mix, especially the continuing emphasis on disc and 110 cameras, also explains in part Keystone's current condition. Although disc camera sales declined as a share of total retail sales in each of the last five years and Kodak announced discontinuation of disc production in early 1988, 92/ Keystone continued to produce disc cameras until early 1989. 93/ Given the change in camera technology and the availability of relatively low priced 35mm and single-use cameras, 110 cameras were relegated to the role of a very low priced product. However, Keystone continued to manufacture * * * 110 cameras than 35mm conventional (non-SLR) cameras * * *, even though demand for the latter was expanding much more rapidly throughout the period than demand for 110 cameras. 94/ 95/ 96/

91/ Hearing Transcript at 124-125.

92/ Hearing Transcript at 51, 202-203. According to hearing testimony, the Japanese camera manufacturers anticipated problems with the disc camera market even earlier. Id. at 202-203. Disc camera imports dropped dramatically between 1985 and 1986. Report at Table 12.

93/ Report at Table 5; Hearing Transcript at 52.

94/ Report at Tables 5 and 14; Prepared Testimony of Michael Bradley at 10. Although the percentage of 110 sales increased during the period of investigation, the increase likely is attributable to declining disc sales, not to a shift in consumer tastes from 35mm to 110 cameras. Report at Table 5.

95/ Commissioner Lodwick also considers problems leading to the litigation between Keystone and Mitsubishi as a component of the "mismanagement cause." Keystone sued Mitsubishi because of Mitsubishi's refusal to provide parts based upon a disagreement over the terms governing Keystone's payment for Mitsubishi parts with finished Keystone cameras. Keystone's suit alleged damages of several million dollars resulting partially from an interruption in the supply of Mitsubishi parts. To the extent that this contractual problem led to damages of the amounts claimed, it is in itself an important cause of the serious injury to the domestic industry. See Prehearing Statement of W. Haking Products Corporation at Exhibits 5 and 6.

We recognize that the wisdom of a particular management decision is always more apparent with the benefit of hindsight. Our comments are not intended to suggest that the disadvantages of these management decisions necessarily would have been apparent at the time the decisions were made or that Keystone's new management is continuing to make mistakes. Our responsibility is, with the benefit of hindsight, to determine whether increased imports are a substantial cause of serious injury. Unless we can find that increased imports are at least as important as any other cause, we cannot render an affirmative determination, even if a company is in severe financial distress and would benefit from import relief.

Whether we view the videocassette venture and the camera-related business decisions of Keystone as two independent causes or, alternatively, as a single cause, namely "poor management," we conclude that other causes are more important than increased imports. 97/ Accordingly, we render a negative determination.

96/(...continued)
96/ Commissioner Rohr also notes that a fundamental problem in this market for Keystone is technological in nature. Keystone has prided itself, as it should, on its cost reduction efforts with respect to manufacturing technologies. This cost reduction due to technological change phenomenon however is worldwide in its effects. It has had an even greater impact on higher priced products than on the lower end products which Keystone makes and with which it competes. As the more advanced products are reduced in price due to these technological advances, there are inevitably negative price consequences for the manufacturers of less advanced, lower priced products.

97/ Commissioner Rohr refers to his discussion at note 86.

ADDITIONAL VIEWS OF ACTING CHAIRMAN ANNE E. BRUNSDALE

Certain Cameras, Inv. No. TA-201-62

September 17, 1990

I concur in the conclusion of my colleagues that increased imports are not a substantial cause of serious injury to the domestic industry producing certain cameras, and I join in their opinion. I present these additional views to elaborate on what I consider the most complex issue in this case -- that is, how the Commission should consider the activities and products of U.S. firms that have assembly operations or parts manufacturing facilities abroad. In my view, this is a serious question, less for its bearing on this particular case, than for its likely importance in future cases.[1] Increased globalization of industries is an inevitable consequence of changes in technology, especially in transportation and communications, and the growing integration of the world economy. Therefore, it is important that the Commission grapple with the issue to provide guidance for the future.

In this case, the Commission had to decide how to assess Kodak's domestic operations related to the production of 35mm and 110 cameras that were assembled or partially manufactured in Mexico and Brazil. Further, the Commission had to determine whether those Kodak cameras that are considered to be imports for customs purposes should also be considered imports for the

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[1] The Commissioners were split on this issue, but our findings on the issue were not crucial to our votes.

purpose of this investigation.[2] The main argument for using final assembly to determine the country of origin is that final assembly is the stage that transforms parts into the relevant "like or directly competitive article." If all parts are made in the U.S. but assembled abroad, then, it is argued, the U.S. is simply a parts manufacturer and not a manufacturer of the like or directly competitive product. Since the court held in United Shoe Workers of America, AFL-CIO v. Bedell, a case involving the trade adjustment assistance laws, that parts are not to be considered as like or directly competitive with the finished article, it purportedly follows that final assembly is the critical factor.[3]

I believe that such an argument is simplistic and that a distinction should be made between a mere manufacturer of component parts (as in United Shoe) and a manufacturer of the like product, such as Kodak, that has assembly operations abroad. The courts have made clear that firms in upstream industries do not have standing to file a case against imports of a downstream product. In this case, Kodak could not be considered part of the upstream "camera parts" industry, as distinct from the camera industry, because it does not sell parts on the open market and the foreign entities that assemble Kodak cameras abroad do not

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[2] Under tariff items 9802.00.60 and 9802.00.80, the value of U.S. parts is taken into account in assessing customs duties on the relevant imports.

[3] See United Shoe Workers of America, AFL-CIO v. Bedell, 506 F.2d (D.D.C. 1974).

sell any other brands of cameras on the open market.[4] Furthermore, the facilities in Mexico and Brazil have no identity that is separate from Kodak. Kodak controls the process every step of the way, including the marketing and advertising of the product. Therefore, I do not believe that arguments concerning the exclusion of parts producers from the domestic industry have a direct bearing on this case.

While it may make sense for final assembly to be the decisive factor in the determination of an import for customs purposes, it makes little sense for the Commission to adopt this standard without careful consideration of the consequences. Taken to their extreme, the problems with placing such importance on final assembly become obvious. A domestic screwdriver plant set up only to assemble imported parts would be able to seek relief from products that, except for assembly, are made in the United States. Using a customs standard, we would ignore the fact that the domestic content was substantially higher in the product assembled abroad. Therefore, granting relief to the so-called domestic industry would actually decrease productive activity in the United States. Perversely, the foreign country that supplied parts to the screwdriver plant would be the main beneficiary of such an action.[5] This scenario demonstrates that

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[4] I believe the court decision discussed above would be relevant if Kodak were simply a lens manufacturer or a manufacturer of camera bodies.

[5] Moreover, as indicated supra, n. 2, even the customs laws account for the minimal productive activity attributable to

(continued...)

a simplistic or arbitrary definition of imports or domestic production may prove to be detrimental to U.S. competitiveness in the long run. Therefore, the Commission should look further.

The import relief laws and their legislative history provide limited guidance in this area.[6] [7] While the Commission has addressed similar issues in the past, it has never dealt with this issue explicitly. In a previous 201 case involving motor vehicles, the Commission had to decide how to treat products that

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[5](...continued)
foreign assembly operations. When parts are exported for assembly abroad and the final product is then reimported into the United States, import statistics reflect an import of the finished item, but the dutiable value of the import is only the value added to the product by the foreign operations. Thus, the use of customs rules for the purpose of defining the scope of a domestic industry under the trade laws administered by the Commission seems at best inexact and at worst completely misleading.

[6] Section 202(c)(4)(A), 19 U.S.C. § 2252(c)(4)(C), provides that, when "determining the domestic industry producing an article like or directly competitive with an imported article," the Commission "shall, in the case of a domestic producer which also imports, treat as part of its domestic industry only its domestic production." The parties are, not surprisingly, at odds over the import of this provision to the issue at hand. While the petitioner argues that Congress' objective was solely to exclude off-shore operations, respondents argue that the plain meaning of the statutory language requires consideration of all domestic activity. For the purpose of this case only, I will assume that the statute has no bearing on this issue (thus siding with petitioner on this legal point) and rely instead, as discussed below, on the overall purpose of the import relief laws and the peculiar facts of this case.

[7] Legislative history of section 201 indicates that the Commission is to consider "the question of serious injury to the productive resources (e.g., employees, physical facilities, and capital) employed in the divisions or plants in which the article in question is produced." This would support respondents argument that all domestic activity should be considered. H.R Rep No. 571, 93rd Congress., 1st Sess. 46 (1973).

had over 50 percent U.S. value-added and were manufactured in Canada by wholly-owned subsidiaries of the U.S. firms. While the Commission decided that the products in that case were imports, certain Commissioners expressed the view that products exported for final assembly or minor finishing work should nonetheless be treated as domestic production.[8] In another 201 case the Commission had to decide if certain producers of motorcycles should be considered part of the domestic industry, despite the fact that their products contained a majority of foreign content. The Commission decided to include those producers in the domestic industry, with their production weighted by the domestic value-added. In explaining their decision, some Commissioners noted the significant productive resources those firms had in the United States.[9]

There are also a number of Title VII cases where the Commission had to address similar issues. In a case involving radio pagers, it was decided that even though the pagers were assembled abroad and incorporated foreign parts, they should be considered as part of domestic production.[10] The significant

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[8] See Certain Motor Vehicles and Certain Chassis and Bodies Therefor, Inv. No. TA-201-44, USITC Pub. 1110 (Dec. 1980) at 15 (Views of Chairman Alberger) and at 101 (Views of Commissioner Stern).

[9] See Heavyweight Motorcycles, and Engines and Power Train Subassemblies Therefor, Inv. No. 201-47, USITC Pub. 1342 (Feb. 1983) at 9-10 (Views of Chairman Eckes) and at 31 (Views of Commissioner Haggart).

[10] See Certain Radio Paging and Alerting Receiving Devices from Japan, Inv. No. 731-TA-102, USITC Pub. 1410 (August 1983) at 10 (Views of Chairman Eckes and Commissioner Haggart).

percentage of domestic value-added of the products combined with the fact that domestic activities involved "considerable technical expertise and capital investment" was considered crucial to the determination.[11]

In general, I believe that the Commission has taken a common sense approach and, on a case-by-case basis, has tried to interpret the import relief law at issue in this case in a manner consistent with its fundamental purpose -- to provide the U.S. industry with the opportunity to compete in the international arena.[12] Since domestic productive activity is the most important focus of the law, I favor an approach that considers the domestic industry to be all such domestic activity that adds value to the like product. I see no basis for giving greater weight to one kind of value-added activity over another. In addition, I would prefer not to exclude certain domestic productive activity because it contributed an insufficient percentage of domestic value-added to the ensuing final product. After all, there may be more domestic employment and investment generated from a product with a relatively low percentage of domestic value-added than from a product with a relatively high percentage of domestic value-added.

The difficulty with a strict value-added approach is that it cannot be used unless the data are presented in such a way as to

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[11] Id. at 10-11 (Views of Chairman Eckes and Commissioner Haggart).

[12] Indeed, section 201 is captioned "Action to facilitate positive adjustment to import competition." 19 U.S.C. 2251.

allow consideration of all domestic value-added activities. In many cases, it would be impossible to allocate profits and employment in any reliable way. Without such data, Commissioners cannot carry out their statutory obligation to determine the impact of imports on the condition of the domestic industry in a rigorous way. When the data are not available to make a determination based strictly on domestic value-added, I would try to make distinctions for particular products. I would determine whether a good was domestic or imported, initially looking at its share of domestic content, both absolutely and in comparison to the industry average.[13]

In this case, petitioner Keystone contends that the domestic industry should be defined to exclude the operations related to Kodak cameras that have value added in Mexico and Brazil. Kodak, on the other hand, suggests that all of its U.S. camera production activity should be included with the domestic industry, even if the camera is partially manufactured and\or assembled abroad. While I agree with Kodak in principle, the available data do not permit me to evaluate the domestic industry in the manner it suggested. A strict value-added approach in this case would not have allowed Commissioners to address the question of injury to the domestic industry producing

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[13] I do not believe that, for the purpose of the import relief law that governs this case, there is a magic percentage of value-added that determines a product's country of origin.

conventional cameras.[14] Therefore, I used an alternative approach whereby each product is considered domestic or imported based on its share of domestic content. There were five categories of products to evaluate for domestic content: Keystone cameras, Kodak's domestically produced cameras, Kodak's 110 cameras assembled in Mexico, Kodak's 35mm cameras partially manufactured and assembled in Mexico, and Kodak's 35mm cameras partially manufactured and assembled in Brazil.

Both Keystone and Kodak cameras that are assembled in the United States should be considered as domestic products based on their share of domestic content.[15] Kodak 110 cameras assembled in Mexico should also be considered as domestic products based on their share of U.S. value added, which is comparable to the domestic content of Keystone's cameras. The share of domestic content of Kodak 35mm cameras partially manufactured in Brazil and Mexico was substantially lower than that of the other cameras. Petitioner states, however, that the Commission should be most concerned about final assembly -- arguing that it is the true determinant of a domestic product. For the reasons stated above, I do not agree and therefore I find that there is no basis for excluding any Kodak 110 cameras from the domestic industry.

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[14] As discussed in the Commission's opinion, it was difficult to separate Kodak's financial information to exclude data relating to single use cameras. Using a value-added approach in this case would have been nearly impossible, given all the different products involved.

[15] Both Kodak and Keystone have imported foreign components for their cameras that are assembled in the United States.

I do not believe that the percentage of domestic content in Kodak's 35mm cameras partially manufactured in Brazil and Mexico is sufficient to consider them as domestic products. Lacking adequate data to isolate and assess the domestic activities attributable to these cameras, to the extent possible I excluded all domestic activities related to production of those cameras from the domestic industry. Including such activities would have only added support to my negative determination.[16]

In view of the increasing globalization of industries, I expect that the Commission will be confronted with this issue many times in the future. The United States is currently pursuing policies that will open markets to foreign trade and investment. Thus, we can expect that U.S. companies will have increased opportunities to open plants and assembly operations in third countries and to benefit from those opportunities abroad, while foreign companies will benefit from increased opportunities in the United States and thereby will contribute to the U.S. economy. Because of increased competition, U.S. firms will be forced to look at alternatives that allow them to remain competitive in the long run. If U.S. firms are successful, this will result in increased employment and output in the United

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[16] The dollar value of domestic activity generated from production of Kodak cameras imported from Brazil was significant even when compared to that generated from all Keystone's camera production. Yet, the percentage of domestic value-added in each Keystone camera is significantly higher. The jobs related to the production of Kodak's cameras are no less valuable to the U.S. economy than jobs related to the production of Keystone cameras. That is why I regret not having been able to use my preferred approach in this case.

States.

Kodak is a case in point. Historically, Kodak has been a driving force in the domestic camera industry; even petitioner Keystone described itself as operating under Kodak's umbrella through various licensing agreements. Kodak undertakes R&D activity and the manufacturing of camera parts and sub-assemblies in the U.S. and has generated the bulk of employment in the camera industry, particularly if one considers the total wage bill. Kodak stated that some camera models would not be competitive unless a certain portion of their production was done abroad. By assembling those cameras abroad, Kodak has found a way to be competitive in the long run while maintaining significant domestic activity -- the very purpose behind this import relief law. Excluding its activities from the domestic industry would undermine the very purpose of this law.

ADDITIONAL VIEWS OF COMMISSIONER DON E. NEWQUIST

I join my colleagues in determining that increased imports are not a substantial cause of serious injury or threat thereof to a domestic industry. I provide these additional views in order to explain the basis for my decision to include certain domestic operations of the Eastman Kodak Company within the domestic industry.

The claim that Kodak should be included within the domestic industry was sharply debated by the parties in this investigation, as it formed the basis for the request by Kodak that the investigation be terminated. Kodak argued that, because the domestic industry comprises Keystone Camera Company, Kodak, and Polaroid Corporation, and because both Kodak and Polaroid do not support the petition, Keystone is not representative of the domestic industry and therefore lacks standing to seek relief under section 201. [1] Keystone countered by arguing that Polaroid is not a member of the domestic industry, because the cameras it produces -- instant-print cameras -- are not like or directly competitive with the imported cameras subject to investigation.

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[1] See 19 U.S.C. § 2252(a)(1) ("A petition requesting action under this part for the purpose of facilitating positive adjustment to import competition may be filed with the Commission by an entity ... which is representative of an industry.")

As to Kodak, Keystone acknowledged that Kodak's conventional 110 and 35 mm cameras are like or directly competitive with the subject imports. However, Keystone contended that because these cameras undergo final assembly offshore in Mexico and Brazil, [2] Kodak's domestic activities related to the production of these cameras do not constitute "U.S. camera production." [3] Therefore, according to petitioner, while Kodak may be an importer, promoter, and distributor of a "like or directly competitive" article, it is not a producer.

The Commission declined to terminate this investigation. Nevertheless, the requests for termination for lack of standing illustrate how the outcome of a section 201 investigation could turn on the domestic industry definition. [4] The question of whether (and under what circumstances) a domestic manufacturer can be considered a domestic producer of a like or directly competitive article not produced in its entirety in the United States is, therefore, important. Also, given the emerging trend toward globalized production, it is an issue that undoubtedly will recur in future investigations.

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[2] Kodak's 35 mm cameras assembled in Brazil are also partly manufactured there.

[3] Keystone Opposition to Eastman Kodak Company's Request to Terminate this Investigation, at 1.

[4] I note that a determination to enlarge the definition of the domestic industry beyond that urged by a petitioner could affect not only the petitioner's standing to file a petition, but also the Commission's assessment of whether the industry is seriously injured.

One result of the global diffusion of production technologies, reductions in tariff and non-tariff barriers, and advances in transportation is that, increasingly, the steps involved in the production of finished articles occur in more than one country. For example, many U.S.companies -- facing increased competition in their home market from both domestic and foreign sources -- now purchase subassemblies and other components from foreign suppliers. Others have transferred some of their production operations to industrializing countries, such as Mexico and countries in South America and the Asian Rim, in order to take advantage of lower wage rates. In future section 201 investigations involving industries characterized by substantial foreign sourcing of components, or globally compartmentalized methods of manufacture, both the issue of standing and the Commission's usually straightforward domestic industry analysis will be significantly more complicated. [5]

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[5] As noted by a Panel of the GATT, in describing a submission by the United States in a recent dispute settlement proceeding between Japan and the European Community over EC regulations designed to prevent the circumvention of antidumping orders:

> The United States considered that the need for an anti-circumvention provision grew directly out of the changing nature of international commercial reality, in particular the increasing international integration of manufacturing operations and the ease of multinational sourcing of parts and location of assembly operations. At the time ... the General Agreement had come into force in 1947, ... the commercial norm was one in which a given product was manufactured in its entirety in one country and exported directly to a second country. Terms like "like product" and "domestic industry" had been much easier concepts to distinguish and evaluate. Current commercial realities were, however, very

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Thus, the threshold question raised in this investigation is whether the Commission treats Kodak's domestic production activities related to the production of conventional 110 cameras assembled in Mexico as part of the domestic industry. [6] In answering this question, I have considered whether the statute itself offers decisive guidance, together with Commission precedent.

The statute, in my view, does not squarely address these circumstances. Section 201 speaks of whether an article is being imported 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

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[5](...continued)
different. Production of goods had become both globalized and compartmentalized. Components of a product were often manufactured in two or more places, only to be assembled in another location and, perhaps, finally to be shipped to yet another destination.

"EEC - Regulation on Imports of Parts and Components, Report by the Panel," General Agreement on Tariffs and Trade (L/6657) (March 22, 1990) at 63. For an interesting discussion of how the national identification of corporations engaged in transnational production operations raises new policy issues, both in the administration of U.S. trade laws and in other contexts, see Kline, "Trade Competitiveness and Corporate Nationality," Columbia Journal of World Business (Fall 1989) at 25.

[6] I exclude Polaroid from the domestic industry, as I do not find Polaroid instant-print cameras to be a product which is "like or directly competitive with" the imports under investigation. Also, while I determine that Kodak's conventional 35 mm non-single-lens-reflex cameras are like the subject imports, as I explain further below, I have determined not to include within the domestic industry Kodak's domestic operations relating to the production of those cameras, which are assembled and partly manufactured in Brazil and Mexico.

the imported article." [7] The statute further provides that in the case of a domestic producer which also imports, the Commission "shall treat as part of such domestic industry only its domestic production." [8]

In my view, this latter provision does not resolve the question of whether Kodak may be considered a member of the domestic industry. Clearly, it governs the treatment of imports which are manufactured abroad. It is not clear, however, that this provision is designed to provide guidance on the treatment of American-made components returned to the United States after minor assembly operations abroad. In addition, I find no indication in the legislative history that this provision is intended to reject the Commission's approach in previous investigations that tends to support, in this case, the inclusion of Kodak within the domestic industry.

The Commission's previous consideration of whether a firm may be considered a member of the domestic industry, even though it does not manufacture the like or directly competitive product in its entirety within the United States, usually has arisen in the context of offshore sourcing of components. For example, in Certain Heavyweight Motorcycles, and Engines and Power Train

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[7] 19 U.S.C. § 2251(a); 2252(b)(1)(A).

[8] 19 U.S.C. § 2252(c)(4)(A). Prior to enactment of this provision in 1988, the statute permitted (but did not require) the ITC to treat only domestic production operations as part of the domestic industry.

Subassemblies Therefor, [9] the Commission considered whether and to what extent to include within the domestic industry the domestic operations of two Japanese-owned motorcycle manufacturers (Honda and Kawaski). The Commission noted that, although more than 50 percent of the value of the finished motorcyles produced by these companies was accounted for by imported components, these firms domestically manufactured several component parts and performed such production activities as flexing, welding, painting, and final assembly operations. [10] The Commission also noted that the domestic productive resources committed by these firms -- in terms of employees, physical facilities, and capital -- were substantial. Based on this analysis, the Commission determined Honda and Kawasaki to be domestic producers of the like or directly competitive article and part of the domestic industry (but on a weighted basis, to the extent of their U.S. operations). [11]

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[9] Inv. No. TA-201-47, USITC Pub. 1342 (Feb. 1983).

[10] Id. at A-9. Harley-Davidson, the petitioner, also imported motorcycle component parts from Japan, including carburetors, shock absorbers, and instruments. According to Harley, it was necessary to import these components, for if they were purchased domestically, "the cost to Harley-Davidson would be prohibitive, increasing the final price to the consumer substantially." Id.

[11] Other relevant factors discussed by certain Commissioners were the level of domestic content or value added; whether the domestic activities resulted in a substantial change in a product; where the major component was produced; and the degree of control and authority exercised by the domestic firm over the price and quantity of its U.S. production. I would consider each of these factors of possible relevance, depending on the case, in determining whether a firm is a producer, rather than merely an importer or assembler, of a like or directly competitive product.

By way of comparison, the Commission also has employed a similar kind of analysis in Title VII cases. In evaluating whether a company that conducts manufacturing operations partly in the United States and partly in a foreign country is a domestic producer, the Commission generally considers the overall nature of the company's production activities in the United States, including the extent and source of its capital investment in property, facilities, and equipment; the technical expertise involved in its United States production activities; the value added to the product in the United States; employment levels; the quantity and type of parts sourced in the United States; and any other costs and activities in the U.S. directly leading to the production of the like product. [12] Included among the other (non-manufacturing) domestic activities considered relevant are R&D and product design and engineering, provided they are

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[12] See, e.g., Generic Cephalexin Capsule from Canada, Inv. No. 731-TA-423 (Final), USITC Pub. 2211 at 10-11 (Aug. 1989); Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Final), USITC Pub. 2163 at 12-13 (March 1989); Butt-Weld Pipe Fittings from Brazil and Taiwan, Inv. No. 731-TA-308 and 310 (Final) USITC Pub. 1918 at 8-9 (Dec. 1986); Certain Radio Paging and Alerting Receiving Devices from Japan, Inv. No. 731-TA-102 (Final USITC Pub. No. 1410 at 26-32 (Aug. 1983); Erasable Programmable Read Only Memories from Japan, Inv. No. 731-TA-288 (Final), USTIC Pub. 1927 at 11 n. 23 (Dec. 1986); Dynamic Random Access Memory Semiconductor of 256 Kilobits and Above from Japan, Inv. No. 731-TA-300 (Preliminary), USITC No. 1803 at 15 (Jan. 1986); and 64K Dynamic Random Access Memory Components from Japan, Inv. No. 731-TA-270 (Final), USITC No. 1862 at 11-14 (June 1986). But see Internal Combustion Engine Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final) USTIC 2082 (1988)(determination of domestic production based on where the most significant component of the truck, the frame, was manufactured).

attributable to the production of the like product. [13]

Particularly relevant to the question whether assembly of the like product must occur in the United States in order for that product to be produced domestically is the Commission's decision in Certain Radio Paging and Alerting Receiving Devices from Japan. [14] There, the Commission examined whether Motorola's production of two radio pagers should be considered part of the domestic industry, even though the pagers were assembled in Malaysia or Korea and incorporated some foreign parts. In addressing this question, Chairman Eckes and Commissioner Haggart stated:

> All production related activity need not occur in the United States for a firm to qualify as a domestic producer of a like product. Exclusion of firms from the domestic industry that import components or undertake some production related activities abroad would preclude relief to firms having sufficient production related activities in the United States. [15]

Commissioners Eckes and Haggart then examined the overall nature of Motorola's production activities in the United States. They found that these activities involved "considerable technical expertise and capital investment" and that the value added to the pagers in the United States constituted a significant percentage of their component value and direct labor costs. They concluded

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[13] See, e.g., Certain Radio Paging and Alerting Devices from Japan, Inv. No. 731-TA-102 (Final), USITC Pub. 1410 (Aug. 1983) at 10-11; Generic Cephalexin Capsules from Canada, Inv. No. 731-TA-423 (Final), USITC Pub. No. 2211 (Aug. 1989).

[14] Inv. No. 731-TA-102, USITC Pub. No. 1410 (August 1983).

[15] Id. at 10 (emphasis added).

that Motorola's domestic production activities should be included within the domestic industry.

Finally, two previous section 201 investigations also presented the question of how to treat a firm's domestic operations related to the production of like or directly competitive articles that were assembled, and then reimported from, abroad. In Television Receivers, Color and Monochrome, Assembled or Not Assembled, Finished or Not Finished, and Subassemblies Thereof, [16] the information before the Commission showed that most of the domestic companies producing television receivers had established assembly operations in foreign countries. The Commission (without discussing the issue in its opinion) included within the domestic industry those companies utilizing offshore assembly operations.

In another section 201 investigation, Certain Motor Vehicles and Certain Chassis and Bodies Therefor, [17] the Commission considered whether motor vehicles imported from Canada should be treated as "imports" in analyzing whether the "increased imports" criterion was satisfied. These vehicles were produced by wholly owned subsidiaries of U.S. companies that produced like or directly competitive articles in the United States, and some of the imports contained more than 50 percent U.S. value added. The Commission concluded that these articles must be considered

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[16] Inv. TA-201-19, USITC Pub. 808 (March 1977).

[17] Inv. No. TA-201-44, USITC Pub. 1110 (Dec. 1980).

imports, despite their substantial U.S. value added. Chairman Alberger indicated, however, that had the products been exported only "for final assembly and were actually manufactured domestically, they could be counted as domestic production rather than imports." [18] Commissioner Stern expressed a similar view: "[T]he only time at which the Commission should consider adjusting the import statistics would be when the imports are imports in technical terms only, e.g., when the domestic products have been exported for certain minor finishing work and then reimported." [19]

I agree with the approach espoused by certain Commissioners in the Radio Pagers and Motor Vehicles investigations that rejects the application of a standard which would invariably preclude a firm from being considered part of the domestic industry merely by virtue of assembly or other finishing work abroad. In my view, whether the final assembly of a product (or the sourcing of components) occurs in the United States or offshore is a relevant, but not necessarily dispositive, factor in assessing a firm's status as a domestic producer. [20] Further,

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[18] Id. at 15.

[19] Id. at 101. See also Motorcycles, at 31 ("Honda and Kawasaki's operations in the United States are not merely assembly operations").

[20] Thus, in certain circumstances, a firm's final processing or assembly operations in the United States may suffice to qualify it as a domestic producer. See, e.g., Certain Light Scattering Instruments from Japan, Inv. No. 731-TA-455 (Preliminary), USITC Pub. No. 2282 at 16 (May 1990); Generic Cephalexin Capsules from Canada, Inv. No. 731-TA-423 (Final), USITC Pub. No. 2211 (Aug.

(continued...)

I believe that, as a general matter, the sounder approach is to include within the domestic industry the domestic operations of any firm which is engaged in substantial domestic production activities, where those activities reflect a commitment of considerable resources (employees, facilities, and capital) and create a significant portion of the total value of the like or directly competitive article sold by that firm. [21]

Thus, in the absence of definitive guidance from Congress, which (given the differing views within the Commission on this question) would be welcome, I would not construe section 201 to prohibit a firm from seeking import relief, solely because its like or directly competitive article undergoes minor finishing or final assembly abroad. [22]

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[20](...continued)
1989).

[21] In determining whether the domestic content of a particular "like or directly competitive article" is significant, I do not believe that the domestic content must always meet some absolute threshold. For example, in some industries, all the domestic producers may import raw materials or subassemblies accounting for the great majority of the value of the finished article. The requisite percent of domestic content therefore may differ, depending upon the industry at issue. See, e.g., Low-Fuming Brazing Copper Wire and Rod from New Zealand, Inv. No. 731-TA-246 (Final) USITC Pub. 1779 at 7 (Nov. 1985) (20 percent domestic content found to be significant).

[22] I note that in circumstances where certain domestic producers source components abroad or have moved a part of their production operations offshore, the fact that those firms may be operating quite profitably would not necessarily weaken a petitioner's claim of serious injury by reason of increased imports. See H. Rep. 1156, 98th Congress, 2d Sess. at 142 ("[T]he presence or absence of any one factor shall not necessarily provide decisive guidance to the Commission in its determination of serious injury. * * * Profits from captive imports do not necessarily
(continued...)

In evaluating the specific question in this investigation of whether Kodak's domestic operations related to the production of 110 conventional cameras assembled in Mexico should be included within the domestic industry, I note that neither Kodak nor Keystone produces its conventional non-SLR cameras in their entirety, including all parts, in the United States; both companies source certain parts and assemblies from abroad. Most of the value, however, of both Kodak's conventional 110 cameras and Keystone's 110 and 35 mm cameras, is added domestically. Further, the domestic content of Kodak conventional 110's, and of Keystone's 110 and 35 mm cameras, is comparable. [23]

Kodak's domestic activities related to the production of its 110 cameras are, by any measure, substantial. Manufacture of these cameras begins with extensive research and development at Kodak's Rochester, N.Y. facility. Kodak employees then develop product designs, construct prototypes, design and fabricate the necessary tooling (stamps and dies), undertake pilot assembly operations, and then perform full-scale production of parts and

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[22](...continued)
reflect the condition of production operations in the United States. Indeed, the decision of domestic producers to turn to foreign outsourcing may result in a loss of jobs and consequently have an adverse impact on employment or underemployment[.]")

[23] I focus my discussion here on the domestic and foreign activities related to the production of Kodak 110 cameras assembled in Mexico. As for 35 mm Kodak cameras, significant manufacturing and assembly operations take place in Brazil and in Mexico. In light of the nature of those offshore operations, and the reduced levels of domestic content contained in the Kodak 35 mm cameras, I do not consider those cameras to be domestically produced. See Staff Report at A-19.

assemblies. These domestic activities employ several hundred Kodak employees, and reflect a substantial capital investment in production facilities and equipment.

Until 1987, Kodak assembled its unfinished 110 cameras in Rochester, N.Y. Since 1987, however, final assembly has been performed in Mexico. This assembly process -- which takes roughly 10 minutes or less per camera [24] -- is carried out under Kodak's specifications pursuant to a toll agreement, whereby Kodak retains title to the assembled parts and assemblies. The finished "Kodak" cameras are then captively imported by Kodak, for quality assurance testing, packaging, and final distribution and sale. [25]

As imports, these finished cameras enter the United States under Harmonized Tariff Schedule, item 9802.00.80 (formerly, TSUS item 807.00). Under this provision, the parts and assemblies produced by Kodak are considered to be American goods returned,

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[24] Hearing Transcript at 139.

[25] The 110 camera parts and subassemblies produced by Kodak are not sold in the open market. They are dedicated solely for assembly into finished cameras, which are then sold by Kodak in direct competition with cameras produced by Keystone and with the subject imports. Thus, the facts in this case differ significantly from those presented in United Shoe Workers of America, AFL-CIO v. Bedell, 506 F. 2d 174 (D.C. Cir. 1974). There, the Court held that workers for an open market producer of counters (a stiffener which is placed around the heel of a shoe), were ineligible to obtain adjustment assistance for unemployment caused by increased imports of finished shoes, because the employees did not work for a firm producing articles "like or directly competitive with" the imports.

and an import duty is imposed only upon the foreign value-added.[26] The domestic (duty-free) content of these cameras, I note, is substantially greater than the foreign value added by the Mexican assembly operations. Thus, while these cameras may pass through the customs territory of the U.S. as imports, I do not consider them to be manufactured abroad.

Based on these facts, I determine that Kodak is not merely an importer of finished cameras, or merely a producer of camera parts. Kodak engages in substantial domestic production activities that employ many U.S. workers and reflect a major investment of capital. These activities, in conjunction with minor assembly operations offshore, lead directly to the production and open-market sale of finished cameras which are like the imports under investigation. The domestic content of Kodak's 110 conventional cameras assembled in Mexico is comparable to that of petitioner's products.

Therefore, taking into account the overall nature and scope of Kodak's production-related activities, as well as the domestic content Kodak creates in its 110 conventional cameras, I find the

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[26] In order to receive duty free treatment under HTUS item 9802.00.80, the American made components must 1) be exported ready for assembly without further fabrication; 2) not lose their physical identity by change in form, shape, or otherwise; and 3) not be advanced in value or improved abroad except by assembly and operations incidental to assembly. Thus, 9802.00.80 treatment is not available if U.S. components are subject to "[a]ny significant process, operation, or treatment other than assembly whose primary purpose is the fabrication, completion, physical or chemical improvement of a component...." 19 C.F.R. § 10.16.

domestic operations of Kodak dedicated to the production of these cameras to be part of the domestic industry.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On March 29, 1990, a petition was filed with the U.S. International Trade Commission (the Commission) by counsel on behalf of the Keystone Camera Company, Clifton, NJ. The petition alleges that certain cameras[1] 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 article. The petition also alleges that critical circumstances exist, in that a substantial increase in imports, either actual or relative to domestic production, over a relatively short period of time has led to circumstances in which a delay in taking action would cause such harm that would significantly impair the effectiveness of final import relief.

Accordingly, effective March 29, 1990, the Commission instituted investigation No. TA-201-62 under section 202 of the Trade Act of 1974 to determine whether certain cameras 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 article.

Notice of the institution of the Commission's investigation and of public hearings to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 18, 1990 (55 FR 14488).[2] The hearing on injury, critical circumstances, and provisional relief was held in Washington, DC, on June 20, 1990.[3] If necessary, a hearing on remedy was to be held on August 14, 1990. The Commission voted on the injury phase of this investigation on July 24, 1990. If the Commission had issued an affirmative determination as to injury, it would have addressed the critical circumstances and provisional relief issues on that same date and transmitted any affirmative determination of critical circumstances and any provisional relief recommendations immediately to the President. The statutory deadline for the injury determination was July 27, 1990, and the deadline for transmittal of the final report to the President is September 25, 1990.

The Commission has not conducted any previous investigations of cameras. The most recent Commission publication concerning cameras was the February 1985 report, Summary of Trade and Tariff Information, which provided industry information in terms of the former Tariff Schedules of the United States on photographic cameras, equipment, supplies, and recording media (USITC Publication No. 841).

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[1] The imported articles covered by this investigation include two categories of photographic (other than cinematographic) cameras for roll film: all fixed-focus, hand-held, 110 cameras (subheading 9006.52.10 of the Harmonized Tariff Schedule of the United States (HTS)); and all hand-held, 35mm cameras other than single-lens-reflex ("SLR") cameras (subheading 9006.53.00 of the HTS).

[2] A copy of the Commission's notice is presented in app. A.

[3] A list of witnesses who appeared at the hearing is presented in app. B.

The Product

Description and uses

Product description.--The imports of certain cameras that are the subject of this investigation include the following specific types of hand-held, still cameras for roll film width less than or equal to 35mm:[4]

a. 110 cameras.--All conventional fixed-focus types, and all single-use 110 cameras.[5] [6]
b. 35mm cameras.--All conventional 35mm cameras, and all single-use 35mm cameras, other than 35mm single-lens-reflex (SLR) cameras.

These cameras are often described as "point-and-shoot," compact, rangefinder, or lens-shutter cameras.[7] The cameras generally contain a lens for capturing the image and a separate viewfinder or lens that enables the photographer to view the subject of the photograph. Both the 110 and 35mm cameras may include two lenses of different focal lengths, one for normal use and another for telephoto or wide-angle use, and a built-in electronic flash. Some variations in appearance may occur such as mini 110 or 35mm cameras versus full-sized 110 or 35mm cameras. One variation is the clip-on/snap-on 110 camera, which is essentially a simple lens, shutter, and film transport mechanism attached to a 110-film cartridge.[8]

"Certain" cameras are part of a larger family of hand-held, still-picture cameras, all of which are mechanisms used to record images of objects onto light-sensitive materials, such as film or photographic plates.[9] The most common types of still-picture cameras for amateur use are 110, 35mm, 126,

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[4] Expensive medium- and large-format (greater than 35mm film size) cameras, used principally by professionals, are not included in the scope of the petition or the Commission's institution notice.

[5] For purposes of this report, conventional cameras are defined as those other than single-use or instant-print cameras.

[6] Although the petition does not specifically identify single-use cameras as part of the list of imported articles as to which the petitioner is seeking relief, such cameras are entered under the tariff subheadings listed in the petition.

[7] Lens-shutter 35mm cameras, or rangefinders, contain a viewfinder which operates independently of the lens and approximates what will eventually appear in the photograph. In contrast, SLRs, which were invented by the Germans in the 1920s and perfected by the Japanese in the 1970s, employ a system of prisms and mirrors that enables the photographer to see through the viewfinder exactly what the lens sees. See "Photography's March of Time," Maclean's (Apr. 24, 1989), p. 51.

[8] On the basis of questionnaire responses, clip-on/snap-on 110 cameras accounted for approximately 23 percent of imports (based on quantity) in 1987, a popular year for this type of "give-away" camera.

[9] Motion-picture cameras, which are not within the scope of this investigation, differ from still-picture cameras in that the shutter of motion-picture cameras is synchronized with the film transport mechanism to repeatedly stop the film behind the lens, take a single picture, and advance the film.

disc, instant print, and single-use cameras. Most conventional types of cameras (those other than instant-print or single-use) consist of a lightweight, lightproof body, a lens for gathering light, a diaphragm which controls the amount of light directed to the film or plate, a shutter for making the exposure, a film-holding and transport system, and a focusing and viewfinding system.

SLR cameras are usually 35mm and are larger than point-and-shoot cameras. SLR cameras feature a more complicated and optically precise through-the-lens viewfinding system to view objects before the photograph is taken. Generally, lenses are interchangeable among the different models of SLR cameras in a manufacturer's product line. Instant-print cameras use a series of film rollers to distribute developing chemicals onto the sensitized (exposed) film, then eject the coated film from the camera. The photograph then develops within minutes.

In 110, 126, disc, and 35mm cameras, the exposed film is removed from the camera, treated with developing chemicals to produce negatives, and yields finished photographs when the images on the negatives are projected onto photographic paper. Single-use cameras, unlike other still-picture cameras, are designed for use with only the roll of film contained within. Development of film exposed in single-use cameras requires destruction of the camera's body, which is generally of lightweight plastic.[10]

Physical characteristics.--The Commission's producer's questionnaire requested comments regarding the differences and similarities in the physical characteristics of hand-held still cameras. The following comments concerning the comparison of 110 and 35mm cameras were reported to the Commission (Kodak and Polaroid made their comments public; Keystone did not):

Firm	Comments
Keystone	
	* * * * * * *
Kodak	Differences.--Larger film format on a spool in 35mm. 110 has drop-in cartridge. No threading or rewind required in 110. Similarities.--Both 35mm and 110 cameras are easy to use point & shoot cameras for the purpose of taking pictures. As prices of 35mm cameras have dropped, and as such cameras become easier to load, such cameras have been displacing 110 cameras. Both camera types can have a built-in electronic flash unit, optical viewfinder, and are available with both telephoto and wide-angle lens.

[10] Kodak, the sole U.S. producer of single-use cameras, has begun a pilot "recycling" program for these cameras in an effort to recycle their major component, plastic.

The following comments concerning the differences and similarities in the physical characteristics of conventional cameras and single-use cameras were reported to the Commission:

Firm	Comments
Keystone	
	* * * * * * *
Kodak	Differences.--Conventional cameras require film reloading and power source replacement and other customer accessibility. Conventional cameras require cosmetic and durable encasements. All conventional cameras have flash capability and most weigh more. Similarities.--Basic photographic systems. E.g., optics, film transport, shutter, film metering, etc. are similar for low end conventional cameras.

The following comments concerning the differences and similarities in the physical characteristics of "certain" cameras and instant-print cameras were reported to the Commission:

Firm	Comments
Keystone	
	* * * * * * *
Kodak	Differences.--Instant cameras are larger and bulkier because of film cartridge and focal length. Instant cameras require additional film processing mechanism. Similarities.--Basic photographic systems.
Polaroid	Differences.--The development of the print is totally different. In instant cameras the development starts and is completed as the exposed film is transported through the spread roll system. In "certain" aim and shoot cameras the exposed film is converted to prints of varying sizes by photo finishers. The size of the prints is different. The sizes of the cameras are very different. "Certain" cameras can be and are significantly smaller than instant cameras because of the film format. In integral instant cameras the battery, which powers the system, is part of the film pack. In "certain" cameras the battery is part of the camera.

Similarities.--Both have shutters, lenses and devices for measuring distance and light. Both cameras give a silver halide print. In both systems the negative (film) is exposed to light through the shutter.

Conventional cameras.--A broad range of conventional camera types fall within the category of "certain" cameras. The Commission sought information in its questionnaires on features of 35mm cameras identified by industry experts as the principal features influencing the majority of camera sales. Table 1 presents information as to the features of U.S.-produced and imported conventional cameras that are available in the U.S. market. The information in table 1 is based on questionnaire responses of the two U.S. producers of certain cameras, and 51 U.S. importers accounting for approximately *** percent of total imports based on quantity and value in 1989, and approximately *** percent of imports based on quantity during 1987.

Generally, U.S. producers marketed conventional 35mm cameras that were single lens, fixed focus,[11] and * * * contained built-in flash. Shipments of U.S.-produced all-weather/underwater cameras declined, while an increasing share of total camera sales was equipped with DX coding.[12] U.S. importers sold a wide variety of conventional 35mm cameras, with growth evidenced in cameras with zoom lenses and cameras equipped with DX coding.

Single-use cameras.--As described by * * *, "Disposable cameras, generally speaking, are cardboard-bound plastic boxes with an elementary fixed lens on the front, and one shutter speed, although there is a growing trend towards more sophisticated and special-purpose models. They are known by a variety of names--disposable, single-use, expendable, ready-to-use, throwaway, film-with-lens, and ready-to-shoot cameras."[13]

Only two known firms market single-use cameras in the United States: Kodak and Fuji Photo Film.[14] Kodak produces three types of single-use cameras: Fling (basic model), Stretch (panoramic), and Weekender (all-weather/underwater). Kodak does not produce a single-use camera with flash. Fuji imports and markets two types of single-use cameras: Quick-snap (without flash) and Quick-snap with flash. Fuji does not market panoramic or all-weather/underwater versions of such cameras. Table 2 provides data on the shares of U.S. shipments accounted for by each type of single-use camera, for the two companies.[15]

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[11] * * *.

[12] DX coding allows the camera to read film speed by automatically adjusting camera settings for that speed.

[13] * * *.

[14] Fuji Photo Film is considered the pioneer in originating and marketing the new generation of single-use cameras, and began selling them in Japan in 1986. Konica, a Japanese film and camera manufacturer, also produces single-use cameras * * *.

[15] * * *.

Table 1
Conventional 35mm cameras: Shares of U.S. shipments and unit values of U.S.-produced product and imported product, by features, 1985-89 and January-March 1989-90

Item	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Shares based on quantity (in percent)						
U.S. shipments of U.S.-produced cameras:							
Focusing capability:							
Fixed focus.....							
Manual focus.....							
Auto focus.....							
Total.....							
Flash capability:							
Built-in flash....							
Flash attachment..							
Without flash.....							
Total.....	*	*	*	*	*	*	*
Type of lens:							
Single.....							
Dual.....							
Zoom.....							
Total.....							
All-weather/ underwater.....							
"DX" coding[1].....							
U.S. shipments of imported cameras:							
Focusing capability:							
Fixed focus.....	***	***	***	***	***	***	***
Manual focus.....	***	***	***	***	***	***	***
Auto focus.....	64.4	56.1	52.7	41.4	41.4	41.3	48.8
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Flash capability:							
Built-in flash....	81.7	82.8	93.0	92.9	97.2	95.0	97.9
Flash attachment..	***	***	***	***	***	***	***
Without flash.....	***	***	***	***	***	***	***
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Type of lens:							
Single.....	***	***	83.5	80.7	77.0	75.4	66.1
Dual.....	***	***	***	***	12.5	16.8	12.6
Zoom.....	***	***	***	***	10.6	7.8	21.4
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
All-weather/ underwater.....	***	***	***	***	***	***	***
"DX" coding[1].....	30.3	61.6	76.0	61.4	64.8	64.8	76.3

Continued on next page--

Table 1--Continued
Conventional 35mm cameras: Shares of U.S. shipments and unit values of U.S.-produced product and imported product, by features, 1985-89 and January-March 1989-90

Item	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Unit values						
U.S. shipments of U.S.-produced cameras:							
Focusing capability:							
Fixed focus.....							
Manual focus.....							
Auto focus.....							
Total.....							
Flash capability:							
Built-in flash....							
Flash attachment..							
Without flash.....							
Total.....	*	*	*	*	*	*	*
Type of lens:							
Single.....							
Dual.....							
Zoom.....							
Total.....							
All-weather/ underwater.....							
"DX" coding[1].....							
U.S. shipments of imported cameras:							
Focusing capability:							
Fixed focus.....	$***	$***	$***	$***	$***	$***	$***
Manual focus.....	***	***	***	***	***	***	***
Auto focus.....	111.30	114.48	119.07	135.20	135.24	141.36	146.76
Total.....	82.60	79.03	79.00	72.41	73.25	73.81	86.27
Flash capability:							
Built-in flash....	86.76	92.75	84.79	77.80	75.13	77.11	87.90
Flash attachment..	***	***	***	***	***	***	***
Without flash.....	***	***	***	***	***	***	***
Total.....	82.60	79.09	79.59	72.62	73.25	73.82	86.23
Type of lens:							
Single.....	***	***	62.57	47.96	43.40	43.24	44.95
Dual.....	***	***	***	***	138.79	141.21	128.12
Zoom.....	***	***	***	***	214.38	224.02	192.02
Total.....	82.60	79.03	79.00	72.41	73.25	73.81	86.82
All-weather/ underwater.....	***	***	***	***	***	***	***
"DX" coding[1].....	98.35	103.20	95.97	104.64	100.94	103.97	104.79

[1] DX coding allows the camera to read film speed, automatically adjusting camera settings for that speed.

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

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

Table 2
Single-use cameras: Shares of U.S. domestic shipments of U.S.-produced product and imported product, by features, 1985-89 and January-March 1989-90

* * * * * * *

End uses

Point-and-shoot cameras are used generally by amateur photographers to record events such as family gatherings, vacations, holidays, celebrations, and other occasions. Beginning photographers and children are more likely to use 110 cameras, whereas more advanced amateurs are more likely to use the 35mm cameras. To a lesser extent, professional photographers use 35mm cameras as backups or for preliminary work. For promotional purposes, many businesses order 110 cameras in bright colors or imprinted with their company logos or to resemble their products. Clip-on/snap-on 110 cameras are also used generally as promotional materials. Single-use cameras are often used as temporary replacements for conventional cameras in the event the user cannot use or has forgotten his or her conventional camera.

Manufacturing process

The manufacturing process for "certain" cameras involves fabrication and assembly operations that vary from manual to fully automated. The manufacturing process is generally labor intensive, although precision machinery and various degrees of automation are used to process raw materials and produce the various components of the cameras. Readily available plastics, electronic parts, injection-molding machines, and metal-stamping machines are used by both domestic and foreign camera manufacturers and make it relatively easy to establish or expand production facilities. For the most part, highly skilled labor is required in the research, design, and development of cameras, but not in most assembly operations.

Manufacture of the camera usually begins with the injection-molding process. Plastic pellets (generally ABS or polystyrene) are fed into numerically controlled molding machines, each of which heat-shapes a component part, e.g., fronts, backs, lenses, shutters, gears, and flash housings. After formation, robot arms remove the parts from the mold and trim off the excess plastic, which is placed in containers for recycling. The trimmed parts are then placed in bins, which when full are automatically removed from the molding machine's platform to await inspection and warehousing, if acceptable. Precise molding enables the major body parts of the camera to fit together tightly and thus reduces the number of fasteners needed in the final assembly process. Molded lens halves are adjusted to each other for optimum focus and are sealed on an operator-controlled press to form a complete lens. Nearly all point-and-shoot cameras utilize plastic lenses, whereas most SLR and instant-print cameras use glass lenses.

Subassembly operations are generally performed on dedicated assembly lines in much the same manner as the final assembly. Electronic circuit boards, which are used to control the flash and any indicator lights; gear decks or film transport mechanisms; and flash units are commonly produced in subassembly operations. The completed subassemblies are also usually warehoused until needed.

For final assembly, parts and subassemblies are recalled from inventory, and the operation is performed on lines configured with tools and fixtures that are specific to each camera model. Workers on the final assembly line are generally cross-trained to work on most models of cameras produced in the facility.

Lenses are typically manufactured using a combination of laser optical technology, precision injection molding, high quality plastics, and advanced quality control techniques. Keystone's injection molding process enables it to produce the high-gloss Le Clic camera parts without painting. Manufacturers who are unable to replicate this process must paint in order to cover blemishes. Metal stamping is used to fabricate pressure plates and shutter decks.

Generally, both domestic and foreign assembly operations for cameras are very similar, though the degree of automation used by manufacturers may vary. Producers in Japan, Taiwan, and Hong Kong reportedly have the most automation in the production and assembly processes.

The Commission's questionnaires requested comments regarding the differences and similarities in the manufacturing processes used in the production of hand-held, still cameras. The following comments concerning the comparison of 110 and 35mm cameras were reported to the Commission (again, Kodak and Polaroid make their comments public):

Firm	Comments
Keystone	
	* * * * * * *
Kodak	Production inputs.--Raw material, procurement, planning, engineering and assembly labor are similar for equivalently featured models. Low-end 135 & 110 low-end features are similar and high end 110 and mid complex Non-SLR are also similar. Machinery & equipment.--Molding machines, punch presses, other manufacturing equipment and processes are similar for all cameras. More feature/function 35mm cameras will require more complex electronic and optical equipment and production processes. Skilled labor.--More sophisticated 35mm and 110 cameras will require higher skilled labor.

The following comments concerning the comparison of conventional and single-use 35mm cameras were reported to the Commission:

Firm	Comments
Kodak	Production inputs.--Most production inputs are similar except additional engineering support may be required for the more sophisticated conventional cameras.
	Machinery & equipment.--Molding machines, punch presses, other manufacturing equipment and processes are similar for all cameras. More feature/function conventional cameras will require more complex electronic and optical equipment and production processes.
	Skilled labor.--Conventional cameras require higher skilled labor force for assembly and analysis.

The following comments concerning the comparison of conventional and instant-print cameras were reported to the Commission:

Firm	Comments
Kodak	Production inputs.--Most production inputs are similar regarding raw material, procurement, equipment, assembly labor, planning, etc. Instant cameras require more optical and system interface since a finished product is produced.
	Machinery and equipment.--Molding presses, punch presses, other basic manufacturing equipment and processes are similar. Instant required some unique equipment for film advance and processing.
	Skilled labor.--Basically the same. More consistent with higher end, higher feature 110 and 35mm.
Polaroid	Production inputs.--The piece part tooling and assembly tooling are specifically designed for instant cameras at Polaroid. To the best of our knowledge this tooling would not be interchangeable with "certain" aim and shoot models.
	Skilled labor.--It is assumed that the skilled labor involved in assembling instant cameras would probably be interchangeable with the assembly of "certain" aim and shoot models. Polaroid is trending toward more automation in assembly which has reduced our skilled labor content.

Interchangeability

After World War II, the two types of cameras predominantly used by consumers were 35mm and the so-called box camera. Shutter speed, exposure, and film speed were adjusted manually on the 35mm, whereas the box camera was

basically aimed at the subject and the photograph was taken. Traditionally, 35mm SLR cameras have been considerably more expensive to purchase and have been more difficult to use than the point-and-shoot cameras.

Newer models of point-and-shoot cameras were developed that used different film formats than the box camera (smaller sized film packaged in cartridges) and were easier to operate. From the box cameras evolved 126 cameras, then 110 cameras, and disc cameras. These subsequent models were comparably priced to those that preceded them and were easy to operate, whereas 35mm cameras remained expensive and more difficult to use. Disc cameras did not remain popular with the public for as long as was expected.

SLR cameras permit viewing the subject to be photographed through the cameras lens. This is a more complex and expensive system than the systems featured in most non-SLR cameras. Currently, simpler 35mm camera designs, a proliferation of automatic features (such as automatic focusing, automatic film exposure controls, automatic film speed sensors, and motorized film transport systems), and improved manufacturing techniques have enabled 35mm SLR cameras to be priced significantly less than previously and become nearly as easy to use as conventional point-and-shoot cameras. Fixed-focus cameras remain the dominant sector for 35mm use, even though, in some instances, low-end 35mm SLR cameras may be priced similarly to high-end non-SLR 35mm cameras.

Instant-print cameras have a lesser degree of substitutability because of the limited number of exposures per pack of film as compared with other film formats (generally 10 instant exposures versus 20, 24, or 36 exposures for 110, 126, or 35mm film), higher film purchase price, and a more limited life expectancy for the finished photograph.[16] The relatively poorer quality of pictures taken with disc cameras tends to limit the degree of their substitutability for 110 and 35mm cameras. Video cameras and cameras other than hand held also have lesser degrees of substitutability since production of a still picture from video tape is more complicated and expensive than still-film processing, and cameras other than hand held are not generally designed for use in the amateur photographic sector.

Technological changes

During the 1970s and 1980s dramatic advances were made in photographic technology, including "a four-fold increase in the speed/graininess ratio of 35mm film, and greatly improved photographic processing techniques."[17] As a result, the amateur photographer could take high-quality pictures with a low-cost camera. Improvements in production technologies include automated robot assembly, use of engineering plastics, and improved electronic design to decrease the total number of parts used in cameras. Improvements in electronic, optical, and flash technologies have also contributed to the increased capabilities of lens-shutter 35mm cameras.

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[16] Interchangeability is further limited in that instant-print film is camera specific; e.g., the Polaroid Spectra 600 camera requires Spectra 600 film.

[17] Haking posthearing brief, p. 5.

Petitioner made its entry into the popularly priced still-camera market in 1969 with a camera containing a built-in electronic flash unit, which it sold under the trademark "Everflash." Keystone believes this camera was the first built-in flash camera to achieve any significant degree of commercial success.

To varying degrees, U.S. producers of hand-held, still cameras maintain staffs of engineers, designers, technicians, and support personnel to provide the required services which include the design, development, and improvement of their camera products. The petitioner has reported placing emphasis on achieving practical and cost-related goals such as the reduction of parts and components, greater ease of assembly, reduced manufacturing costs, and more reliable products. For example, Keystone's new Easy Shot 35mm manual model has 71 parts compared to 125 for its predecessor. The number of parts and the retail price of the 110 cameras were reduced from models having 250 parts and a retail price over $50 to those containing approximately 70 parts and retail prices ranging from approximately $13 to $20.[18]

Like or directly competitive product considerations

During this investigation parties have raised a broad spectrum of like or directly competitive product issues, and have argued that the scope of this investigation is either too narrow and should be expanded,[19] or that the range of products is too broad and should be narrowed. A discussion of these issues follows.

Single-use vs. conventional.--Petitioner argues that the single-use (disposable) camera is really an extension of manufacturers' film business,[20] and in fact, is marketed as "film that is a camera." According to the petitioner, disposable cameras are competitive with film, and sales of disposable cameras displace sales of film much more so than sales of cameras.[21]

Respondents argue that single-use and low-end 35mm conventional cameras are very similar in that (1) all components, other than film, for single-use 35mm cameras sold by Fuji are assembled using similar production methods as used in assembling other 35mm cameras, (2) they require the picture taker to undertake the same operations, with the exception that loading of the film is not required in single-use cameras, (3) both types of cameras use the same film and share the same physical features (i.e., shutter, lens, view finder,

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[18] Keystone's 1989 10K report, p. 3.

[19] Kodak argues that the domestic camera industry is a single industry "providing a full continuum of products including 35mm non-SLR cameras, 35mm single-use cameras, 110 cameras, disc and instant cameras, and parts and assemblies thereof (Kodak posthearing brief, p. 4).

[20] In its posthearing brief, Kodak reports that single-use cameras are "supplied" by camera manufacturers, other than Kodak and Fuji, who do not produce film and that Matshushita, Mitsubishi, and Epic International also market single-use cameras that contain Konica film (Kodak posthearing brief, p. 7). However, * * *.

[21] Transcript of the hearing (TR), p. 22.

film advance mechanism, and housing), and (4) for approximately the same price, single-use cameras produce a better picture quality than 110 cameras.[22]

Instant vs. conventional.--Petitioner contends that Polaroid does not manufacture a like or directly competitive product. Petitioner argues that an instant-film camera is not substitutable, employs different manufacturing technologies, and targets a different market for its product, relying more and more on application versus general consumer use.[23] Polaroid also argues "(based on traditional criteria such as physical characteristics, uses, and substitutability) that its instant cameras are not like or directly competitive with the imported cameras subject to investigation. Accordingly, Polaroid believes that its U.S. facilities producing instant photographic cameras are not part of the domestic industry which is allegedly injured."[24] [25]

Kodak and counsel for the JCIA argue that instant-print cameras possess the same basic operating features as the imported cameras subject to this investigation, including the lens, view finder, shutter, film transport system, shutter release button, light-tight film compartment for film, and film. They are purchased and used by the same types of consumers as conventional cameras, and are sold through the same distribution channels and at the same prices as many 35mm and 110 models.

High-end vs. low-end.--Petitioner contends that the cameras produced by Keystone and also the cameras on the drawing board at Keystone, which include a zoom camera, are like or directly competitive with a very broad range of imported cameras, including those which are currently retailing for nearly $200. A camera virtually identical to Keystone's which it sells under its own name is made by Keystone for a Japanese company and bears that Japanese company's name. The retail price of that product is twice as high as the Keystone price.[26] Counsel for petitioner does allow that high-end, 35mm "bridge"[27] cameras may be excluded from the Commission's injury determination.

Counsel for JCIA argues that fully featured, costly cameras do not compete with Keystone's cameras. They further argue that there is no basis to distinguish "bridge" cameras from fully featured zoom cameras, and therefore, domestically produced cameras are not like or directly competitive with imported high-end fully featured expensive zoom cameras, and such imports should be excluded from the scope of the Commission's injury analysis.

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[22] Japan Camera Industry Association (JCIA) posthearing brief, p. 5.

[23] TR, p. 21.

[24] Polaroid June 27, 1990, letter to the Commission.

[25] * * *.

[26] TR, p. 120.

[27] "Bridge" cameras were created to act as a connection between point-and-shoot cameras and SLRs, having the same features as fully featured "regular" point-and-shoot cameras, but often offering picture-taking options commonly associated with SLRs, such as more than one auto-exposure program. In addition, there is a 35mm "new concept" camera available in the U.S. market that offers a different configuration from the regular conventional non-SLR 35mm. However, with respect to features and quality, they are the same as fully featured zoom and bridge cameras. (Posthearing brief of JCIA, Exh. 2, pp. 3-4.)

Respondents argue that it is possible to distinguish domestically produced 35mm cameras from imported fully featured cameras on the basis of a physical characteristic: a large scale integrated circuit, or LSI.[28] The high-end fully featured 35mm cameras with auto exposure, requiring large scale integrated circuits which link the high-end features, are entirely different from any Keystone, or other domestic camera, in terms of performance, technology, design, and manufacturing process.[29]

JCIA also argues that imported keychain or clip-on cameras are not similar to Keystone's cameras. These cameras are very cheap products that clip onto 110 film cartridges, with sales occurring overwhelmingly in the premium market. JCIA argues that there is no evidence that Keystone's 110 cameras are like or directly competitive with imported keychain cameras, and that these low-end 110 cameras should be excluded from the Commission's injury analysis.[30]

3-D 35mm cameras.--On June 27, 1990, counsel for Nishika Corporation, an importer of certain 35mm cameras capable of producing three dimensional (3-D) photographs, provided the Commission with information to support its argument that such a 3-D camera is not like or directly competitive with the cameras included in the scope of this investigation. Counsel argues that (1) photos produced by the Nishika camera must be processed with specialized equipment and paper (under protected patents) at a Nishika facility, (2) at a suggested retail price of $225, the price of the 3-D camera is substantially higher than cameras produced by the petitioner, (3) the end product (photograph) is significantly different from the two-dimensional image produced by other certain cameras, and (4) "Like Polaroid and instant-print cameras, Nishika is the sole developer and supplier of 3-D photo cameras for the amateur photographer; product distribution and improvement depend exclusively on Nishika's efforts."[31]

This report provides as much information as is available on these issues and presents data separately wherever possible to facilitate consideration of the issues.

U.S. tariff treatment

The imported cameras subject to this investigation are provided for in subheadings 9006.52.10 (110 cameras) and 9006.53.00 (35mm cameras) of the Harmonized Tariff Schedule of the United States (HTS) (See appendix C for tariff nomenclature). The column 1-general rate of duty for cameras entered under subheading 9006.52.10 is 4.0 percent ad valorem, and the column 2 rate is 20 percent ad valorem.[32] Cameras entered under subheading 9006.53.00 are

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[28] JCIA posthearing brief, p. 35.
[29] Ibid., p. 40.
[30] Ibid., pp. 36-37.
[31] June 27, 1990, submission of counsel for Nishika Corporation.
[32] The rates of duty in rate column 1-general of the HTS are most-favored-nation (MFN) rates and are applicable to imported products from all countries except from those Communist countries and areas enumerated in general note

(continued...)

dutiable at 3 percent ad valorem under column 1-general and 20 percent ad valorem under column 2. The 1990 rate of duty applicable to eligible imports under the United States-Canada Free-Trade Agreement (FTA) for subheading 9006.52.10 is 3.2 percent ad valorem; the 1990 FTA rate for subheading 9006.53.00 is 2.4 percent ad valorem. Cameras are also entered under HTS subheading 9802.00.80, which provides duty treatment for foreign-assembled goods containing U.S.-made components.

Lenses and parts of lenses (which are not within the scope of this investigation) enter under HTS subheading 9002.11.80, and are dutiable at a column 1-general rate of 6.6 percent ad valorem and at a column 2 rate of 45 percent ad valorem. The 1990 FTA rate for subheading 9002.11.80 is 5.2 percent ad valorem.

Imports of parts and accessories for cameras other than lenses (also not within the scope of the investigation) enter under HTS subheading 9006.91.00. They are dutiable at a column 1-general rate of 5.8 percent ad valorem and at a column 2 rate of 20 percent ad valorem. The 1990 FTA rate for subheading 9006.91.00 is 4.6 percent ad valorem.

Imports of still-picture cameras, lenses, parts, and accessories may be eligible for duty-free entry under provisions of the Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act, and the United States-Israel Free-Trade Area Implementation Act. Customs data on imports of certain cameras under GSP provisions are presented in table 3. From 1985 to 1988, principal GSP beneficiary countries included Taiwan, Korea, and Hong Kong. Since 1988 the majority of GSP imports of certain cameras are from Brazil and Thailand, and imports from Taiwan, Korea, and Hong Kong are no longer GSP-eligible.

The Domestic Industry

U.S. producers

The Commission received completed questionnaire responses from Keystone, Kodak, and Polaroid, the three U.S. producers of hand-held, still cameras in the United States. A brief description of each firm follows.

Keystone Camera Company.--As described in its 1989 10-K report, "Keystone designs, manufactures and markets popularly-priced, easy-to-use cameras." Keystone is one of leading producers of "budget" cameras (those designed to retail for less than $50). Keystone has been producing 110 and 35mm cameras at its facility in Clifton, NJ, since 1983. The company's production of 126 cameras ceased prior to 1985, and production of disc cameras ceased early in 1989.

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[32] (...continued)
3(b) to the HTS, whose products are dutied at the rates set forth in column 2. The People's Republic of China, Hungary, Poland, and Yugoslavia are the only Communist countries eligible for MFN treatment. Among articles dutiable at column 1-general rates, particular products of enumerated countries may be eligible for reduced rates of duty or for duty-free treatment under one or more preferential tariff programs.

Table 3
Certain cameras: U.S. imports under GSP tariff provisions, 1985-89 and January-March 1989-90

Camera type	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Quantity (1,000 units)						
35mm	1,666	691	769	1,766	1,015	389	198
110	156	253	724	476	11	6	-
Total	1,822	944	1,493	2,242	1,026	395	198
	Value[1] (1,000 dollars)						
35mm	19,843	21,040	29,359	53,155	27,212	9,733	3,361
110	1,211	1,601	3,473	2,344	64	31	-
Total	21,054	22,641	32,832	55,499	27,276	9,764	3,361
	Share of total imports (customs value)						
35mm	8.6	5.4	6.6	10.8	4.4	8.3	3.2
110	9.8	11.1	11.3	9.3	0.2	0.5	-
Total	8.6	5.7	6.9	10.8	4.1	7.9	2.9

[1] Landed duty-paid (equivalent to c.i.f. in this instance).

Source: Customs file IM 145.

Eastman Kodak Company.--Kodak produces certain cameras at its Elmgrove plant in Rochester, NY, and produced single-use 110 cameras during 1987-89 at its facility in Windsor, CO. Production of instant print, 126, and disc cameras has ceased since 1987. Kodak also produces components and parts in Rochester for its wholly-owned subsidiary in Brazil, and for assembly in Mexico under a toll agreement. In 1989, Kodak and the Walt Disney Company signed a 15-year, multimillion-dollar contract making Kodak the official supplier of film, batteries, cameras, and other allied photographic products for Disney. It further makes Kodak the exclusive photographic consultant to all Disney theme parks in the United States and Europe (8 percent of all consumer photographs in the United States are taken at amusement parks)."[33]

The following is a list of foreign plants in which Kodak or its affiliated firms manufacture "certain" cameras:

* * * * * * *

[33] Kodak 1989 Annual Report, p. 2.

The following is a list of Kodak camera models produced in the United States during the period of investigation:

* * * * * * *

Polaroid Corporation.--As described in its annual report, Polaroid designs, manufactures, and markets worldwide a variety of products primarily in instant-image recording fields, including instant photographic cameras and films. In 1989, the value of Polaroid's shipments of instant-print cameras represented *** percent of total corporate sales. Polaroid produces instant-print cameras at its U.S. Camera Manufacturing Division in Norwood, MA, and at its facility located in Scotland in the United Kingdom.

Polaroid opposes the petition, and has indicated that its opposition * * *.[34] Polaroid further indicates that it markets a "photographic system" that includes the camera and film.[35]

Polaroid and Kodak's instant camera controversy.--Polaroid invented the instant camera and introduced it in 1948. Polaroid dominated this segment of the photographic market for nearly the next 30 years. Seeking a way to make litter-free film so that users would not need to peel the print from its chemical backing, Polaroid turned to Kodak for technical help to develop new color negatives. Polaroid reportedly shared some instant camera secrets in return. In 1972, Polaroid introduced the SX-70 camera, the first to utilize the newly developed negatives.

Cooperation between Polaroid and Kodak ceased in 1976 when Kodak introduced an instant picture camera to challenge Polaroid. Polaroid filed suit almost immediately, claiming, among other things, that Kodak had stolen proprietary secrets obtained during the companies' cooperative efforts and that Kodak had infringed on 11 of Polaroid's patents covering instant film and cameras. Kodak counter-sued, claiming that Polaroid's patents were merely improvements on old Kodak processes, and thus were invalid.

On October 11, 1985, the U.S. District Court of Massachusetts directed entry of judgment that seven Polaroid patents were valid and had been infringed by Kodak. The judgment contained an injunction, which went into effect on January 9, 1986, barring Kodak from infringing the patents. Damage issues were presented in a trial which took place from May 1 to November 20, 1989. If Kodak's infringement is found to be willful and deliberate, the Court may increase damages up to threefold. During the trial, Polaroid presented evidence that supported claims for damages in the amount of $3.9 billion for lost profits, $2.2 billion in pre-judgment interest, increased damages of $7.8 billion, as well as attorney fees, costs, and post-judgment interest. The decision is pending.[36]

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[34] * * *.

[35] July 6, 1990, telephone interview with Matt McGrath, counsel for Polaroid.

[36] Polaroid 1989 Annual Report, p. 45.

Question of "representativeness"

On May 17, 1990, Kodak filed a motion with the Commission to terminate, or alternatively suspend, the section 201 investigation and, if warranted, initiate a 603 investigation, arguing that Keystone is not "representative" of the domestic industry. On May 24, 1990, Polaroid expressed support of Kodak's motion. The Commission denied Kodak's motion on June 6, 1990. Available information on each company's share of aggregate industry data is summarized in appendix D.

U.S. producers' imports

Petitioner argues that Kodak's wider corporate interests have led Kodak to produce only throw-away cameras in the United States while sourcing all other cameras from abroad. In addition, Keystone argues that Kodak's U.S. production of camera parts and assemblies that are exported and transformed into cameras abroad cannot be included in the domestic industry. Camera parts and assemblies are not directly competitive with certain cameras and are neither adapted to the same uses nor essentially interchangeable with those cameras. Including domestic production of parts and assemblies in the domestic industry would deprive U.S. final goods producers from having recourse under section 201 in favor of protecting U.S. producers of inputs that feed the competing foreign producers of final goods.[37] Data concerning these issues follow.

Imports of cameras.--All three U.S. producers have imported hand-held, still cameras at one time or another during the period of this investigation. Keystone imported a limited number of conventional *** cameras during 1987 and 1988, equal to *** and *** percent of its conventional camera production in those years, respectively.

The following tabulation provides data on Kodak's imports of certain cameras (in thousands of units) and the ratio (in percent) of those imports to the firm's U.S. production of conventional and certain cameras during the period of investigation:

* * * * * * *

The following tabulation provides data on Polaroid's imports of instant cameras (in thousands of units) and the ratio (in percent) of those imports to the firm's U.S. production of instant cameras during the period of investigation:

* * * * * * *

[37] Petitioner's prehearing brief, p. 14.

Imports of components and parts.--Both Kodak and Keystone have provided information regarding imports of components and parts for use in U.S. production of certain cameras. Such imports generally consisted of mechanical, electrical, and optical components. The following tabulation presents data on the value of imported components and parts (in thousands of dollars) and the ratio (in percent) to the value of total shipments of U.S.-produced conventional cameras during the period of investigation:

* * * * * * *

U.S. value added.--Counsel for petitioner argues that Kodak's U.S. production of parts and components for its 35mm and 110 cameras that are assembled abroad should be excluded from the domestic industry producing certain cameras. Counsel argues that Kodak's domestic production of parts and assemblies does not lead to domestic production of cameras, but rather to foreign production of cameras that are imported into the United States.[38]

Kodak argues that most of the value of Kodak's cameras is related to significant production-related activities in the United States, including R & D, design, engineering, prototyping, tooling, parts manufacturing, pilot assembly, quality control, testing, packaging, capital investment, employment, and shipment of otherwise like or directly competitive cameras in the United States. Kodak further argues that the Commission should base its determination as to each firm's status in the domestic industry on a U.S.-value-added test.

Through its questionnaires and additional requests of the parties, the Commission has attempted to gather relevant data regarding U.S. value added by each firm's production-related activities. The following is a discussion of four different value-added analyses.

U.S. content of imports of certain cameras.--Kodak manufactures components and parts for certain cameras that are exported to its wholly-owned subsidiary in Brazil, and to Mexico under a toll arrangement, for various degrees of foreign assembly/manufacture.[39] The following tabulation provides information as to the value (in thousands of dollars) of the U.S. content reported by Kodak, and the share (in percent) that such value represents of its imports of certain cameras from Brazil and Mexico during the period of investigation:[40]

* * * * * * *

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[38] Petitioner's prehearing brief, p. 14.

[39] Tables containing industry data, which reflect Kodak's position that certain cameras assembled in Mexico should be considered U.S. production because of significant value added in Rochester, are presented in app. E.

[40] Kodak has indicated that assembly abroad accounted on average for less than 20 percent of the value of the finished cameras from Mexico (May 17, 1990, request to terminate; and TR, pp. 173-174). * * *.

9802.00.80 import analysis.--Table 4 presents data on U.S. goods assembled elsewhere and returned under tariff item 9802.00.80. * * *. From 1988 to 1989 the duty-free value (i.e., the U.S. value) of such imports increased from 76.2 percent to 76.6 percent of total import value; duty-free value decreased to 66.1 percent during January-March 1990 from 78.7 percent during the comparable period of 1989. The duty-free value was greater for 110 cameras than for 35mm cameras. The duty-free value for imports of 35mm cameras from Mexico was 41.5 percent in 1989 and during January-March 1990.

U.S. content of total shipments.--In its posthearing brief Kodak provided an analysis of domestic value generated by its camera manufacturing operations based on questionnaire data. Kodak "conservatively" estimated such value at $*** in 1989.[41] U.S. value added of $*** for conventional 35mm cameras represented *** percent of the value of total U.S. shipments of such cameras in 1989, while in the same period U.S. value added of $*** for conventional 110 cameras represented *** percent of total shipment value of such cameras.[42]

Camera value-chain analysis.--The Commission requested value added information from both Kodak and Keystone on their camera production-related activities, including R & D, design, manufacturing, testing, quality control, packaging, and distribution. Detailed data from those responses are presented in appendix D, tables D-2 and D-3, and are summarized below.

A review of the value-added data provided by the two U.S. producers indicates that Kodak has conducted significant U.S. activity in support of its worldwide camera operations: approximately $*** million, representing *** percent of total camera value, was incurred by Kodak during 1989 for its conventional camera operations. During that same year approximately $*** million, representing *** percent of total value, was accounted for by Keystone's U.S. production related activities. Kodak's U.S. R & D and design-related activities for conventional 35mm cameras have been significant, accounting for *** to *** percent of total value for such cameras.[43] The following tabulation provides summary data concerning U.S. value added for Kodak and Keystone (in percent):

* * * * * * *

[41] Kodak indicates that this analysis has understated U.S. content in that the calculations did not include U.S. R & D, quality assurance, packaging, and distribution (Kodak posthearing brief, exh. E).

[42] Based on questionnaire data for Kodak's total shipments of camera products from all sources, whether domestically produced or imported.

[43] * * *.

Table 4
Certain cameras: Customs value of total U.S. imports and those under HTS item 9802.00.80, by source, 1985-89 and January-March 1989-90

(1,000 dollars)

Item	1985	1986	1987	1988	1989	January-March-- 1989	1990
Mexico:							
35mm--							
Total imports.....	(1)	-	-	-	335	-	1,755
9802 imports--							
Dutiable.....	-	-	-	-	196	-	1,026
Duty-free.....	-	-	-	-	139	-	729
Total.....	-	-	-	-	335	-	1,755
110--							
Total imports.....	5	-	686	9,683	22,743	3,201	5,184
9802 imports--							
Dutiable.....	-	-	32	2,289	5,190	682	1,321
Duty-free.....	-	-	84	7,323	17,541	2,519	3,853
Total.....	-	-	115	9,612	22,731	3,201	5,174
Total Mexico--							
Total imports.....	6	-	686	9,683	23,078	3,201	6,939
9802 imports--							
Dutiable.....	-	-	32	2,289	5,386	682	2,347
Duty-free.....	-	-	84	7,323	17,680	2,519	4,582
Total.....	-	-	115	9,612	23,066	3,201	6,929
Japan:							
Total imports.....	164,162	301,282	350,621	318,183	392,689	71,789	70,342
9802 imports--							
Dutiable.....	-	11,114	9,286	-	1,362	450	-
Duty-free.....	-	635	476	-	411	124	-
Total.....	-	11,749	9,762	-	1,773	574	-
Hong Kong:							
Total imports.....	14,132	20,099	19,558	23,268	39,440	5,883	5,308
9802 imports--							
Dutiable.....	-	2,166	1,113	-	-	-	-
Duty-free.....	-	129	36	-	-	-	-
Total.....	-	2,295	1,149	-	-	-	-
Total certain:							
Total imports.....	245,607	409,132	480,946	527,762	658,927	123,747	115,139
9802 imports--							
Dutiable.....	-	13,286	10,432	2,289	6,747	1,132	2,347
Duty-free.....	-	766	596	7,323	18,091	2,643	4,582
Total.....	-	14,052	11,028	9,612	24,839	3,775	6,929

[1] Less than $500.

Note.--Imported articles provided for under item 9802 are statistically reported under two HTS numbers: the 10-digit statistical reporting number provided in Chapter 98 of the HTS, followed by the reporting number of the provision that would apply for the article itself in Chapter 90 from which the rate of duty is derived.

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

The U.S. Market

U.S. importers

Information identifying importers of hand-held still cameras was obtained from import files provided to the Commission by the U.S. Customs Service. The Commission sent questionnaires to approximately 200 importers, including all the known major importers of hand-held still cameras.

U.S. subsidiaries of major Japanese camera manufacturers account for lower-volume, higher-priced imports of certain cameras, representing approximately *** percent of quantity and *** percent of the value of total imports of certain cameras in 1989. The following tabulation presents data on the share of total imports and unit values of certain cameras accounted for by U.S. subsidiaries of major camera manufacturers (Japanese), U.S. producers (***), and others (mass merchandisers, premium purchasers, etc.):[44]

* * * * * * *

Character of the U.S. market

By 1989, U.S. sales of certain cameras had been steadily increasing over prior years, and accounted for more than 75 percent (by quantity) of total camera retail sales in the United States. That share is projected to continue to increase, but growth will be in the conventional 35mm category, while sales of 110 cameras are projected to decline. Table 5 presents information on the total U.S. market for hand-held still cameras, and this information is graphically depicted in figure 1.

Apparent U.S. consumption

The data on apparent U.S. consumption of certain cameras presented in table 6 consist of domestic shipments of U.S.-produced certain cameras, plus official U.S. import statistics, adjusted by (1) excluding the quantity and value of exports of imported certain cameras, (2) excluding the change in importers' inventories, and (3) substituting questionnaire data for official statistics for the quantity and value of imports from Brazil, Japan, and Mexico, as reported in response to the Commission's questionnaires.[45]

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[44] Questionnaire responses account for in excess of 100 percent of the value of certain camera imports reported in official import statistics. * * *.

[45] * * *.

Table 5
Total hand-held still cameras: U.S. retail sales by camera type, 1985-89 and projected 1990-91

Type	1985	1986	1987	1988	1989	Projected 1990	Projected 1991
	Quantity (millions of units)						
35mm conventional.....	3.4	5.0	6.5	6.5	6.5	7.0	7.3
110.....	1.5	3.5	4.0	3.8	3.5	3.0	2.8
Disc.....	4.8	3.0	2.3	1.3	0.5	-	-
35mm SLR.....	2.7	2.0	1.5	1.0	0.9	0.8	0.8
Instant.....	3.1	2.6	2.1	1.9	1.8	1.7	1.6
Total.....	15.5	16.1	16.4	14.5	13.2	12.5	12.5
	Share of total (in percent)						
35mm conventional.....	21.9	31.1	39.6	44.8	49.2	56.0	58.4
110.....	9.7	21.7	24.4	26.2	26.5	24.0	22.4
Disc.....	31.0	18.6	14.0	9.0	3.8	-	-
35mm SLR.....	17.4	12.4	9.1	6.9	6.8	6.4	6.4
Instant.....	20.0	16.1	12.8	13.1	13.6	13.6	12.8
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0

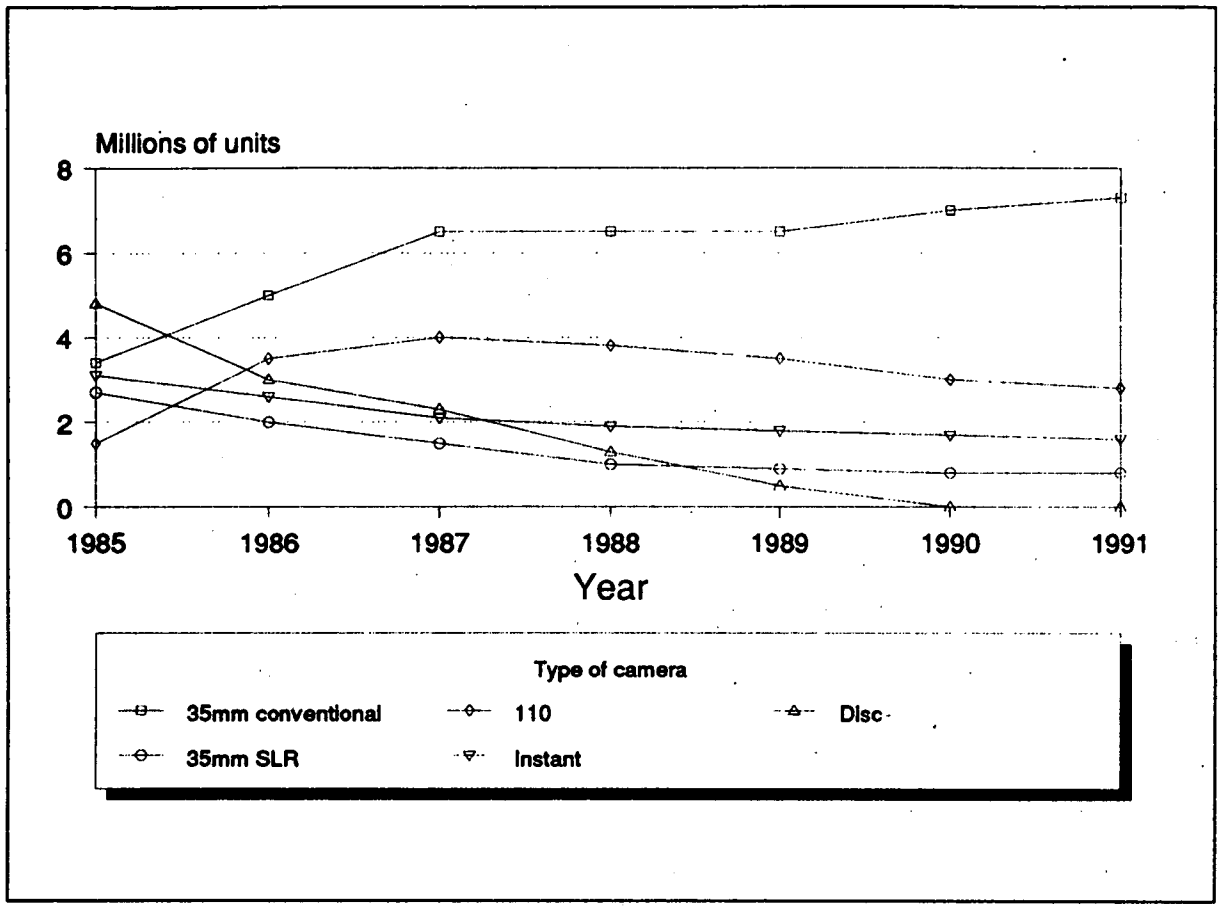
Note.--Data do not include retail sales of single-use cameras or cameras sold to premium/incentive buyers.

Source: The PMA Industry Trends Report, Photo Marketing Association International, and Wolfman Report, Lydia Wolfman, various years.

Trends in apparent consumption.--Apparent consumption of total certain cameras increased from *** million units in 1985 to *** million cameras in 1987, or by *** percent (based on quantity), and then decreased to *** million cameras by 1989, representing a ***-percent decrease. These decreases were attributable to * * *. Apparent consumption during January-March 1990 * * * by *** percent when compared to the comparable period in 1989.

U.S. producers' share of apparent consumption.--U.S. producers' share of total apparent consumption of certain cameras (based on quantity) * * * from *** percent in 1985 to *** percent in 1987, then * * * to *** percent in 1989. U.S. producers' share * * * to *** percent in January-March 1990 from *** percent in the comparable period of 1989. A significant portion of recent * * * in U.S. producers' share of apparent consumption of total certain cameras is attributable to * * *. * * *.

Figure 1
Cameras: U.S. retail sales, by selected types, 1985-89 and projected 1990-91



Source: Table 5.

Table 6
Certain cameras: U.S.-produced domestic shipments, shipments of imports, and apparent U.S. consumption, 1985-89 and January-March 1989-90[1]

Item	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Quantity (thousands of units)						
Conventional cameras:							
U.S.-produced domestic shipments--							
Keystone	***	***	***	***	***	***	***
Kodak	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Shipments of imports	***	***	***	***	***	***	***
App. consumption	***	***	***	***	***	***	***
Single-use cameras:							
U.S.-produced domestic shipments[2]	***	***	***	***	***	***	***
Shipments of imports[3]	***	***	***	***	***	***	***
App. consumption	***	***	***	***	***	***	***
Total certain cameras:							
U.S.-produced domestic shipments--							
Keystone	***	***	***	***	***	***	***
Kodak	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Shipments of imports	10,019	13,207	24,212	22,297	18,235	2,779	4,092
App. consumption	***	***	***	***	***	***	***
	Value (thousands of dollars)						
Conventional cameras:							
U.S.-produced domestic shipments--							
Keystone	***	***	***	***	***	***	***
Kodak	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Shipments of imports	***	***	***	***	***	***	***
App. consumption	***	***	***	***	***	***	***
Single-use cameras:							
U.S.-produced domestic shipments	***	***	***	***	***	***	***
Shipments of imports	***	***	***	***	***	***	***
App. consumption	***	***	***	***	***	***	***
Total certain cameras:							
U.S.-produced domestic shipments--							
Keystone	***	***	***	***	***	***	***
Kodak	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Shipments of imports	251,746	404,696	482,557	525,357	651,433	121,529	111,433
App. consumption	***	***	***	***	***	***	***

Continued on next page--

Table 6--Continued
Certain cameras: U.S.-produced domestic shipments, shipments of imports, and apparent U.S. consumption, 1985-89 and January-March 1989-90

Item	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Ratio to apparent consumption--quantity (in percent)						
U.S-produced domestic shipments:							
Conventional cameras:							
Keystone.....							
Kodak.....							
Subtotal conv....	*	*	*	*	*	*	*
Single-use cameras...							
Certain cameras:							
Keystone.....							
Kodak.....							
Total certain..							
	Ratio to apparent consumption--value (in percent)						
U.S-produced domestic shipments:							
Conventional cameras:							
Keystone.....							
Kodak.....							
Subtotal conv....	*	*	*	*	*	*	*
Single-use cameras...							
Certain cameras:							
Keystone.....							
Kodak.....							
Total certain..							

[1] Shipments of imports are based on official U.S. import statistics, adjusted by (1) excluding the quantity and value of exports of imported certain cameras, (2) excluding the change in importers' inventories, and (3) substituting questionnaire data for official statistics for the quantity and value of imports from Brazil, Japan, and Mexico, as reported in response to the Commission's questionnaires.
[2] Kodak is the only U.S. producer of single-use cameras.
[3] ***.

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

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, and official U.S. import statistics (adjusted).

Channels of distribution

U.S. producers and importers of cameras sell their products in varying degrees to two distinctive market segments in the United States: a retail market that consists of mass merchandisers (e.g., K-Mart, Sears), specialty camera stores, distributors, and mail order outlets; and a promotional/premium market that uses cameras to advertise and increase the sale of other products.

Data regarding channels of distribution for both U.S.-produced and imported certain cameras are presented in table 7. As shown, U.S.-produced certain cameras are sold principally through the mass-merchandiser channel of the U.S. camera market. U.S. shipments of imports occur mainly through mass merchandisers and specialty camera stores. The premium/incentive market was a significant channel for distribution of 110 cameras, placement of disc cameras as production declined, and for new product promotion as in * * *. (See also "Marketing considerations" under Prices in this report, for a more detailed discussion of camera distribution).

The Question of Increased Imports

U.S. imports[46]

Tables 8-11 provide data on U.S. imports of 35mm, 110, and total certain cameras, as compiled from official U.S. import statistics, and with respect to table 8, as adjusted by data from questionnaire responses. From 1985 to 1989, U.S. imports of certain cameras increased from 11.1 million units to 19.9 million units, or by an average annual 15.8 percent based on quantity, and from $264.9 million to $689.1 million, or by an average annual 27.0 percent based on value. However, the trend, which was rising in terms of quantity from 1985 to 1987 (by 148.4 percent), has been declining from 1987 to 1989 (by 27.6 percent). A large portion of the 1987 surge is attributable to significant increases in imports of 110 cameras from China (see table 8). As shown in table 11, unit values declined from $23.91 in 1985 and $30.52 in 1986 to $18.41 in 1987 (attributable principally to the increase of lower-valued 110 imports from China) and then increased to $34.60 in 1989 (attributable to an increase in higher-priced 35mm imports from Japan). The unit value of imports decreased from $30.48 in January-March 1989 to $26.52 during January-March 1990, attributable to * * *.

When compared with imports of "other" cameras (see table 12), "certain" camera imports increased from 69.9 percent of total camera imports in 1985 (based on quantity) to 89.8 percent in 1987, as imports of disc cameras faded, and then declined to 85.5 percent in 1989 as imports of instant-print cameras increased.

Information regarding the major U.S. customs districts for entry of U.S. imports of certain cameras is presented in figure 2, indicating that Los Angeles is the largest customs district, followed by New York and Buffalo.

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[46] Unless otherwise noted, all import data presented in this report represent imports of cameras, and exclude imports of components and parts entered separately.

Table 7
Certain cameras: Channels of distribution, 1985-89 and January-March 1989-90

Item	Share of total quantity (in percent)						
						January-March--	
	1985	1986	1987	1988	1989	1989	1990
U.S. shipments of U.S-produced cameras:							
CONVENTIONAL--							
Distributors							
"Premium"							
Mass merchandiser							
Specialty camera							
Other							
Total							
SINGLE-USE--							
Distributors							
"Premium"							
Mass merchandiser	*	*	*	*	*	*	*
Specialty camera							
Other							
Total							
TOTAL CERTAIN--							
Distributors							
"Premium"							
Mass merchandiser							
Specialty camera							
Other							
Total							
U.S. shipments of imports:							
CONVENTIONAL--							
Distributors	***	***	***	***	***	***	***
"Premium"	37.6	31.9	28.7	32.0	15.8	11.2	9.5
Mass merchandiser	37.1	43.6	53.5	50.8	59.2	63.8	66.1
Specialty camera	***	***	***	***	***	***	***
Other	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SINGLE-USE--							
Distributors	***	***	***	***	***	***	***
"Premium"	***	***	***	***	***	***	***
Mass merchandiser	***	***	***	***	***	***	***
Specialty camera	***	***	***	***	***	***	***
Other	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
TOTAL CERTAIN--							
Distributors	***	***	***	***	***	***	***
"Premium"	***	***	***	***	***	***	***
Mass merchandiser	***	***	***	***	***	***	***
Specialty camera	***	***	***	***	***	***	***
Other	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Table 8
Certain cameras: U.S. imports for consumption, by types and percentage change, 1985-89 and January-March 1989-90

Item	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Quantity (thousands of units)						
Conventional:							
35mm	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
110	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
Single-use:[1]							
35mm	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
110	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
Certain:							
35mm	8,836	10,903	14,301	14,182	13,512	2,637	3,101
Percentage change	-	23.4	31.2	-0.8	-4.7	-	17.6
110	2,241	3,415	13,213	9,948	6,403	1,591	1,438
Percentage change	-	52.4	286.9	-24.7	-35.6	-	-9.6
Total	11,077	14,318	27,514	24,130	19,915	4,228	4,539
Percentage change	-	29.3	92.2	-12.3	-17.5	-	7.4
	Value (thousands of dollars)[2]						
Conventional:							
35mm	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
110	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
Single-use:[3]							
35mm	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
110	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Percentage change	***	***	***	***	***	***	***
Certain:							
35mm	249,887	419,214	469,279	515,678	648,835	121,854	110,711
Percentage change	-	67.8	11.9	9.9	25.8	-	-9.1
110	14,989	17,709	37,318	39,906	40,296	7,033	9,679
Percentage change	-	18.1	110.7	6.9	1.0	-	37.6
Total	264,876	436,923	506,597	555,584	689,131	128,887	120,390
Percentage change	-	65.0	15.9	9.7	24.0	-	-6.6

[1] During the period of investigation, Customs has provided guidance to importers of single-use cameras that such imports (quantities) should be entered under the appropriate camera tariff items.
[2] C.i.f., duty-paid.
[3] Prior to January 1989, for duty purposes Customs allowed importers of single-use cameras to report separately the film and camera values of such cameras, so that single-use value statistics are slightly understated by the value of film.

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

Table 9
35mm cameras: U.S. imports for consumption, by principal sources, 1985-89 and January-March 1989-90

Source	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Quantity (thousands of units)						
Brazil	24	44	4	453	1,167	194	34
China	7	119	1,158	1,516	1,757	287	240
Hong Kong	859	887	1,260	1,136	1,200	188	178
Japan	2,356	3,752	5,329	4,099	4,424	841	1,249
Korea, South	260	359	853	951	742	201	105
Malaysia	8	32	29	170	327	20	190
Mexico	(1)	0	0	0	40	0	174
Taiwan	4,104	5,499	5,503	5,158	2,973	657	662
Thailand	0	0	0	338	825	248	261
All other	1,217	212	165	359	57	1	9
Total	8,836	10,903	14,301	14,182	13,512	2,637	3,101
	Value (thousands of dollars)[2]						
Brazil	744	497	86	14,876	48,255	6,748	1,400
China	66	333	5,589	12,880	24,385	4,257	2,356
Hong Kong	12,564	16,462	13,925	18,507	38,775	5,468	4,460
Japan	176,131	319,702	366,423	332,874	410,402	74,751	73,056
Korea, South	7,869	11,532	24,717	28,306	18,322	4,886	2,747
Malaysia	465	2,001	2,515	15,546	13,588	1,205	7,107
Mexico	2	0	0	0	347	0	1,814
Taiwan	44,832	65,305	53,546	83,017	79,108	20,725	13,439
Thailand	0	0	0	4,402	12,001	3,699	3,614
All other	7,210	3,382	2,478	5,270	3,652	117	718
Total	249,882	419,214	469,279	515,678	648,835	121,854	110,711
	Unit value						
Brazil	$30.82	$11.30	$22.63	$32.80	$41.36	$34.73	$41.70
China	9.82	2.80	4.83	8.49	13.87	14.83	9.82
Hong Kong	14.63	18.56	11.06	16.29	32.32	29.16	25.02
Japan	74.75	85.21	68.76	81.20	92.77	88.87	58.51
Korea, South	30.25	32.15	28.97	29.76	24.70	24.32	26.25
Malaysia	58.13	63.52	86.72	91.29	41.58	60.96	37.42
Mexico	10.14	0	0	0	8.61	0	10.43
Taiwan	10.92	11.88	9.73	16.09	26.60	31.53	20.31
Thailand	0	0	0	13.02	14.54	14.91	13.83
All other	5.93	15.92	15.03	14.67	64.12	16.11	79.76
Average	28.28	38.45	32.81	36.36	48.02	46.21	35.71
	Share of total quantity						
Brazil	0.3	0.4	(3)	3.2	8.6	7.4	1.1
China	0.1	1.1	8.1	10.7	13.0	10.9	7.7
Hong Kong	9.7	8.1	8.8	8.0	8.9	7.1	5.7
Japan	26.7	34.4	37.3	28.9	32.7	31.9	40.3
Korea, South	2.9	3.3	6.0	6.7	5.5	7.6	3.4
Malaysia	0.1	0.3	0.2	1.2	2.4	0.7	6.1
Mexico	(3)	0.0	0.0	0.0	0.3	0.0	5.6
Taiwan	46.4	50.4	38.5	36.4	22.0	24.9	21.3
Thailand	0.0	0.0	0.0	2.4	6.1	9.4	8.4
All other	13.8	1.9	1.2	2.5	0.4	(3)	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total of certain...	79.8	76.1	52.0	58.8	67.8	62.4	68.3

[1] Less than 500.
[2] C.i.f., duty-paid.
[3] Less than 0.05 percent.

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

Table 10
110 cameras: U.S. imports for consumption, by principal sources, 1985-89 and January-March 1989-90

Source	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Quantity (thousands of units)						
Brazil	108	233	295	13	0	0	0
China	142	202	2,276	4,088	2,479	637	694
Hong Kong	495	1,141	3,207	1,698	529	188	253
Japan	13	53	209	176	27	(1)	2
Korea, South	89	107	91	4	2	(1)	(1)
Malaysia	0	0	0	0	0	0	0
Mexico	1	0	116	1,429	1,962	404	368
Taiwan	1,313	1,572	6,704	1,995	1,392	356	122
Thailand	0	0	0	25	6	6	0
All other	81	106	315	521	5	0	0
Total	2,242	3,415	13,213	9,948	6,403	1,591	1,438
	Value (thousands of dollars)[2]						
Brazil	692	1,494	2,081	108	0	0	0
China	1,083	702	8,522	13,574	9,615	2,358	2,520
Hong Kong	3,079	5,555	7,416	6,350	2,666	702	1,127
Japan	630	633	924	1,788	531	40	167
Korea, South	1,140	1,043	855	21	73	10	23
Malaysia	0	0	0	0	0	0	0
Mexico	5	0	713	10,070	23,704	3,330	5,409
Taiwan	7,476	7,491	15,588	5,189	3,641	562	433
Thailand	0	0	0	137	43	31	0
All other	884	791	1,219	2,669	23	0	0
Total	14,989	17,709	37,318	39,906	40,296	7,033	9,679
	Unit value						
Brazil	$6.39	$6.40	$7.05	$8.39	$0.00	$0.00	$0.00
China	7.63	3.47	3.74	3.32	3.88	3.70	3.63
Hong Kong	6.23	4.87	2.31	3.74	5.04	3.73	4.46
Japan	49.33	11.83	4.43	10.15	19.33	179.72	97.95
Korea, South	12.83	9.71	9.39	5.83	44.79	26.47	76.67
Malaysia	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mexico	4.17	0.00	6.12	7.05	12.08	8.25	14.71
Taiwan	5.69	4.77	2.33	2.60	2.61	1.58	3.56
Thailand	0.00	0.00	0.00	5.43	6.66	5.20	0.00
All other	10.91	7.49	3.86	5.13	4.51	0.00	0.00
Average	6.69	5.19	2.82	4.01	6.29	4.42	6.73
	Share of total quantity						
Brazil	4.8	6.8	2.2	0.1	0.0	0.0	0.0
China	6.3	5.9	17.2	41.1	38.7	40.0	48.3
Hong Kong	22.1	33.4	24.3	17.1	8.3	11.8	17.6
Japan	0.6	1.6	1.6	1.8	0.4	(3)	0.1
Korea, South	4.0	3.1	0.7	(3)	(3)	(3)	(3)
Malaysia	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	0.1	0.0	0.9	14.4	30.6	25.4	25.6
Taiwan	58.6	46.0	50.7	20.1	21.7	22.4	8.5
Thailand	0.0	0.0	0.0	0.3	0.1	0.4	0.0
All other	3.6	3.1	2.4	5.2	0.1	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total of certain...	20.2	23.9	48.0	41.2	32.2	37.6	31.7

[1] Less than 1,000.
[2] C.i.f., duty-paid.
[3] Less than 0.05 percent.

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

Table 11
Certain cameras: U.S. imports for consumption, by principal sources, 1985-89 and January-March 1989-90[1]

Source	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Quantity (thousands of units)						
Brazil	132	277	299	466	1,167	194	34
China	148	321	3,434	5,605	4,236	924	934
Hong Kong	1,353	2,028	4,466	2,834	1,728	376	431
Japan	2,369	3,805	5,538	4,275	4,451	841	1,250
Korea, South	349	466	944	955	743	201	105
Malaysia	8	32	29	170	327	20	190
Mexico	1	0	116	1,429	2,003	404	542
Taiwan	5,417	7,070	12,207	7,153	4,366	1,013	783
Thailand	0	0	0	363	832	254	261
All other	1,298	318	480	880	62	1	9
Total	11,077	14,318	27,515	24,130	19,915	4,228	4,539
	Value (thousands of dollars)[2]						
Brazil	1,436	1,991	2,167	14,984	48,255	6,748	1,400
China	1,149	1,035	14,111	26,454	34,000	6,615	4,876
Hong Kong	15,643	22,017	21,341	24,857	41,441	6,170	5,587
Japan	176,761	320,335	367,347	334,662	410,933	74,791	73,223
Korea, South	9,009	12,575	25,572	28,327	18,395	4,896	2,770
Malaysia	465	2,001	2,515	15,546	13,588	1,205	7,107
Mexico	7	0	713	10,070	24,051	3,330	7,223
Taiwan	52,308	72,796	69,134	88,206	82,749	21,287	13,872
Thailand	0	0	0	4,539	12,044	3,730	3,614
All other	8,094	4,173	3,697	7,939	3,675	117	718
Total	264,870	436,923	506,597	555,584	689,131	128,887	120,390
	Unit value						
Brazil	$10.85	$7.18	$7.25	$32.13	$41.36	$34.73	$41.70
China	7.72	3.22	4.11	4.72	8.03	7.13	5.22
Hong Kong	11.56	10.86	4.78	8.77	23.98	16.42	12.96
Japan	74.61	84.18	66.34	78.28	92.32	88.90	58.57
Korea, South	25.82	26.97	27.08	29.67	24.75	24.37	26.40
Malaysia	58.13	63.52	86.72	91.29	41.58	60.96	37.42
Mexico	5.15	0.00	6.12	7.05	12.01	8.25	13.34
Taiwan	9.66	10.30	5.66	12.33	18.95	21.01	17.71
Thailand	0	0	0	12.50	14.48	14.68	13.83
All other	6.24	13.12	7.70	9.02	59.22	161.11	79.76
Average	23.91	30.52	18.41	23.02	34.60	30.48	26.52
	Share of total quantity						
Brazil	1.2	1.9	1.1	1.9	5.9	4.6	0.7
China	1.3	2.2	12.5	23.2	21.3	21.9	20.6
Hong Kong	12.2	14.2	16.2	11.7	8.7	8.9	9.5
Japan	21.4	26.6	20.1	17.7	22.4	19.9	27.5
Korea, South	3.2	3.3	3.4	4.0	3.7	4.8	2.3
Malaysia	0.1	0.2	0.1	0.7	1.6	0.5	4.2
Mexico	(3)	0.0	0.4	5.9	10.1	9.6	11.9
Taiwan	48.9	49.4	44.4	29.6	21.9	24.0	17.3
Thailand	0.0	0.0	0.0	1.5	4.2	6.0	5.8
All other	11.7	2.2	1.7	3.6	0.3	(3)	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Customs indicates that imports of single-use cameras have been included in official import statistics since their first importation in 1987.
[2] C.i.f., duty-paid.
[3] Less than 0.05 percent.

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

Table 12
Total still cameras: U.S. imports for consumption, by types, 1985-89

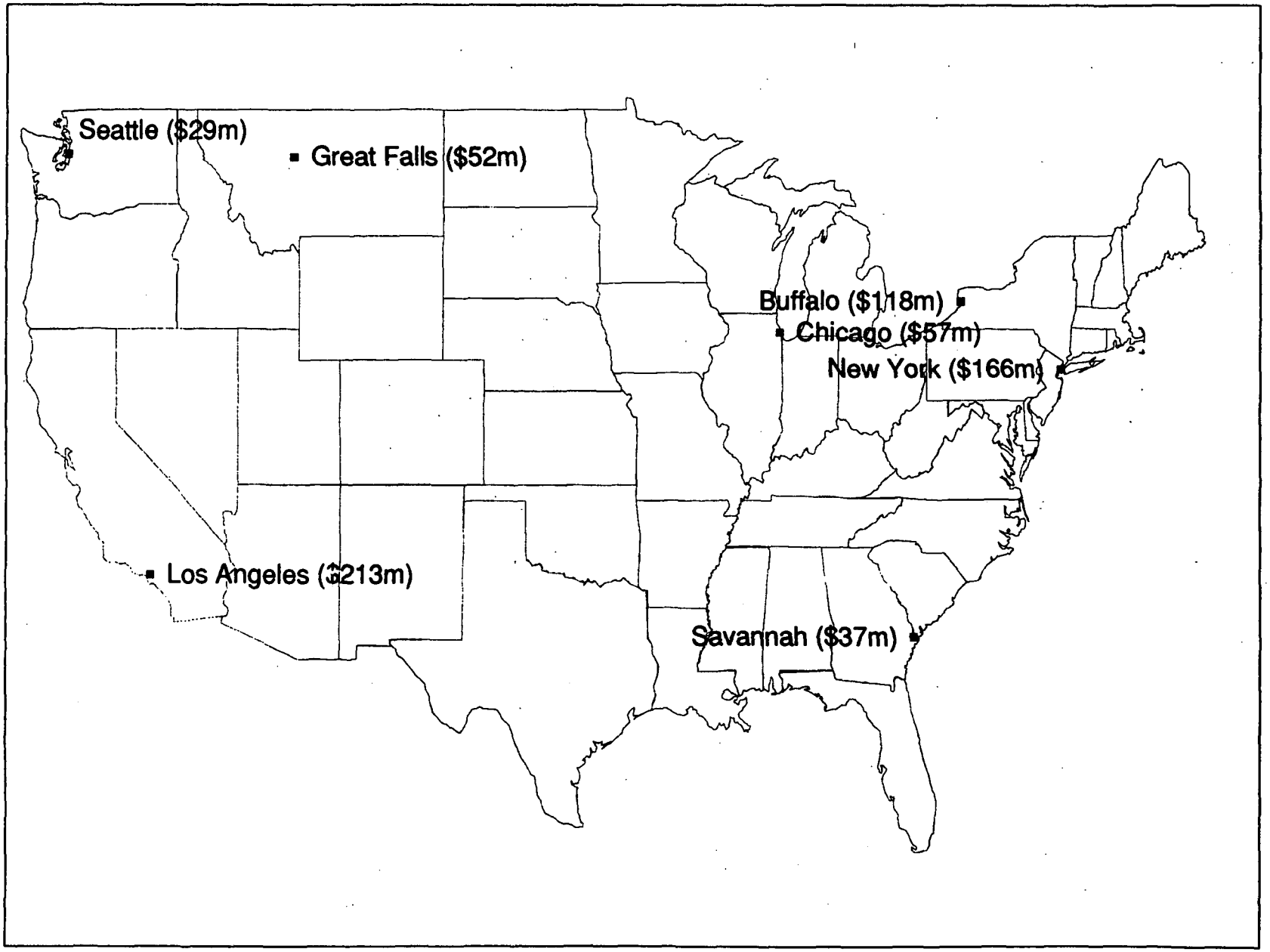
Item	1985	1986	1987	1988	1989
	Quantity (thousands of units)				
"Other" cameras:					
126	***	***	***	***	***
Disc	1,030	352	69	145	46
Instant	388	920	452	680	1,576
35mm SLR	3,355	3,333	2,605	2,274	1,753
Subtotal[1]	4,773	4,605	3,126	3,099	3,375
"Certain" cameras	11,077	14,318	27,515	24,130	19,915
Total[1]	15,850	18,923	30,641	27,229	23,290
	Value (thousands of dollars)[2]				
"Other" cameras:					
126	***	***	***	***	***
Disc	7,701	2,500	497	1,118	208
Instant	11,692	24,000	18,211	29,564	65,513
35mm SLR	371,811	404,715	376,081	317,805	222,830
Subtotal[1]	391,204	431,215	394,789	348,487	288,551
"Certain" cameras	264,870	436,923	506,597	555,584	689,131
Total[1]	656,074	868,138	901,386	904,071	977,682
	Unit value				
"Other" cameras:					
126	$***	$***	$***	$***	$***
Disc	7.48	7.10	7.20	7.71	4.52
Instant	30.13	26.09	40.29	43.48	41.57
35mm SLR	110.82	121.43	144.37	139.76	127.11
Subtotal[1]	81.96	93.64	126.29	112.45	85.50
"Certain" cameras	23.91	30.52	18.41	23.02	34.60
Average[1]	41.39	45.88	29.42	33.20	41.98
	Share of total quantity				
"Other" cameras:					
126	***	***	***	***	***
Disc	6.5	1.9	0.2	0.5	0.2
Instant	2.4	4.9	1.5	2.5	6.8
35mm SLR	21.2	17.6	8.5	8.4	7.5
Subtotal[1]	30.1	24.3	10.2	11.4	14.5
"Certain" cameras	69.9	75.7	89.8	88.6	85.5
Total[1]	100.0	100.0	100.0	100.0	100.0

[1] Subtotals and totals have been adjusted to exclude 126 cameras.
[2] C.i.f., duty-paid.

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

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

Figure 2
Certain cameras: Value of U.S. imports, by major (over $10 million in imports) customs districts, 1989



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

U.S. imports relative to production

Relative to U.S. production, imports of certain cameras were * * * in 1989 than in 1985 (see table 13). This * * * was attributable principally to * * *. Relative to U.S. production of conventional cameras, imports were * * * as great in 1989 as in 1985, and the ratio of imports to production * * * when comparing January-March 1990 with the comparable period of 1989.

Critical circumstances.--The Omnibus Trade and Competitiveness Act of 1988 amended the Trade Act of 1974 to provide for provisional relief because of "critical circumstances" (sec. 202(b)(3)(A and B)) as follows:

> "...critical circumstances exist if a substantial increase in imports (either actual or relative to domestic production) over a relatively short period of time has led to circumstances in which a delay in taking action under this chapter would cause harm that would significantly impair the effectiveness of such action."

The petitioner has alleged that critical circumstances exist. The following tabulation provides recent monthly data on U.S. production and imports (in thousands of units) of certain cameras, and the ratio of imports to production (in percent):

* * * * * * *

The Question of Serious Injury[47]

The information in this section of the report was compiled from responses to questionnaires of the U.S. International Trade Commission. Two producers of certain cameras, Keystone and Kodak, accounted for all domestic shipments of U.S.-produced certain cameras during the period of investigation. A third producer, Polaroid, provided information with respect to instant-print cameras.

U.S. production, capacity, and capacity utilization

Data on reported U.S. production, end-of-period capacity, and capacity utilization in connection with operations on certain cameras are presented in table 14. Production of conventional cameras * * * from *** million units in 1985 to *** million units in 1989, or by *** percent. Production during January-March 1990 * * * by *** percent from the level during the corresponding period of 1989. This * * * reflects * * *.

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[47] Unless otherwise noted, Kodak's domestic activities related to cameras produced in Brazil and Mexico have been backed out of the data presented in this section of the report. App. E presents available data which do include such activities.

Table 13
Certain cameras: U.S. imports for consumption, and imports as a percentage of U.S. production, 1985-89 and January-March 1989-90

Item	1985	1986	1987	1988	1989	January-March-- 1989	1990
	Quantity (thousands of units)						
Conventional:							
35mm	***	***	***	***	***	***	***
110	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Single-use:							
35mm	***	***	***	***	***	***	***
110	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Certain:							
35mm	8,836	10,903	14,301	14,182	13,512	2,637	3,101
110	2,241	3,415	13,213	9,948	6,403	1,591	1,438
Total	11,077	14,318	27,515	24,130	19,915	4,228	4,539
	Ratio to U.S. production (in percent)						
Conventional:							
35mm	***	***	***	***	***	***	***
110	***	***	***	***	***	***	***
Average	***	***	***	***	***	***	***
Single-use:							
35mm	***	***	***	***	***	***	***
110	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
Certain:							
35mm	***	***	***	***	***	***	***
110	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***

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

Table 14
Certain cameras: U.S. capacity, production, and capacity utilization, 1985-89 and January-March 1989-90

* * * * * * *

Utilization of capacity to produce certain cameras * * * over the period of investigation. Capacity utilization for U.S. producers in manufacturing certain cameras * * * from *** percent in 1985 to *** percent in 1986, then * * * to *** percent in 1987, and * * * to *** percent in 1989.

U.S. producers' domestic shipments

Data on U.S. producers' domestic shipments of certain cameras are presented in table 15. Domestic shipments of U.S.-produced certain cameras * * * from *** million units in 1985 to *** million units in 1989, or by an average annual *** percent. Domestic shipments * * * by *** percent during January-March 1990 when compared with shipments in the similar period of 1989. Recent * * * in the quantity of domestic shipments reflect * * *.

Table 15
Certain cameras: U.S. producers' domestic shipments, 1985-89 and January-March 1989-90

* * * * * * *

The average unit values for U.S. producers' domestic shipments of certain cameras * * * from $*** per camera in 1985 to $*** per camera in 1986, and * * * to $*** in 1989. Average unit values * * * during January-March 1990 to $*** per camera from $*** per camera in the corresponding period of 1989. The * * * in average unit values of certain cameras is driven by * * *.

U.S. production of 126 and disc cameras ceased by early 1989. Table 16 provides information regarding Keystone's and Kodak's domestic shipments of these "other" hand-held still cameras, as well as information on Kodak's and Polaroid's domestic shipments of instant-print cameras.

Table 16
Other cameras: U.S. producers' domestic shipments, 1985-89 and January-March 1989-90

* * * * * * *

U.S. producers' exports

Information on U.S. exports of certain cameras is based on questionnaire responses; the data are presented in table 17. * * *. The quantity of U.S. exports of all certain cameras decreased from *** units in 1985 to *** units in 1986, or by *** percent, and then increased * * * to *** units in 1989 * * *. Average unit values of export shipments of certain cameras were generally * * * than domestic shipments for * * * and * * * for * * * and, while moving * * *, were * * * at the end of the period of investigation, due to * * *.

Table 17
Certain cameras: U.S. producers' export shipments, 1985-89 and January-March 1989-90

* * * * * * *

U.S. producers' exports as a share of the total quantity of shipments of all certain cameras * * * from *** percent in 1985 to *** percent in 1989, and * * * from *** percent during January-March 1989 to *** percent during the same period in 1990. * * *.

U.S. producers' inventories

U.S. producers' inventories of certain cameras generally * * * over the period of investigation (table 18). As a share of U.S. production of certain cameras during the preceding year, inventories of certain cameras * * * from *** percent as of December 31, 1985, to *** percent as of December 31, 1989.

Table 18
Certain cameras: U.S. producers' inventories and ratios to production, 1985-89 and January-March 1989-90

* * * * * * *

U.S. producers' employment and wages[48]

The average number of production and related workers producing certain cameras decreased regularly over the period of investigation. The number of such employees * * * from *** in 1985 to *** in 1986, * * * to *** in 1988, and then * * * to *** in 1989 (table 19). The average hourly wage for production and related workers producing certain cameras * * * over the period of investigation from $*** in 1985 to $*** in 1986 and then * * * to $*** during January-March 1990. Labor productivity improved over the period of investigation from *** cameras per hour in 1985 to *** cameras per hour during January-March 1990. This improved productivity was attributable principally to * * *.

[48] * * *.

Table 19
Certain cameras and other cameras: Average number of establishment employees, average number of production and related workers, hours worked by and average hourly wages paid to such employees, and labor productivity, 1985-89 and January-March 1989-90

* * * * * * *

Trade adjustment assistance.--On July 7, 1989, the Department of Labor's Employment and Training Administration issued a certification of eligibility for Keystone's workers to apply for trade adjustment assistance under section 223 of the Trade Act of 1974. Labor's determination stated that "increases of imports of articles like or directly competitive with cameras produced at Keystone contributed importantly to the decline in sales or production and to the total or partial separation of workers of that firm."[49] Keystone's workers who were totally or partially separated from employment on or after April 19, 1988 (the impact date) were eligible to apply for trade adjustment assistance. Labor reports that, through March 1990, * * *.[50]

The following tabulation provides the shares (in percent) of total U.S. production and related employees accounted for by Keystone's employees in relation to (1) certain conventional cameras, (2) total certain cameras (including single-use), (3) certain conventional cameras plus disc and 126 cameras, and (4) certain conventional cameras plus disc, 126, and instant cameras:

* * * * * * *

Keystone's production and related workers for certain cameras are represented by the Local 210 Health and Welfare Fund Union. Kodak's production and related workers are not represented by a union.

U.S. producers reported the following permanent reductions in the number of production and related workers producing hand-held, still cameras during January 1985-March 1990:

* * * * * * *

[49] Petition, Exh. 3.
[50] * * *.

Financial experience of U.S. producers

Keystone and Kodak, accounting for 100 percent of U.S. producers' shipments of certain cameras in 1989, provided income-and-loss data on overall camera operations and operations on certain 35mm cameras, certain 110 cameras, and all other cameras.[51] Keystone also provided balance sheets as of the end of each year. Both Keystone and Kodak have the month of December as the end of their fiscal year.

Income-and-loss data, balance sheets, and selected financial ratios are presented for Keystone's parent company, Keystone Camera Products Corp. (Keystone Products), in appendix F. In addition to Keystone, the consolidated financial statements of Keystone Products include two foreign subsidiaries. Keystone represents * * * of the audited parent company financial position (*** percent of total net sales in 1989). The financial position of Keystone Products is presented because the audited financial statements are consolidated, Keystone is * * * of the parent, and the debt and equity transactions, which are material in this case, are transacted at the parent company level. The distressed financial position of Keystone Products, as indicated in the financial data and by the "going concern" qualified opinion by the company's auditors in 1989, significantly influence the financial data presented for Keystone.

A third producer, Polaroid Corp., responded that it does not produce certain 35mm cameras or certain 110 cameras. Polaroid provided income-and-loss data for its operations producing instant-print cameras.

Data for Keystone were verified by the Commission's staff. As a result of the verification, Keystone submitted revised data which included: * * *. * * *.

* * * * * * *

Overall establishment operations.--Net sales for overall camera operations are limited to data provided by Keystone (* * *[52]) and are presented in table 20. * * *.

Table 20
Income-and-loss experience of Keystone on its overall U.S. establishment camera operations, 1985-89

* * * * * * *

[51] * * *.
[52] * * *.

Financial condition of Keystone.--The balance sheets of Keystone for the last 5 years are presented in table 21. * * *. To analyze the financial condition of Keystone, selected financial ratios of the company are presented in table 22.

Table 21
Assets, liabilities, and shareholders' equity of Keystone's U.S. establishment camera operations, as of December 31, 1985-89

* * * * * * *

Table 22
Selected financial ratios on Keystone's U.S. establishment camera operations as of December 31, 1985-89

* * * * * * *

Liquidity ratios, which are individually discussed below, are a measure of the quality and adequacy of current assets to meet current obligations as they come due.

Current ratio.--The current ratio is computed by dividing total current assets by total current liabilities. This ratio is a rough indicator of a firm's ability to service its current obligations. Generally, the higher the current ratio, the greater the "cushion" between current obligations and a firm's ability to pay them. However, the composition and quality of current assets is a critical factor in the analysis of an individual firm's liquidity. Keystone's current ratio * * *.

Quick ratio.--The quick ratio is computed by dividing the sum of cash, cash equivalents, and trade receivables by total current liabilities. This ratio is also known as the "acid test" ratio and is a more conservative measure of liquidity. The ratio expresses the degree to which a company's current liabilities are covered by the most liquid current assets. Generally, any value of less than 1 to 1 implies a reciprocal "dependency" on inventory, other current assets, or cash to liquidate short-term debt. Keystone's quick ratio * * *.

Sales/working capital.--Working capital is a measure of the margin of protection for current creditors. It reflects the ability to finance current obligations. Relating the level of sales arising from operations to the underlying working capital measures how efficiently working capital is employed. A low ratio may indicate an inefficient use of working capital, whereas a very high ratio often signifies overtrading, i.e., a vulnerable position for creditors. Keystone's sales/working capital ratio was * * *.

Receivable turnover.--The receivable turnover is computed by dividing net sales by net trade receivables. This ratio measures the number of times trade receivables turn over during the year. The higher the turnover of receivables, the shorter the time between sale and cash collection. This is a good measurement for Keystone since its camera season is typically from June through December. Keystone's yearend is December 31 and therefore annual sales are divided by the receivable balance as of December 31. Keystone's receivable turnover was * * *.

Days' sales in receivables.--The days' sales in receivables are computed by dividing 365 by the receivable turnover. This figure expresses the average time in days that receivables are outstanding. Generally, the greater number of days outstanding, the greater the probability of delinquencies in accounts receivable. Keystone's days' sales in receivables * * *.

Inventory turnover.--The inventory turnover is computed by dividing the annual cost of sales by the yearend inventory. This ratio measures the number of times inventory is turned over during the year. High inventory turnover can indicate better liquidity or superior merchandising. Conversely, it can indicate a shortage of needed inventory for sales. Low inventory turnover can indicate poor liquidity, possible overstocking, obsolescence, or in contrast to these negative interpretations, a planned inventory buildup in the case of material shortages. Keystone's * * *.

Days to sell inventory.--The division of the inventory ratio into 365 days yields the average length of time units are in inventory. Keystone's units remained in inventory * * *.

Trade payables turnover.--Trade payables turnover is computed by dividing the cost of sales for the year by the yearend trade payables. This ratio measures the number of times trade payables turn over during the year. If a company's payables appear to be turning more slowly, it may be experiencing cash shortages, disputing invoices with suppliers, enjoying extended terms, or deliberately expanding its trade credit. Keystone has been * * *.

The following coverage ratios measure a firm's ability to service debt.

Times interest earned.--This ratio, which is computed by dividing earnings before interest and taxes by interest expense, measures the firm's ability to meet interest payments. A high ratio may indicate that a borrower would have little difficulty in meeting the interest obligations of a loan. This ratio also serves as an indicator of a firm's capacity to take on additional debt. Keystone earned * * *.

Cash flow to current maturities of long-term debt.--This ratio expresses the coverage of current maturities by cash flow from operations. Since cash flow is the primary source of debt retirement, this ratio measures the ability of a firm to service principal repayment and is an indicator of additional debt capacity. Although it is misleading to think that all cash flow is available for debt service, the ratio is a valid measure of the ability to service long-term debt. Keystone's cash flow was * * *.

Highly leveraged firms (those with heavy debt in relation to net worth) are more vulnerable to business downturns than those with lower debt-to-worth positions. Leverage ratios are discussed below.

Net property, plant, and equipment to equity.--This ratio measures the extent to which the allocation of owner's equity has been invested in the book value of property, plant, and equipment (fixed assets). A lower ratio indicates a proportionately smaller investment in fixed assets in relation to equity, and a better "cushion" for creditors in case of liquidation. Similarly, a higher ratio would indicate the opposite situation. The presence of substantial leased fixed assets (not shown on the balance sheet) may deceptively lower this ratio.[53] Keystone had * * *.

Long-term debt to equity.--This ratio measures the relationship of long-term debt to equity, indicating the investment by the lenders on a long-term basis compared to the investment by the shareholders in the company. Keystone's ratio was * * *.

Total debt (liabilities) to equity.--This ratio expresses the relationship between capital contributed by creditors and that contributed by owners. It expresses the degree of protection provided by the owners for the creditors. The higher the ratio, the greater the risk assumed by creditors. A lower ratio generally indicates greater long-term financial safety. A firm with a low debt/worth ratio usually has greater flexibility to borrow in the future. A more highly leveraged company has a more limited debt capacity. Keystone's total debt to equity ratio was * * *.

Return on investment ratios measure the net income before taxes as a return on total assets, equity, and invested capital (working capital plus noncurrent assets). Keystone had * * *.

In summary, Keystone's financial indicators show a company operating * * *.

Operations on certain 35mm cameras.--Keystone's net sales of certain 35mm cameras * * *, as shown in table 23.

Table 23
Income-and-loss experience of Keystone on its operations producing certain 35mm cameras, 1985-89

* * * * * * *

Kodak entered the certain 35mm camera market in * * *, as shown in table 24, with production of the model S900 camera and the 35mm single-use camera. * * *.

---

[53] * * *.

Table 24
Income-and-loss experience of Kodak on its operations producing certain 35mm cameras, 1985-89

* * * * * * *

Net sales, operating income, and the operating income margins for each company, and for the two firms combined, are presented in table 25. The combined data show annual * * *.

Table 25
Net sales, operating income, and the operating income margins of Keystone and Kodak on their operations producing certain 35mm cameras, 1985-89

* * * * * * *

Operations on certain 110 cameras.--Keystone's net sales of certain 110 cameras * * *, as shown in table 26. * * *.

Table 26
Income-and-loss experience of Keystone on its operations producing certain 110 cameras, 1985-89

* * * * * * *

Kodak's net sales of certain 110 cameras * * *, as shown in table 27. * * *.

Table 27
Income-and-loss experience of Kodak on its operations producing certain 110 cameras, 1985-89

* * * * * * *

Net sales, operating income, and the operating income margins for each company, and for the two firms combined, are presented in table 28. Combined net sales * * *.

Table 28
Net sales, operating income, and the operating income margins of Keystone and Kodak on their operations producing certain 110 cameras, 1985-89

* * * * * * *

Operations on certain 35mm and certain 110 cameras combined.--Net sales, operating income, and the operating income margins for Keystone and Kodak and the two firms combined for total certain cameras are presented in table 29. Combined net sales * * *. * * *.

Table 29
Net sales, operating income, and the operating income margins of Keystone and Kodak on their operations producing certain cameras (certain 35mm and certain 110 combined), 1985-89

* * * * * * *

Operations on other cameras.--Keystone's net sales of other cameras * * *, as shown in table 30. * * *.

Table 30
Income-and-loss experience of Keystone on its operations producing other cameras, 1985-89

* * * * * * *

In February 1988, Kodak, the originator of the disc film format, announced that it was suspending production of these cameras. Following an extended period of uncertainty, Kodak's action resulted in a substantial decrease in demand by retailers and consumers for disc cameras. Keystone concluded its final production runs of disc cameras in January 1989 and reduced prices to liquidate disc camera inventories.[54]

Kodak's net sales of other cameras, as shown in table 31, * * *.

[54] Information obtained from Keystone Products' 1988 annual report to the shareholders.

Table 31
Income-and-loss experience of Kodak on its operations producing other cameras, 1985-89

* * * * * * *

Polaroid provided * * * for its instant-print camera operations as presented in the following tabulation (in thousands of dollars):[55]

* * * * * * *

Capital expenditures.--Capital expenditures for buildings and machinery and equipment used in the manufacture of cameras are shown in table 32 for Keystone and Kodak for 1985-89. * * *.

Table 32
Capital expenditures for cameras by U.S. producers, 1985-89

* * * * * * *

Investment in property, plant, and equipment.--End-of-period investment in facilities producing cameras is shown in table 33 for Keystone and Kodak. Keystone's book value of property, plant, and equipment for cameras * * *. Kodak's book value of property, plant, and equipment for certain * * *.

Table 33
Property, plant, and equipment of U.S. camera producers, by companies, as of the end of 1985-89

* * * * * * *

Research and development expenses.--Research and development expenses reported by Keystone and Kodak are presented in table 34. Keystone reported * * *. Kodak reported * * *.

Table 34
Research and development expenses by U.S. camera producers, 1985-89

* * * * * * *

[55] Polaroid * * *.

Capital and investment.--The Commission requested U.S producers to describe any actual or potential negative effects of imports of certain 35mm cameras and certain 110 cameras on their firms' growth, investment, ability to raise capital, or development and production efforts. Their responses are shown in appendix G.

The Question of Threat of Serious Injury

Foreign producers

In addition to data presented elsewhere in this report, the following section was prepared for purposes of analyzing the threat of serious injury. The Commission has attempted to gather information on foreign producers of the certain cameras subject to this investigation, from both cables to embassies of the United States in the major producing countries, as well as through requests to counsel for parties participating in the investigation. The following discussion reflects data from foreign manufacturers/exporters that accounted for approximately 52 percent of total U.S. imports of certain cameras during 1988 (69 percent in 1989).

Information on foreign capacity, production, and shipments of certain cameras was provided by counsel for respondents and from U.S. embassies in major producing countries and is presented in tables 35-48. As evidenced by the previously reported increase in U.S. imports from China, Malaysia, and Thailand, major world camera manufacturers (principally from Japan) have been expanding and/or shifting camera operations in southeast Asia.

Table 35
Certain conventional cameras: Brazilian capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 36
Certain conventional cameras: Chinese capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 37
Certain conventional cameras: Hong Kong's capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 38
Certain conventional cameras: Indonesian capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 39
Certain conventional cameras: Japanese capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

Item	1985	1986	1987	1988	1989	Jan.-Mar.-- 1989	Jan.-Mar.-- 1990	Projected 1990
	Quantity (1,000 cameras)							
Capacity	11,680	13,528	14,375	14,048	14,815	3,637	3,432	13,596
Production	10,954	12,769	13,298	13,126	13,884	3,332	3,468	13,270
End-of-period inventories	1,548	1,690	1,329	1,443	1,596	1,796	1,948	1,550
Shipments:								
Home market	3,046	3,036	3,214	3,270	3,697	829	897	3,840
Exports to--								
The United States	2,900	4,383	4,626	4,133	3,852	743	635	3,671
All other markets	4,467	5,208	5,809	5,800	6,307	1,435	1,664	7,017
Total exports	7,367	9,591	10,435	9,933	10,159	2,178	2,299	10,688
Total shipments	10,413	12,627	13,649	13,203	13,856	3,007	3,196	14,528
	Value (1,000 dollars)							
Shipments:								
Home market	263,148	385,767	485,007	571,159	546,605	130,675	113,405	522,015
Exports to--								
The United States	187,123	343,985	385,983	408,382	378,625	67,242	58,476	341,073
All other markets	240,185	378,249	485,279	573,073	557,092	122,879	137,377	576,871
Total exports	427,308	722,234	871,262	981,455	935,717	190,121	195,853	917,944
Total shipments	690,456	1,108,001	1,356,269	1,552,614	1,482,322	320,796	309,258	1,439,959
	Unit value (per camera)							
Home market shipments	$86.39	$127.06	$150.90	$174.67	$147.85	$157.63	$126.43	$135.94
Exports to--								
The United States	64.53	78.48	83.44	98.81	98.29	90.50	92.09	92.91
All other markets	53.77	72.63	83.54	98.81	88.33	85.63	82.56	82.21
Average, exports	58.00	75.30	83.49	98.81	92.11	87.29	85.19	85.89
Average, all shipments	66.31	87.75	99.37	117.60	106.98	106.68	96.76	99.12
	Ratios and shares (percent)							
Capacity utilization	93.8	94.4	92.5	93.4	93.7	91.6	101.0	97.6
Inventories to production	14.1	13.2	10.0	11.0	11.5	13.5	14.0	11.7
Share of total quantity of shipments:								
Home market	29.3	24.0	23.5	24.8	26.7	27.6	28.1	26.4
Exports to--								
The United States	27.8	34.7	33.9	31.3	27.8	24.7	19.9	25.3
All other markets	42.9	41.2	42.6	43.9	45.5	47.7	52.1	48.3

Note.--According to counsel for JCIA, Japanese camera companies reported capacity figures that were based on information that is provided to the Ministry of Finance, and results from calculations of semi-annual business plans (i.e., product mix, number of employees, use of overtime) for each relevant period. * * *. JCIA submission of June 20, 1990, and May 18, 1990, response of the U.S. embassy in Kuala Lumpur.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, including Canon, Chinon, Fuji, Konica, Kyocera (Yashica), Minolta, Nikon, Olympus, Pentax, Ricoh, Haking, Kyocera (Yashica), Olympus, and Pentax. Exports to the United States for these companies represented *** percent of total imports from Japan in 1989.

Table 40
Certain conventional cameras: Macao's capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 41
Certain conventional cameras: Malaysian capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 42
Certain conventional cameras: South Korean capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 43
Certain conventional cameras: Taiwan's capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

Item	1985	1986	1987	1988	1989	Jan.-Mar.-- 1989	Jan.-Mar.-- 1990	Projected 1990
	Quantity (1,000 cameras)							
Capacity	4,481	6,130	14,586	11,689	12,132	3,066	2,815	11,078
Production	4,100	5,834	13,316	10,977	10,930	2,808	2,150	10,046
End-of-period inventories	***	***	***	***	***	***	***	***
Shipments:								
Home market	***	***	***	***	***	***	***	***
Exports to--								
The United States	1,435	1,919	3,555	3,415	2,726	612	475	1,985
All other markets	2,615	3,736	9,617	7,250	8,191	2,219	1,723	7,770
Total exports	4,050	5,655	13,172	10,665	10,917	2,831	2,198	9,755
Total shipments	***	***	***	***	***	***	***	***
	Value (1,000 dollars)							
Shipments:								
Home market	***	***	***	***	***	***	***	***
Exports to--								
The United States	41,799	63,687	61,483	94,694	74,117	18,098	13,413	61,302
All other markets	72,534	101,940	155,661	212,928	235,514	62,199	51,323	210,568
Total exports	114,333	165,627	217,144	307,622	309,631	80,297	64,736	271,870
Total shipments	***	***	***	***	***	***	***	***
	Unit value (per camera)							
Home market shipments	$***	$***	$***	$***	$***	$***	$***	$***
Exports to--								
The United States	29.13	33.19	17.29	27.73	27.19	29.57	28.24	30.88
All other markets	27.74	27.29	16.19	29.37	28.75	28.03	29.79	27.10
Average, exports	28.23	29.29	16.49	28.84	28.36	28.36	29.45	27.87
Average, all shipments	***	***	***	***	***	***	***	***
	Ratios and shares (percent)							
Capacity utilization	91.5	95.2	91.3	93.9	90.1	91.6	76.4	90.7
Inventories to production	***	***	***	***	***	***	***	***
Share of total quantity of shipments:								
Home market	***	***	***	***	***	***	***	***
Exports to--								
The United States	***	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, including Canon, Chinon, Farsharp, Minton, Olympus, Pan Oriental, Pentax, Platon, Premier, Ricoh, and Wizen. Exports to the United States for these companies represented *** percent of total imports from Taiwan in 1989.

Table 44
Certain conventional cameras: Thailand's capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 45
Certain conventional cameras: All foreign sources' capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

Item	1985	1986	1987	1988	1989	Jan.-Mar.-- 1989	Jan.-Mar.-- 1990	Projected 1990
	Quantity (1,000 cameras)							
Capacity	24,706	30,738	44,794	47,306	47,146	9,565	9,212	43,465
Production	22,388	28,009	41,287	42,694	42,336	8,614	8,299	39,236
End-of-period inventories	2,047	2,268	2,228	2,698	3,010	2,487	2,528	3,168
Shipments:								
Home market	3,995	3,960	4,416	4,379	4,507	1,000	1,082	4,928
Exports to--								
The United States	5,731	8,952	12,327	12,803	13,825	2,085	1,774	11,664
All other markets	12,074	14,875	24,579	25,137	23,851	5,237	5,214	23,655
Total exports	17,805	23,827	36,906	37,940	37,676	7,322	6,988	35,319
Total shipments	21,800	27,787	41,322	42,319	42,183	8,322	8,070	40,247
	Value (1,000 dollars)							
Shipments:								
Home market	296,492	421,676	544,079	663,032	652,526	151,939	140,966	654,417
Exports to--								
The United States	251,796	444,691	502,208	596,270	599,813	102,624	87,860	526,102
All other markets	387,735	560,934	755,997	943,935	997,715	219,061	242,225	1,007,359
Total exports	639,531	1,005,625	1,258,205	1,540,205	1,597,528	321,685	330,085	1,533,461
Total shipments	936,023	1,427,301	1,802,284	2,203,237	2,250,054	473,624	471,051	2,187,878
	Unit value (per camera)							
Home market shipments	$74.22	$106.48	$123.21	$151.41	$144.78	$151.94	$130.28	$132.80
Exports to--								
The United States	43.94	49.68	40.74	46.57	43.39	49.22	49.53	45.10
All other markets	32.11	37.71	30.76	37.55	41.83	41.83	46.46	42.59
Average, exports	35.92	42.21	34.09	40.60	42.40	43.93	47.24	43.42
Average, all shipments	42.94	51.37	43.62	52.06	53.34	56.91	58.37	54.36
	Ratios and shares (percent)							
Capacity utilization	90.6	91.1	92.2	90.3	89.8	90.1	90.1	90.3
Inventories to production	9.1	8.1	5.4	6.3	7.1	7.2	7.6	8.1
Share of total quantity of shipments:								
Home market	18.3	14.3	10.7	10.3	10.7	12.0	13.4	12.2
Exports to--								
The United States	26.3	32.2	29.8	30.3	32.8	25.1	22.0	29.0
All other markets	55.4	53.5	59.5	59.4	56.5	62.9	64.6	58.8

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

Table 46
Certain single-use cameras: * * * capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 47
Certain single-use cameras: Japanese capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Table 48
Certain single-use cameras: All foreign sources' capacity, production, inventories, capacity utilization, and shipments, 1985-89, January-March 1989, January-March 1990, and projected 1990

* * * * * * *

Brazil.--The U.S. embassy in Brazilia identified two manufacturers of certain cameras in Brazil, Kodak Brasileira and Yashica do Brazil, and was not able to provide detailed information for either company. Regarding Yashica's Brazilian operations, the embassy reported that "the following information has been garnered from local press sources. Yashica do Brasil claims a 60 percent market share of 50,000 units a month. Yashica expects to double its output within the next seven months in order to meet the domestic demand. The firm will invest $3 million in three new products it hopes to launch this year. Yashica will continue to export around 25,000 cameras a month to West Germany, Japan and the U.S."[56]

China.--Based on information provided by the Ministry of Light Industry in China, the U.S. embassy in Beijing reports that "More than ninety percent of China's camera exports go through Hong Kong and then are transshipped to their final destination. Foreign investors from Japan, Hong Kong and the U.S., have established plants in China and import camera parts and reexport assembled cameras. The Ministry reported that last year there was an inventory build-up of unsold domestically manufactured cameras due to China's economic slowdown."[57]

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[56] June 1, 1990, telegram from the U.S. consul in Sao Paulo.
[57] May 25, 1990, telegram from the U.S. embassy in Beijing.

* * * provided the following information concerning * * * certain cameras from China:[58]

* * * * * * *

In addition to the above activities * * * in China, counsel for the China Association of Enterprises with Foreign Investment has identified the following five member companies as camera manufacturers/exporters: Optical and Electronic Technology Development Co., Shilong Hua FA Industries Ltd., Fung Kong Photographics Ltd., Suang Zhou Factory, and Concord Electronics Factory (Dialbright).

Hong Kong.--The U.S. embassy in Hong Kong identified 18 major Hong Kong camera manufacturers and provided the following industry profile: "The industry began in the late fifties, with the manufacture of still cameras using technology and designs imported from countries such as Japan, West Germany and the United Kingdom. Presently, the industry relies on lenses, electronic parts and components imported predominantly from Japan to be assembled as a finished product."

"Due to a lack of overseas orders and weak local demand, together with the tight local labor market situation, many local manufacturers (estimated about 70-80 percent) continue to shift their production operations to the Guangdong province in southern China. This continuing shift to operations across the border has led to under-capacity utilization rates of about 65 percent in their factories in Hong Kong." Hong Kong manufacturers also indicated that "they keep very minimal end-of-year finished inventories, as they produce according to the quantity of orders they have received."[59]

Korea.--The U.S. embassy in Seoul has identified seven manufacturers of certain cameras in Korea, including * * *.[60]

Singapore.--The U.S. embassy reported two camera manufacturers in Singapore, Suntax Industries and Camtech Optics.[61]

Philippines.--According to the U.S. embassy, "The one and only photographic camera manufacturer and exporter, Farsharp Industrial Corporation closed shop in December 1988, after just nine months of commercial operations. Farsharp * * *.[62]

West Germany.--The U.S. embassy in Bonn contacted the Industry Association for photography and cameras in West Germany. The Association provided a list of German manufacturers of photographic cameras, "but refused

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[58] * * *.
[59] May 21, 1990, telegram from the U.S. consul in Hong Kong.
[60] June 8, 1990, telegram from the U.S. embassy in Seoul.
[61] May 25, 1990, telegram from the U.S. embassy in Singapore.
[62] May 18, 1990, telegram from the U.S. embassy in the Philippines.

to provide any further information. Due to Japanese competition, the association no longer reveals any data concerning the industry."[63]

Mexico.--As reported by the U.S. embassy in Mexico City "The Mexican Ministry of Commerce and Industrial Development has informed embassy that * * *.[64] [65]

Thailand.--According to the U.S. embassy in Bangkok, W. Haking Industries (Thailand) Ltd., a Thai-Hong Kong joint venture, is the only camera manufacturer in Thailand.[66]

Barriers to trade

The Omnibus Trade and Competitiveness Act of 1988 amended the Trade Act of 1974 by adding section 202(c)(1)(B)(iii), which requires that in making its determination the Commission consider--

> "the extent to which the United States market is the focal point for the diversion of exports of the article concerned by reason of restraints on exports of such article to, or on imports of such article into, third country markets."

The following information has been provided by the Office of International Economic Policy, U.S. Department of Commerce:

Country	Duty	Taxes
	--Percent--	
European community:		
Belgium.....	7.2	19.0--Value added tax (VAT)[67]
Denmark.....	7.2	22.0--VAT
France.....	7.2	18.6--VAT
FRG.....	7.2	14.0--VAT
Greece.....	7.2	36.0--VAT
		0.7--bank charge on c.i.f. value
Ireland.....	7.2	25.0--VAT
Italy.....	7.2	38.0--VAT
Luxembourg.....	7.2	12.0--VAT
Netherlands.....	7.2	18.5--VAT

[63] May 21, 1990, telegram from the U.S. embassy in Bonn.
[64] May 14, 1990, telegram from the U.S. embassy in Mexico City.
[65] The Commission requested detailed information on Kodak's Mexican operations from Kodak in Rochester. Kodak reported that its Mexican operations are conducted by an independent company under a toll arrangement, and therefore, it would not be able to provide such information.
[66] May 10, 1990, telegram from the U.S. embassy in Bangkok.
[67] The VAT in all EC member states is collected on domestic items as well.

Country	Duty	Taxes
	--Percent--	
European community (cont.)		
Portugal	11.5[68]	17.0--VAT
Spain	9.8[68]	12.0--VAT
United Kingdom	7.2	15.0--VAT
Other Europe:		
Austria	6.0	20.0--VAT
Finland	2.5	19.1--VAT
Iceland	None	24.5--VAT
Norway	4.4	20.0--VAT
Sweden	2.2-3.8	23.5--VAT
Switzerland	([69])	9.6--on c.i.f. duty for middlemen 6.2--on cumulative total for end users
Turkey	5.0	15.0--of tariff for municipal tax 8.0--on c.i.f. for support and price stabilization tax 10.0--on c.i.f. for revenue stamp tax 5.0--on cumulative sum of above for port duty 12.0--VAT
Yugoslavia	18.0	16.0--on c.i.f. plus tariff for import surcharge
Southeast Asia:		
China	12-80	
Japan	None	3.0--on c.i.f. value for consumption tax[70]
Malaysia	None	
Philippines	30.0	
Singapore	None	
South Korea	16.0[71]	
Taiwan	5.0	
Thailand	40.0	
Canada	7.5(MFN)	13.5--federal sales tax
Central America:		
Dominican Rep.	30.0	6.0--VAT 4.0--redemption tax 20.0--consumption tax 20.0--luxury tax
Costa Rica	5.0	10.0--sales tax 3.0--customs tax

[68] To be reduced to 7.2% by Jan. 1, 1993.

[69] 260 Swiss Francs per 100 kg gross.

[70] 3.0% tax also levied on Japanese-made cameras on wholesale value.

[71] To be phased down to 8.0 percent in 1993. Petitioner also reports a 10-percent value-added tax, and a 2.5-percent defense tax applied to c.i.f. value.

Country	Duty	Taxes
	--Percent--	
Latin America:		
Brazil[72].....	30-40	18.0--VAT on duty-paid value
Bolivia.....	17.0	
Colombia.....	25.0	10.0--import sales tax
		18.0--surcharge
Ecuador[73].....	35-90	
Mexico.....	15.0	
Peru[74].....	168-176[75]	
Venezuela.....	5.0	5.0--on duty-paid value for customs service fee

Petitioner alleges that, in fact, the U.S. market is the focal point for imports of certain cameras due to the existence of worldwide trade restraints.

U.S. importers' inventories

The available data on U.S. importers' inventories of certain cameras as reported by the major importers (accounting for approximately 95 percent of total imports in 1989) in response to the Commission's questionnaires, are presented in table 49.

U.S. importers' reported inventories of certain cameras increased throughout the period of investigation. Importers' inventories increased from *** million units in 1985 to *** million units in 1989, or by an average annual *** percent. Inventories on March 31, 1990, were *** percent higher than those on the corresponding date of 1989. The ratio of inventories to total imports increased from *** percent in 1985 to *** percent in 1989, and increased to *** percent during January-March 1990 from *** percent during the corresponding period of 1989.

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[72] Import license was required prior to July 1, 1990.

[73] Import license needed requiring 50% advance deposit for private sector imports and 25% for public sector imports.

[74] Import license required.

[75] Consolidated rate based on c.i.f. value, that includes export promotion tax, VAT, and import surcharge.

Table 49
Certain cameras: U.S. importers' inventories and ratios to imports, 1985-89 and January-March 1989-90

Item	1985	1986	1987	1988	1989	January-March--[1] 1989	1990
	Quantity (thousands of units)						
Conventional--							
Brazil	***	***	***	***	***	***	***
China	***	***	***	***	***	***	***
FRG	***	***	***	***	***	***	***
Hong Kong	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***
Malaysia	***	***	***	***	***	***	***
Mexico	***	***	***	***	***	***	***
Philippines	***	***	***	***	***	***	***
Taiwan	***	***	***	***	***	***	***
Thailand	***	***	***	***	***	***	***
Subtotal	1,905	2,957	4,149	5,326	6,906	6,427	7,387
Single-use (Japan)	***	***	***	***	***	***	***
Total certain	***	***	***	***	***	***	***
	Ratio to imports (in percent)						
Conventional--							
Brazil	***	***	***	***	***	***	***
China	***	***	***	***	***	***	***
FRG	***	***	***	***	***	***	***
Hong Kong	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***
Malaysia	***	***	***	***	***	***	***
Mexico	***	***	***	***	***	***	***
Philippines	***	***	***	***	***	***	***
Taiwan	***	***	***	***	***	***	***
Thailand	***	***	***	***	***	***	***
Subtotal	23.5	23.5	23.1	24.9	33.5	39.3	48.5
Single-use (Japan)	***	***	***	***	***	***	***
Average certain	***	***	***	***	***	***	***

[1] Ratios based on annualized imports.

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

Consideration of the Question of the Causal Relationship Between the Alleged Serious Injury and Imports

Market penetration of imports

Shares of apparent U.S. consumption accounted for by imports of certain cameras are presented in tables 50-52. For purposes of this section of the report, apparent consumption consists of U.S.-produced domestic shipments of certain cameras as reported in questionnaires, and imports as reported in official import statistics.

Table 50
Conventional cameras: Shares of apparent consumption for U.S.-produced domestic shipments and imports for consumption, 1985-89 and January-March 1989-90

* * * * * * *

Table 51
Single-use cameras: U.S.-produced domestic shipments, shipments of imports, apparent U.S. consumption, and market penetration, 1985-89 and January-March 1989-90

* * * * * * *

Table 52
Certain cameras: U.S.-produced domestic shipments, imports for consumption, apparent U.S. consumption, and market penetration, 1985-89 and January-March 1989-90

* * * * * * *

Exclusion requests

Available information concerning various requests for exclusion of particular types of certain cameras from the Commission's injury determination is presented below.

Auto-exposure cameras with large-scale integrated circuits.--Counsel for JCIA argues that fully featured high-end 35mm cameras with auto exposure requiring large scale integrated circuits (LSIs)[76] which link the high-end

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[76] LSIs are physically larger than small- and medium-scale integrated circuits and provide for a greater number of "ports" for electronic circuitry. Counsel for JCIA has indicated that an auto exposure camera with LSI will

(continued...)

features do not compete with domestically produced 35mm cameras in terms of performance, technology, design, and manufacturing process.[77] Counsel reports that auto exposure is the capability to adjust shutter speed and/or lens opening (aperture) as lighting conditions change.

Counsel for petitioner has argued that distinctions among 35mm cameras along the lines of physical features is difficult in that any given feature or physical characteristic spans the spectrum from simple to complex. With respect to auto-exposure 35mm cameras, petitioner has reported the availability of a number of competitive products at current retail prices as low as $39.95.[78] [79]

In that apparently all auto-exposure 35mm cameras are auto-focus, and only the U.S. subsidiaries of Japanese camera manufacturers were able to supply information on auto-exposure models, data for auto-focus 35mm cameras obtained from responses to the Commission's questionnaires are presented in table 53 as a surrogate item for auto-exposure considerations. Auto-focus 35mm cameras comprised approximately 20 to 30 percent of total shipments of imports based on quantity over the period of investigation, and 74 to 82 percent of shipments based on value.

Table 53
Certain cameras: U.S. imports of "exclusion requests," 1985-89 and January-March 1989-90

* * * * * * *

"Bridge" cameras.--Counsel for petitioner argues that bridge cameras, which are fully featured and very costly, are designed to compete with SLRs and are not directly competitive with U.S.-produced conventional 35mm cameras.[80] Counsel for JCIA argues that there is no real distinction between a bridge camera and a fully featured zoom camera, and that the bridge camera is only a marketing device.[81]

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[76] (...continued)
typically have in excess of 40 ports in use (Staff interview with counsel for JCIA, July 3, 1990).

[77] JCIA posthearing brief, p. 40.

[78] The models currently retailing at $39.95 include: Ansco Vision AF, Concord "Data Back" Cam-1, and Vivitar PS-120 (July 6, 1990, telephone interview with counsel for petitioner).

[79] Petitioner was unable to determine whether these models contained LSIs, but contended that an LSI could be inserted at an incremental cost of approximately $1-2 per camera (July 6, 1990, telephone interview with counsel for petitioner).

[80] TR, p. 119.

[81] JCIA posthearing brief, pp. 31-33.

In an attempt to determine the extent of the presence of such "bridge" or "new concept" 35mm cameras in the U.S. market, counsel for JCIA has provided the Commission with data from its member companies on shipments of imports of zoom cameras with a 3:1 zoom ratio.[82]

Keychain or mini 110 cameras.--Counsel for JCIA argues that domestically produced 110 cameras are physically different from keychain or mini 110 cameras and therefore are not "like" such cameras, as they "do nothing more than expose the film and advance it."[83] Counsel for petitioner argues that keychain or micro 110 cameras for the premium market compete directly with Keystone's 110 cameras, and imports of such cameras take away premium sales from Keystone.[84] The Commission gathered data on imports of keychain (clip-on/snap-on) 110 cameras; such data are presented in table 53 (data on mini 110s were not segregated in the questionnaires and are not available). Shares of shipments of imports accounted for by clip-on 110 cameras ranged from a high of *** percent, based on quantity, in 1987 to a low of less than *** percent during January-March 1990.

Prices

Camera manufacturers reported that the demand for the cameras under investigation is influenced by the level of consumer spending on leisure activities such as vacations, special events, travel, etc. The cameras under investigation are manufactured for consumers who demand less expensive, simpler, user-friendly cameras. More expensive, better quality cameras that are not subject to this investigation, such as medium-format and SLR 35mm cameras, are manufactured primarily for the professional or more-advanced photographer. Retail prices for subject cameras can range to over $450, whereas retail prices for other cameras can range into the thousands of dollars.

Demand for specific types of cameras depend on the camera's combination of features, price, and quality that the end users desire. The lower-priced cameras are also used as a promotional tool by purchasers such as restaurant chains or magazine companies to advertise their products and as a giveaway item to entice consumers to buy their products. Retail sales of cameras are seasonal, with over one-half of all sales occurring during the summer months and Christmas.

Producers and importers reported that in the last 5 years there has been an increase in the demand for non-SLR 35mm cameras, mostly at the expense of 110 and 126 cameras, disc cameras, and SLR cameras. Demand for the non-SLR 35mm camera has been influenced by the growing ease of operation of the

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[82] In discussions with counsel for JCIA and a technical representative of Yashica, it was determined that all "bridge" or "new concept" cameras are 35mm zoom cameras with at least a 3:1 zoom ratio. Nonetheless, counsel for JCIA continues to argue that "there is no rational basis to limit the exclusion (from the definition of like or directly competitive article) to zoom cameras with a 3:1 zoom ratio." (July 11, 1990, submission of counsel for JCIA).

[83] JCIA prehearing brief, p. 31.

[84] Keystone's posthearing brief, p. 12.

camera, its light-weight compactness and simpler design, its additional features, and its ability to render clear, sharp pictures at low cost. The greater availability of minilabs offering fast but inexpensive developing and the increased marketing efforts from many manufacturers have also contributed to its popularity.[85]

U.S. producers and importers suggested that the cameras under investigation compete to varying degrees with other image-recording devices such as SLR 35mm cameras, instant cameras, disc cameras, 126 cameras, still-video cameras, and video camcorders.[86] However, questionnaire responses stated that, due to their higher prices, still-video cameras and video camcorders were more competitive with SLR cameras than with the subject cameras. The lower-priced SLR 35mm camera models were reported to compete with the higher-priced non-SLR 35mm camera models.[87]

U.S. producers and importers also indicated that instant cameras are somewhat competitive with the subject cameras because both types of cameras compete in price, packaging, marketing practices, and camera features, and both use the same channels of distribution. Some questionnaire respondents indicated that the instant-picture capability of these cameras is a feature similar to other camera features used to attract the consumer. The appeal of the instant-picture feature may decline with the advent and proliferation of the one-hour film developing photolabs, according to those respondents.

Cameras are priced on a per-unit basis. The primary determinants of selling price are the camera's format (35mm, 110-cartridge, 126-cartridge, or disc), whether it is single-use (disposable) or reusable, the complexity and quality of its features, its brand name, and whether it is sold as a package with other items such as film, batteries, and a carrying case, or as a stand-alone item. Prices at the wholesale level are determined primarily by the volume of cameras purchased and not by any distinct channel of distribution.[88] Individual camera models produced in more than one country are not differentiated by country of origin and are priced the same.

Different pricing practices exist for cameras sold to the retail and premium market segments. U.S. producers and importers that sell to the retail market publish price lists that enumerate the features included in the various camera models offered. Importers of cameras for the premium market generally do not publish price lists; instead, the premium purchasers specify the type of camera they wish to purchase and the premium supplier then obtains the camera.

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[85] The number of minilabs in operation has increased by over 60 percent during 1985-89, from 9,500 to 15,500. 1989-'90 Wolfman Report, p. 20.

[86] Disc cameras and 126-cartridge cameras are no longer produced in the United States.

[87] * * * have argued that purchases of camcorders may actually complement purchases of non-SLR cameras. Since both SLR cameras and camcorders are expensive, consumers may decide to spend slightly more money to purchase a camcorder rather than an SLR camera. These consumers will then purchase the lower-priced non-SLR camera as their still-picture camera.

[88] The total volume of sales to a specific purchaser, including sales of other products, may also affect the camera price.

Cameras are generally sold on a delivered basis except by premium importers; these sell their cameras on an f.o.b. warehouse or dock basis. Suppliers offer discounts and incentive programs to purchasers in the retail market but not in the premium market. The two responding U.S. producers, Keystone and Kodak, reported that they offer sales terms of * * *, respectively, to their customers. Importers that sell to the retail market reported that they offer sales terms that range between net 30 and 6 percent discount 10 days, net end-of-month. Premium importers reported that they offer sales terms ranging between cash on delivery to net 30.

Most U.S. producers and importers, including premium importers, reported that U.S. inland transportation costs are less than *** percent of the total delivered price for the cameras and are * * * in the purchasing decisions of their customers. Order lead times ranged widely between U.S. producers and importers. Keystone reported that the average lead time involved in a camera transaction can range from * * *, whereas Kodak reported that its lead time is generally * * *. Most of the Japanese-related U.S. importers reported that the lead time was less than a week, whereas other importers (mostly premium importers) reported that the lead time may be up to 3 months.

Incentive programs.--U.S. producers and importers of cameras for the retail market offer a variety of incentive programs to encourage sales of their product.[89] These programs are generally used in conjunction with sales of other products, including camera accessories, film, camcorders, binoculars, etc. Qualifying purchase levels for these programs may be based on all goods purchased from the manufacturer.

The incentive programs offered by reporting U.S. producers and importers are very similar, although they differ in the specific amount of the incentive. The incentive programs offered by U.S. producers and importers include price protection, cash/credit terms, free goods, market development funds, rebates, cooperative advertising allowances, and spiffs. These programs are described in appendix H.

Marketing considerations.--Within the retail market, there are numerous types of outlets that sell cameras. A consumer survey of photographic products in 1988 identified the following retail outlets, in order, where responding households purchased their newest still camera: discount department stores, camera stores, department stores, catalog showrooms, drug stores, and mail order catalogs (figure 3).[90] However, the purchasing location differed between the two types of subject cameras listed in the survey, 110 and non-SLR 35mm cameras, although discount department stores were the largest outlet for both (figure 4). Specialty camera stores were the second largest outlet for non-SLR 35mm cameras, but only the fifth largest outlet for 110 cameras.

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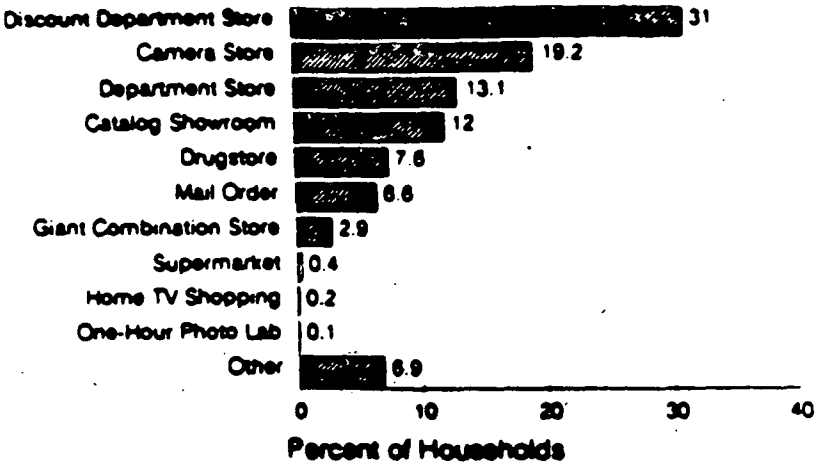
[89] * * *.

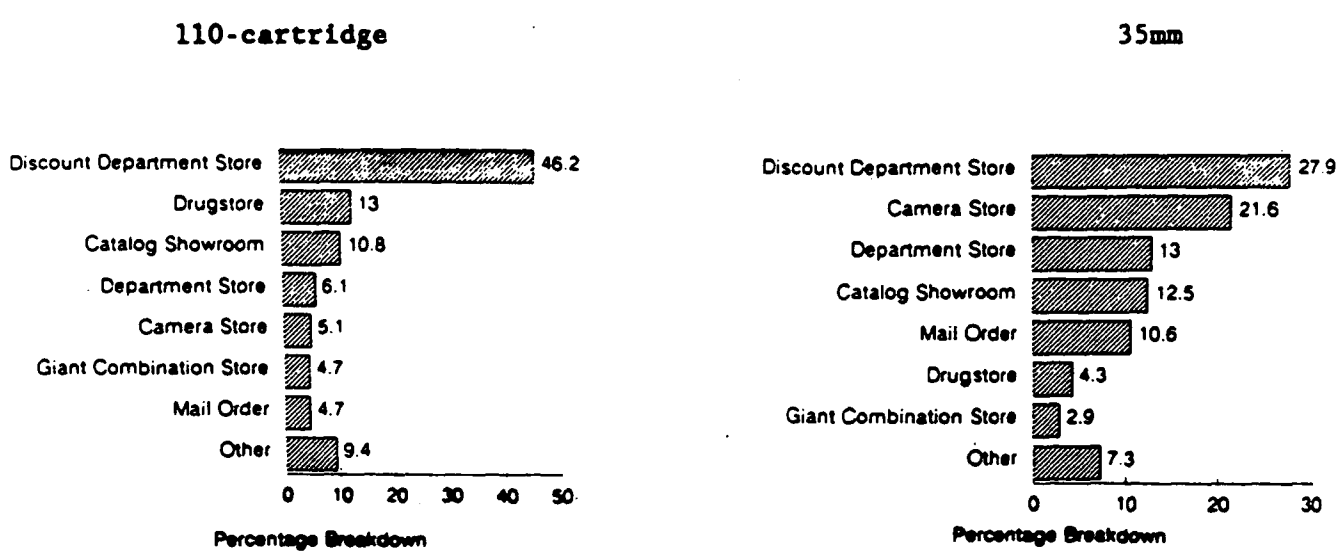
[90] 1988 Consumer Photographic Survey, Photo Marketing Association International. This survey did not distinguish between cameras subject to this investigation and all other cameras. It therefore included non-subject cameras in its aggregate results. Also see app. I for survey results of the types of cameras purchased at the six major outlets (again including both subject and non-subject cameras).

Figure 3.--Purchasing location of household's newest still camera



Source: 1988 Consumer Photographic Survey, Photo Marketing Association International.

Figure 4.--Purchasing location of household's newest camera, by type of camera



Source: 1988 Consumer Photographic Survey, Photo Marketing Association International.

Retailers generally have a series of cameras, each with different features to meet price points that the retailer wishes to target. Retail prices for cameras sold at discount drug and department stores are in the low- to mid-level range, whereas prices for cameras sold at specialty camera stores tend to be in the mid- to high-level price range. Specialty camera stores tend to carry higher quality cameras and promote the quality aspect of these cameras. Discount drug and department stores as well as other retail outlets tend to emphasize the price of their cameras. Price may be more important than quality for these latter types of retailers, especially for cameras sold at lower price points. Manufacturers producing cameras for these outlets are under pressure to supply a range of cameras at various price points.[91]

Premium cameras are typically less expensive 35mm and 110-cartridge cameras, usually basic cameras without higher-cost features such as built-in electronic flash. This market includes large-account end users, such as restaurant chains, magazine companies, and sporting teams, which generally purchase these cameras in large quantities to serve a specific need or promotional project. The name of a large-account end user is typically advertised on the camera, replacing the manufacturer's name. Premium cameras are also purchased by incentive/award catalog merchandisers and sold through corporate gift incentive programs to reward qualifying employees. These types of purchases may retain the camera producer's name on the camera.

Cameras represent a * * * part of the premium suppliers' business. Premium merchandisers reported that the premium market for cameras is becoming saturated. The appeal of a premium item is in the public's perception that the item has value and is desirable. If everyone has the item, it loses its appeal. Premium merchandisers also indicate that, as in the retail camera market, premium cameras are shifting from 110 cameras to 35mm cameras. This shift has been influenced by the combination of the reduced cost of the lower-priced 35mm cameras and the public's perception of greater value satisfaction derived from 35mm photographs over 110 photographs.

Marketing practices.--During the period of investigation, U.S. manufacturers and importers of the subject cameras have concentrated on accentuating and adding different features to the camera, repackaging the camera, and increasing brand-name awareness to increase sales or maintain the price structure of their cameras.

Price points characterize the retail camera market. Although the price points move at roughly $5 or $10 increments up the retail price ladder, not all stores carry cameras matching every price point, nor do manufacturers produce cameras at each of these price points. Manufacturers attempt to create a product line of cameras that complement each other at designated price points. Some retailers prefer suppliers that can provide a complete product line to meet targeted price points.

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[91] For a more detailed discussion of retailers' price points for cameras and manufacturers' marketing considerations, see the section of this report entitled "Marketing practices."

For the lower price points, retailers focus greater attention on price at the expense of product quality, thereby increasing the price competition for camera sales at these levels. * * *.

The period of investigation has also been characterized by the introduction of many new camera models by both U.S. producers and importers. These new models may include only a slight variation or improvement to the original model, e.g., a better design or a flash, or may include significant changes to the camera, e.g., an auto-focus feature replacing a fixed-focus feature. However, some new models use the same base camera with a different shell. These camera models may be offered in different colors or be marketed as designer cameras.

The proliferation of new models is an effort by manufacturers to further differentiate their products and to respond to consumer demand for specific features on cameras. A consumer survey of photographic products in 1988 identified the features that consumers desire most in their next still camera purchase (figure 5).[92] Three features, automatic flash, auto focus, and automatic film advance, were cited by more than 50 percent of the reporting households who were planning to purchase a still camera in the near future. Results of similar surveys encourage manufacturers to introduce new camera models containing these features.

The packaging of the camera is also an important marketing tool of camera manufacturers. Typically, the lower-priced cameras are packaged with film, batteries, and/or a carrying case and sold as a camera kit for the end user. The manufacturer uses the appeal of the complete kit to increase the price of the overall package.

The name recognition and reputation of the manufacturer as a quality producer affects the price and subsequent sale of its cameras. Companies with reputations of producing quality cameras receive higher prices for their models. Industry sources reported that Japanese camera manufacturers such as Pentax, Olympus, and Canon enjoy this reputation of being high quality producers even though the cameras may not be produced in Japan. * * *. * * *.[93]

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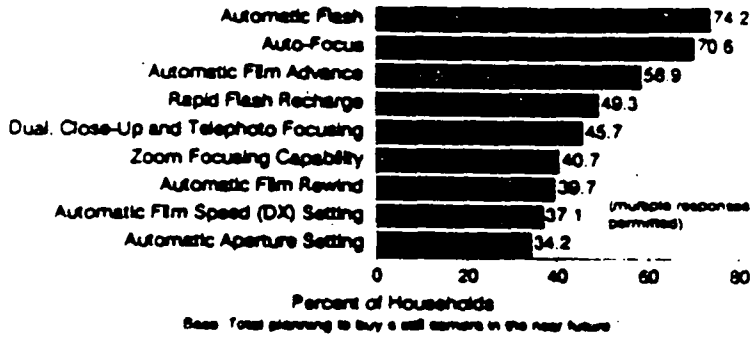
[92] 1988 Consumer Photographic Survey, Photo Marketing Association International.

[93] * * *.

Figure 5.--Essential features next still camera must have



Source: 1988 Consumer Photographic Survey, Photo Marketing Association International.

Reasons for choosing newest household still camera.--In a 1988 consumer survey of photographic products, households identified the factors influencing the purchase of their most recent camera (figure 6).[94] Ease of operation was identified as the major reason for purchasing non-SLR cameras, whereas picture quality was cited first for SLR cameras. The price of the camera was rated as a more important factor by those households that purchased the non-SLR camera than for the SLR camera. For cameras subject to the investigation, factors such as the ease of operation and picture quality were rated higher by households that purchased non-SLR 35mm cameras than by those that purchased 110 cameras. The low price of the 110 camera was rated as a more important factor by households that selected this camera than by households that purchased the non-SLR 35mm camera.

[94] 1988 Consumer Photographic Survey, Photo Marketing Association International.

Figure 6.--Reasons for choosing newest household still camera, by top six camera choices

1 35mm SLR AUTO-FOCUS

Influencing Factor	Camera Rating
Picture Quality	6.36
Ease of Operation	6.22
Rugged,Durable Construction	5.21
Versatility	5.04
Convenient Size	4.75
Technological Sophistication	4.47
Brand Name	4.19
Low Price	4.09
Cost of Film Used	2.99
Fashionable Appearance	2.84

2 110 CAMERA

Influencing Factor	Camera Rating
Ease of Operation	5.80
Picture Quality	5.55
Convenient Size	5.19
Rugged,Durable Construction	4.99
Low Price	4.96
Cost of Film Used	4.29
Versatility	4.06
Brand Name	3.50
Technological Sophistication	2.98
Fashionable Appearance	2.62

3 DISC CAMERA

Influencing Factor	Camera Rating
Ease of Operation	6.17
Picture Quality	5.92
Convenient Size	5.47
Rugged,Durable Construction	5.32
Low Price	4.91
Versatility	4.54
Cost of Film Used	4.46
Brand Name	4.33
Technological Sophistication	3.33
Fashionable Appearance	2.77

4 35mm COMPACT NON-SLR

Influencing Factor	Camera Rating
Ease of Operation	6.12
Picture Quality	6.06
Convenient Size	5.16
Rugged,Durable Construction	4.98
Versatility	4.96
Low Price	4.27
Technological Sophistication	3.62
Brand Name	3.61
Cost of Film Used	2.97
Fashionable Appearance	2.37

5 35mm SLR MANUAL

Influencing Factor	Camera Rating
Picture Quality	6.29
Rugged,Durable Construction	5.31
Ease of Operation	4.92
Versatility	4.79
Low Price	4.19
Convenient Size	3.93
Brand Name	3.86
Technological Sophistication	3.69
Cost of Film Used	3.01
Fashionable Appearance	2.31

6 35mm SLR PROGRAMMABLE

Influencing Factor	Camera Rating
Picture Quality	6.53
Versatility	5.61
Ease of Operation	5.45
Rugged,Durable Construction	5.31
Technological Sophistication	4.64
Brand Name	4.41
Convenient Size	4.02
Low Price	3.69
Cost of Film Used	2.66
Fashionable Appearance	2.64

Source: 1988 Consumer Photographic Survey, Photo Marketing Association International.

Areas of competition.--During the current investigation, importers have argued that the petitioner, Keystone, produces only a small range of camera products targeted to the low-price, discount, mass merchant channel, and does not compete with either imported premium cameras or more expensive, multi-featured cameras. Premium importers generally market the least expensive, stripped down camera for their accounts, i.e., the 110 or non-SLR 35mm cameras without simple features such as a built-in electronic flash. * * *. Keystone's least expensive U.S.-produced 110 and 35mm cameras include the built-in flash attachment.

Premium importers have also argued that Keystone targets the mass merchant market with its cameras, and not the premium market. Keystone reported in its questionnaire response that it sells approximately *** percent of its cameras to the mass merchant retail market and *** percent to the premium market.[95] Approximately *** percent of Keystone's sales in the premium market are * * *. Most of the camera sales by importers who sell primarily in the premium market are private-label cameras.

[95] * * *.

Importers of higher-priced subject cameras have argued that Keystone competes only in the lower-price range of the retail market. Retail prices for the cameras under investigation range from $5 for a single-use camera to over $450 for an imported non-SLR 35mm camera with a zoom lens. In its questionnaire response, Keystone reported that it sells cameras with suggested retail list prices of up to $***.[96] Keystone, however, argued at the hearing that because of the impact of brand names in this market, absolute prices are not necessarily indicative of competition; rather, "relative" prices are important. The consumer must determine whether a brand name or additional features are worth a higher price.[97]

The Commission requested information from importers concerning camera models and features that have no direct domestic competition. Importers reported that camera models such as keychain or subminiature cameras are not produced in the United States. The various camera features that are not available on U.S.-produced cameras include zoom lenses, quartz date, remote control, self timers, message printing, electronic shutter, large scale integrated circuits, and higher quality glass and lenses.[98]

Questionnaire price data.--Producers and importers of certain cameras were requested to provide quarterly price data from January 1985 through March 1990 for two types of conventional 110 cameras, four types of conventional 35mm cameras, one type of single-use camera, and for their largest selling camera model if not reported elsewhere in the seven specified product categories. U.S. producers and importers were also requested to report prices separately for each camera model if more than one model met the specifications in any of the product categories. Respondents were requested to provide complete specifications, including a list of features, for each camera model reported. Finally, U.S. producers and importers were requested to report the total quarterly shipments and the total value of their largest selling disc camera model and instant print camera model.

The products were selected in order to represent the major categories of cameras covered under this investigation. The specified eight camera products for which price data were requested are listed below:

Product 1: Manual conventional 110 camera with built-in electronic flash.

Product 2: Manual conventional 110 camera with telephoto capability and built-in electronic flash.

Product 3: Manual conventional fixed-focus 35mm camera with built-in electronic flash.

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[96] In general, cameras are significantly discounted below manufacturers' suggested list prices. During the hearing, Victor Chernick, vice chairman for Keystone Camera Corp., presented Keystone camera models ranging up to $49.95. TR, pp. 39-45.

[97] TR, p. 128.

[98] * * *.

Product 4: Motorized auto-wind and/or rewind conventional fixed-focus 35mm camera with built-in electronic flash.

Product 5: Motorized auto-wind and/or rewind conventional auto-focus 35mm camera with built-in electronic flash.

Product 6: Motorized auto-wind and/or rewind conventional 35mm camera with telephoto capability and built-in electronic flash.

Product 7: Largest selling single-use 35mm camera model.

Product 8: Largest selling conventional or single-use 110 or 35mm camera if not among those listed in products 1-7.

Two U.S. producers and 43 U.S. importers reported price data in the investigation, although not for all periods or for every product requested.[99] The responding U.S. producers accounted for 100 percent of total reported domestic shipments of certain cameras in 1989. The responding U.S. importers accounted for over 80 percent of total U.S. imports of certain cameras in 1989, based on quantity, and over 90 percent based on value.

A number of importers had difficulty responding to some of the price questions because of the character of their operations. Some firms import cameras to use as promotional items or as giveaways; this is especially true for low-cost cameras. For these companies, cameras represent a * * * portion of their sales. Moreover, some importers were not able to provide separate pricing for each camera model that matched the specified product category or they only had sales of comparable camera models in a few quarters and no price trend could be developed.

During the period of investigation, many camera models were introduced into the U.S. camera market. Within the product categories specified, * * * reported selling multiple camera models within each product category.[100] For example, * * *. In total, prices for over 230 different camera models were reported to the Commission.

The various models that were reported in the camera product categories differed in their features, quality, and price. Additional features or better quality parts were incorporated into the basic camera and a higher price was charged. As shown in the tabulation below, the range of prices for importers' camera models within all seven product categories was significantly larger than that for U.S.-produced camera models. This is a result of the multiple camera models reported by U.S. importers.

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[99] * * *.

[100] This occurred more often with U.S. importers.

	U.S. producers' average price range	Importers' average price range
Product 1.....	***	***
Product 2.....	***	***
Product 3.....	***	***
Product 4.....	***	***
Product 5.....	***	***
Product 6.....	***[1]	***
Product 7.....	***	***

[1] * * *.

The differences between the reported camera models affect the comparisons of specific models and of U.S.-produced and imported models. In addition, camera models were introduced, discontinued, or changed during the period of investigation, causing further comparability problems and reducing the number of observations in each price series.[101]

Aggregate pricing trends.--Average unit value pricing information is presented for both U.S. and imported camera models sold in the U.S. market during January 1985-March 1990 (tables 54-61).[102] The lowest and highest unit values for the specific cameras and the number of models for which pricing data were reported are also shown.[103] The average unit values for both U.S. producers' and importers' prices have been graphed to show relative price movements (figures 7-13).[104]

Prices of both U.S.-produced and imported cameras showed mixed trends during the period of investigation. Prices for most U.S. and imported camera products fluctuated, but prices for some camera products increased while prices for others steadily decreased. For 35mm camera products 3 and 4, * * *. There were more imported than domestic camera models reported within the product categories, and the ranges of unit values for the imported product were much greater than those for the domestic product. More often than not, * * *.

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[101] Discontinued models are often sold at bargain prices to empty inventory.

[102] Pricing for some of the cameras reported included batteries and film. This occurred more frequently for the lower-priced camera models.

[103] Average unit value information on a model basis is only presented for single-use camera product 7 and non-"certain" disc and instant-print cameras. The unit values for the non-"certain" cameras are indexed to show relative price movements.

[104] Pricing information for selected models in product categories 1 through 6 are presented in app. J. This information presents a better picture of specific competition between the domestic and imported product by showing only camera models that had large sales over a period of time and that were within a relevant price differential with the domestic product. However, these data do not show the impact of price competition from new models in the market.

110 cameras.--Prices for U.S.-assembled 110 cameras fluctuated for * * * during 1985-88 (tables 54 and 55, figures 7 and 8). Prices * * * for product 1 * * *, whereas prices * * * for product 2 during the same time period. * * *.

Prices for imported 110 products * * * (tables 54 and 55, figures 7 and 8). Overall, prices * * *.

The difference between the camera model with the lowest unit value and that with the highest unit value ranged up to $*** for U.S.-assembled product 1,[105] whereas the difference ranged up to $*** for imported product 1 and up to $*** for imported product 2.[106]

35mm cameras.--Prices for the four U.S.-assembled 35mm camera products exhibited different trends (tables 56-59, figures 9-12). Prices for product 3 * * *. Prices for product 4 * * *. Prices for product 5 * * *. * * *. Prices for product 6 * * *.

Prices for all four imported 35mm camera products fluctuated during the period of investigation, although prices * * * (tables 56-59, figures 9-12). Overall, prices * * *. Camera prices for product * * *. Prices for product * * *.

The difference between the camera model with the lowest unit value and that with the highest unit value ranged up to $*** for U.S.-assembled * * *, whereas the difference ranged up to $*** for imported * * *.[107]

Single-use cameras.--Prices for U.S.-produced product 7 * * * (table 60, figure 13). * * *.

Prices for the comparable imported single-use product 7 * * * (table 60, figure 13). * * *. * * *.

Prices for the imported single-use product 7 * * *.

Other cameras.--U.S. producers' prices for other cameras also showed mixed results (table 61). Prices * * * for Polaroid's instant-print cameras and * * * disc camera model, but * * *.[108] * * *.

U.S. importers' prices for disc cameras * * *.[109]

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[105] * * *.
[106] * * *.
[107] * * *.
[108] * * *.
[109] * * *.

Table 54
Certain cameras: Average unit value, lowest unit value, highest unit value, and number of models reported of U.S.-assembled and of imported camera product 1,[1] by quarters, January 1985-March 1990

Period	U.S.-assembled[2]			Foreign-assembled		
	Average	Low-high	Total models	Average	Low-high[3]	Total models
1985:						
Jan.-Mar.	$***	$***	***	$***	$***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1986:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1987:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1988:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1989:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1990:						
Jan.-Mar.	***	***	***	***	***	***

[1] Manual conventional 110 camera with built-in electronic flash.
[2] * * *.
[3] * * *.

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

Table 55
Certain cameras: Average unit value, lowest unit value, highest unit value, and number of models reported of U.S.-assembled and of imported camera product 2,[1] by quarters, January 1985-March 1990

Period	U.S.-assembled[2]			Foreign-assembled		
	Average	Low-high	Total models	Average	Low-high	Total models
1985:						
Jan.-Mar.	$***	$***	***	$***	$***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1986:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1987:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1988:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1989:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1990:						
Jan.-Mar.	***	***	***	***	***	***

[1] Manual conventional 110 camera with telephoto capability and built-in electronic flash.
[2] * * *.

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

Table 56
Certain cameras: Average unit value, lowest unit value, highest unit value, and number of models reported of U.S.-assembled and of imported camera product 3,[1] by quarters, January 1985-March 1990

Period	U.S.-assembled[2]			Foreign-assembled		
	Average	Low-high	Total models	Average	Low-high	Total models
1985:						
Jan.-Mar.	$***	$***	***	$***	$***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1986:						
Jan.-Mar.	***	***	***	27.48	***	7
Apr.-Jun.	***	***	***	23.51	***	8
July-Sept.	***	***	***	20.78	***	9
Oct.-Dec.	***	***	***	19.42	***	10
1987:						
Jan.-Mar.	***	***	***	19.97	***	10
Apr.-Jun.	***	***	***	20.56	***	10
July-Sept.	***	***	***	23.65	***	13
Oct.-Dec.	***	***	***	23.25	***	15
1988:						
Jan.-Mar.	***	***	***	21.07	***	15
Apr.-Jun.	***	***	***	22.27	***	15
July-Sept.	***	***	***	17.82	***	18
Oct.-Dec.	***	***	***	18.96	***	18
1989:						
Jan.-Mar.	***	***	***	16.16	***	16
Apr.-Jun.	***	***	***	16.37	***	18
July-Sept.	***	***	***	15.49	***	18
Oct.-Dec.	***	***	***	19.04	***	18
1990:						
Jan.-Mar.	***	***	***	15.98	***	16

[1] Manual conventional fixed-focus 35mm camera with built-in electronic flash.
[2] * * *.

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

Table 57
Certain cameras: Average unit value, lowest unit value, highest unit value, and number of models reported of U.S.-assembled and of imported camera product 4,[1] by quarters, January 1985-March 1990

Period	U.S.-assembled[2]			Foreign-assembled		
	Average	Low-high	Total models	Average	Low-high	Total models
1985:						
Jan.-Mar.	$***	$***	***	$***	$***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1986:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	64.46	***	10
1987:						
Jan.-Mar.	***	***	***	50.93	***	16
Apr.-Jun.	***	***	***	52.19	***	15
July-Sept.	***	***	***	51.16	***	19
Oct.-Dec.	***	***	***	50.88	***	19
1988:						
Jan.-Mar.	***	***	***	48.54	***	19
Apr.-Jun.	***	***	***	53.44	***	21
July-Sept.	***	***	***	51.92	***	24
Oct.-Dec.	***	***	***	49.81	***	28
1989:						
Jan.-Mar.	***	***	***	46.87	***	26
Apr.-Jun.	***	***	***	47.81	***	30
July-Sept.	***	***	***	40.82	***	35
Oct.-Dec.	***	***	***	42.17	***	32
1990:						
Jan.-Mar.	***	***	***	40.96	***	29

[1] Motorized auto-wind and/or rewind conventional fixed-focus 35mm camera with built-in electronic flash.
[2] * * *.

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

Table 58
Certain cameras: Average unit value, lowest unit value, highest unit value, and number of models reported of U.S.-assembled and of imported camera product 5,[1] by quarters, January 1985-March 1990

Period	U.S.-assembled[2]			Foreign-assembled		
	Average	Low-high	Total models	Average	Low-high	Total models
1985:						
Jan.-Mar.	$***	$***	***	$113.98	$***	16
Apr.-Jun.	***	***	***	109.54	***	19
July-Sept.	***	***	***	108.56	***	21
Oct.-Dec.	***	***	***	108.50	***	21
1986:						
Jan.-Mar.	***	***	***	108.69	***	26
Apr.-Jun.	***	***	***	115.92	***	28
July-Sept.	***	***	***	115.38	***	30
Oct.-Dec.	***	***	***	115.21	***	30
1987:						
Jan.-Mar.	***	***	***	112.47	***	33
Apr.-Jun.	***	***	***	106.72	***	34
July-Sept.	***	***	***	106.15	***	33
Oct.-Dec.	***	***	***	101.92	***	33
1988:						
Jan.-Mar.	***	***	***	94.22	***	33
Apr.-Jun.	***	***	***	90.38	***	30
July-Sept.	***	***	***	98.13	***	27
Oct.-Dec.	***	***	***	91.04	***	31
1989:						
Jan.-Mar.	***	***	***	94.30	***	29
Apr.-Jun.	***	***	***	85.13	***	35
July-Sept.	***	***	***	82.36	***	38
Oct.-Dec.	***	***	***	76.03	***	38
1990:						
Jan.-Mar.	***	***	***	92.96	***	31

[1] Motorized auto-wind and/or rewind conventional auto-focus 35mm camera with built-in electronic flash.
[2] * * *.

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

Table 59
Certain cameras: Average unit value, lowest unit value, highest unit value, and number of models reported of U.S.-assembled and of imported camera product 6,[1] by quarters, January 1985-March 1990

Period	U.S.-assembled[2]			Foreign-assembled		
	Average	Low-high	Total models	Average	Low-high	Total models
1985:						
Jan.-Mar.	$***	$***	***	$***	$***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1986:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
1987:						
Jan.-Mar.	***	***	***	181.76	***	12
Apr.-Jun.	***	***	***	162.09	***	12
July-Sept.	***	***	***	177.29	***	16
Oct.-Dec.	***	***	***	172.31	***	15
1988:						
Jan.-Mar.	***	***	***	185.97	***	15
Apr.-Jun.	***	***	***	200.87	***	19
July-Sept.	***	***	***	181.12	***	23
Oct.-Dec.	***	***	***	165.72	***	23
1989:						
Jan.-Mar.	***	***	***	170.86	***	26
Apr.-Jun.	***	***	***	159.17	***	29
July-Sept.	***	***	***	190.09	***	37
Oct.-Dec.	***	***	***	175.21	***	35
1990:						
Jan.-Mar.	***	***	***	186.38	***	35

[1] Motorized auto-wind and/or rewind conventional 35mm camera with telephoto capability and built-in electronic flash.
[2] * * *.

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

Table 60
Certain cameras: Average unit values of U.S.-produced and imported camera product 7, by companies, camera models, and quarters, January 1985-March 1990

* * * * * * *

Table 61
Cameras: Indexes of unit values of U.S.-produced and imported disc and U.S.-produced instant-print cameras, by types of camera, companies, camera models, and quarters, January 1985-March 1990

* * * * * * *

Figure 7.--Average unit values for U.S.-assembled and imported 110 camera product 1

* * * * * * *

Figure 8.--Average unit values for U.S.-assembled and imported 110 camera product 2

* * * * * * *

Figure 9.--Average unit values for U.S.-assembled and imported 35mm camera product 3

* * * * * * *

Figure 10.--Average unit values for U.S.-assembled and imported 35mm camera product 4

* * * * * * *

Figure 11.--Average unit values for U.S.-assembled and imported 35mm camera product 5

* * * * * * *

Figure 12.--Average unit values for U.S.-assembled and imported 35mm camera product 6

* * * * * * *

Figure 13.--Average unit values for U.S.-assembled and imported 35mm single-use camera product 7 without built-in electronic flash

* * * * * * *

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that the currencies of the four major countries supplying cameras to the United States fluctuated widely in relation to the U.S. dollar over the period from January-March 1985 through January-March 1990 (table 62).[110] The nominal value of the Mexican currency depreciated by 92.5 percent while the respective values of the Hong Kong, Japanese, and Taiwanese currencies appreciated by 0.1 percent, 74.2 percent, and 50.8 percent. When adjusted for movements in producer price indexes in the United States and the specified countries, the real value of the Mexican currency depreciated by 5.2 percent while the Hong Kong, Japanese, and Taiwanese currencies appreciated by 22.5 percent, 38.2 percent, and 20.5 percent, respectively.[111]

Factors other than imports affecting the domestic industry

During the course of this investigation parties in opposition to the petition raised a number of factors that allegedly are more important than imports in their effect on the domestic industry, including the petitioner's failed video cassette venture, mismanagement that has forced it to rely on unreliable outside suppliers for essential components, overdependence on the disc camera market, and a lack of product variety and design. A discussion of each of these factors follows.

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[110] International Financial Statistics, May 1990.

[111] The above-stated countries combined with China collectively accounted for 52 percent, in terms of quantity, of the cameras imported by the United States in 1989. The value of the currency of China is determined by the Chinese Government rather than the free market. Therefore, meaningful measures of China's exchange rate cannot be presented.

Table 62
Exchange rates:[1] Indexes of nominal and real exchange rates of selected currencies, and indexes of producer prices in specified countries,[2] by quarters, January 1985-March 1990

Period	U.S. producer price index	Hong Kong			Japan			Mexico			Taiwan		
		Producer price index	Nominal exchange rate index	Real exchange rate index[3]	Producer price index	Nominal exchange rate index	Real exchange rate index[3]	Producer price index	Nominal exchange rate index	Real exchange rate index[3]	Producer price index	Nominal exchange rate index	Real exchange rate index[3]
1985:													
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	100.1	100.1	100.3	100.3	98.8	102.8	101.5	111.8	91.8	102.5	99.2	98.8	98.0
July-Sept..	99.4	101.7	100.2	102.6	97.5	108.0	105.9	121.1	73.0	88.9	98.6	97.5	96.7
Oct.-Dec...	100.0	102.0	100.0	102.1	94.7	124.4	117.9	137.6	60.1	82.8	98.0	98.3	96.4
1986:													
Jan.-Mar...	98.5	102.8	99.9	104.3	92.8	137.2	129.2	167.4	47.3	80.5	96.4	100.2	98.0
Apr.-June..	96.7	104.1	100.0	107.7	89.3	151.5	139.9	194.0	38.4	77.1	96.2	102.5	101.9
July-Sept..	96.2	105.0	100.0	109.1	87.0	165.4	149.6	237.2	30.1	74.3	95.3	105.1	104.1
Oct.-Dec...	96.6	105.9	100.1	109.7	86.1	160.8	143.3	287.9	24.0	71.5	94.7	108.3	106.1
1987:													
Jan.-Mar...	97.7	107.1	100.2	109.8	85.5	168.2	147.3	347.8	19.6	69.6	93.7	112.5	107.9
Apr.-June..	99.3	109.4	100.0	110.1	84.8	180.6	154.3	449.1	16.2	73.0	93.0	121.3	113.6
July-Sept..	100.4	110.7	99.9	110.2	85.9	175.4	150.1	574.7	13.7	78.6	92.2	129.0	118.5
Oct.-Dec...	100.8	112.7	100.1	111.9	85.6	189.8	161.2	717.4	11.2	80.0	91.2	133.1	120.4
1988:													
Jan.-Mar...	101.4	114.3	101.1	114.0	84.7	201.3	168.1	1,000.8	8.9	88.0	89.9	137.4	121.8
Apr.-June..	103.2	117.1	99.9	113.4	84.4	205.1	167.7	1,079.5	8.8	92.0	91.0	137.2	121.1
July-Sept..	104.6	119.4	99.9	114.1	85.1	192.7	156.9	1,119.9	8.8	94.1	92.0	136.8	120.4
Oct.-Sept..	105.1	121.5	99.9	115.5	84.5	205.7	165.3	1,141.2	8.8	95.5	91.9	138.6	121.2
1989:													
Jan.-Mar...	107.4	125.1	100.0	116.5	84.8	200.6	158.5	1,203.5	8.6	96.7	92.1	142.2	121.9
Apr.-June..	109.2	128.7	100.2	118.2	87.1	186.6	148.9	1,243.1	8.3	94.5	91.7	149.7	125.7
July-Sept..	108.8	131.3	100.0	120.6	87.8	181.1	146.1	1,271.9	8.0	93.5	90.1	152.7	126.5
Oct.-Sept..	109.2	133.2	99.9	121.9	87.6	180.1	144.5	1,320.4	7.7	93.3	89.2	151.4	123.7
1990:													
Jan.-Mar..	110.9	135.8[4]	100.1	122.5[4]	88.0	174.2	138.2	1,394.6[5]	7.5[5]	94.8[5]	88.7[6]	150.8[6]	120.5[6]

[1] Exchange rates expressed in U.S. dollars per unit of foreign currency.
[2] Producer price indexes--intended to measure final product prices--are based on period-average quarterly indexes presented in line 63 of the International Financial Statistics.
[3] The real exchange rate is derived from the nominal rate adjusted for relative movements in producer prices in the United States and the specified country.
[4] Derived from Hong Kong price data reported for January-February only.
[5] Derived from Mexican exchange rate and price data reported for January only.
[6] Derived from Taiwan exchange rate and price data reported for January only.

Note.--January-March 1985 = 100.

Source: International Monetary Fund, International Financial Statistics, May 1990.

Keystone has been seriously injured by mismanagement and ill-fated investment decisions.--Counsel for Haking has cited public statements of Keystone's current Chairman of the Board and CEO describing the poor state of affairs that existed prior to January 1989, and included (1) production shortfalls, (2) a lack of new camera designs, (3) excessive corporate waste and high costs, (4) low morale among the sales force, (5) poor relations with customers, and (6) rising executive salaries as company conditions worsen.[112]

Deterioration in Keystone's financial condition due to unprofitable ventures.--Opposing parties have noted (1) a $24 million loss due to failure of its videotape venture, (2) a $5.9 million cost attributable to efforts in 1986-87 to replace its budget camera strategy with a brand name strategy, (3) $4.2 million in executive severance pay and stock purchase debt forgiveness, and (4) $2 million in disc camera shutdown costs.[113]

Counsel for Keystone argues that the vast majority of the videotape loss was borne by the stockholders of the parent company as reflected by the reduced 1989 purchase price of the company, and that interest expenses have been virtually the same over the seven-year period since 1983 so that there is no evidence of an extraordinary debt burden on Keystone.[114]

Keystone has ignored market trends.--Parties in opposition to Keystone's petition cite the company's emphasis on 110 and disc cameras when demand for such cameras has been decreasing. Counsel for Keystone argues that the demand for 110 cameras has been very strong, as evidenced by Kodak's importation of increased quantities of such cameras from Mexico in 1988.[115] Counsel further argues that Keystone's exit from the disc market was well thought out, efficient, and cost effective.[116]

Breakdown in supplier relationships.--In September 1988, Keystone entered into a contractual arrangement with Mitsubishi International Corporation, under which Mitsubishi became Keystone's exclusive importer of camera parts. In December 1989, Mitsubishi filed a complaint against Keystone for having breached the agreement. Keystone counterclaimed asserting that as a result of Mitsubishi's cutoff of shipments of parts, "Keystone was forced to (1) shut down its assembly line because of the unavailability of parts and components, (2) make direct arrangements with suppliers of parts and components, on less favorable terms, to continue the flow of components to Keystone, and (3) incur costs, including the cost of obtaining financing to pay for the purchase of parts and components from suppliers."[117]

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[112] Haking prehearing brief, p. 5, and exh. 1.
[113] JCIA prehearing brief, pp. 54-55.
[114] Keystone's posthearing brief, pp. 30-31.
[115] Keystone's posthearing brief, pp. 32-33.
[116] Keystone's posthearing brief, p. 41.
[117] Haking prehearing brief, pp. 9-10.

In its questionnaire to U.S. producers, the Commission asked the firms whether they suffered injury from factors other than imports of "certain" cameras.[118] If so, they were then asked to rate a list of factors according to the relative importance of their cause of injury, using a scale from 1 to 10, with 10 being most important and 1 being least important. The following are comments provided by Keystone in its questionnaire response:

Litigation resulting in disruption of supplies of components and parts.--

* * * * * * *

Costs of imported components and parts, raw materials, and labor costs.--

* * * * * * *

Relative quality deficiencies.--

* * * * * * *

Production problems such as long lead times on deliveries, or inability to provide necessary levels of service.--

* * * * * * *

Unsuccessful/discontinued camera ventures; e.g., disc cameras.--

* * * * * * *

Unsuccessful/discontinued non-camera ventures.--

* * * * * * *

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[118] In response to the question "Has your firm suffered injury from imports of "certain" cameras?", Keystone responded "* * *" and Kodak responded "* * *."

Imports of "other" cameras.--

* * * * * * *

The following were comments reported by Kodak concerning factors that it believed caused injury to the U.S. industry:

* * * * * * *

U.S. producers' efforts to compete with imports

Through its questionnaires, the Commission requested that U.S. producers describe any efforts of certain specified types which were made by individual firms and/or workers since 1985 to compete more effectively. The following information was provided in Keystone's questionnaire response:[119]

* * * * * * *

The following information was provided by Kodak to describe its efforts to compete:

* * * * * * *

[119] In addition, on July 5, 1990, petitioner submitted a formal, fully detailed adjustment plan outlining future efforts to become competitive.

APPENDIX A

THE COMMISSION'S FEDERAL REGISTER NOTICE

[Investigation No. TA-201-62]

Import Investigation; Certain Cameras

AGENCY: United States International Trade Commission.

ACTION: Institution of an investigation under section 202 of the Trade Act of 1974 (19 U.S.C. 2252) (the act) and scheduling of public hearings to be held in connection with the investigation.

SUMMARY: Following receipt of a petition filed on March 29, 1990, by the Keystone Camera Company, Clifton, NJ, the United States International Trade Commission instituted investigation No. TA-201-62 under section 202 of the Trade Act of 1974 to determine whether certain cameras,[1] provided for in subheadings 9006.52.10 and 9006.53.00 of the Harmonized Tariff Schedule of the United States (previously provided for under items 722.08, 722.11, and 722.16 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 an article like or directly competitive with the imported article. The petition alleges that critical circumstances exist within the meaning of section 203(b)(3)(B) and seeks provisional relief. The Commission will make its injury and critical circumstances determinations (assuming the latter is necessary) in this investigation by July 27, 1990 (see section 202(b)(2) of the act (19 U.S.C. 2252(b)(2))).

For futher information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 206, subparts A and B (19 CFR part 206), and part 201, subparts A through E (19 CFR part 201).

EFFECTIVE DATE: March 29, 1990.

FOR FURTHER INFORMATION CONTACT: Diane J. Mazur (202-252-1184), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

SUPPLEMENTARY INFORMATION:

Participation in the investigation: Persons wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than twenty-one (21) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

[1] The imported articles covered by this investigation include two categories of photographic (other than cinematographic) cameras for roll film: all fixed-focus, hand-held, 110 cameras (subheading 9006.52.10); and all hand-held, 35mm cameras other than single-lens-reflex ("SLR") cameras (subheading 9006.53.00).

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

Public hearings on injury and remedy. The Commission has scheduled separate public hearings in connection with the injury and remedy phases of the investigation. The hearing on injury will be held beginning at 9:30 a.m. on June 20, 1990, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on June 8, 1990. All persons desiring to appear at the hearing and make oral presentations, with the exception of public officials and persons not represented by counsel, should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on June 12, 1990, at the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is June 13, 1990. Posthearing briefs must be submitted not later than the close of business on June 27, 1990. Confidential material should be filed in accordance with the procedures described below.

In the event that the Commission makes an affirmative injury determinations or is equally divided on the question of injury in this investigation, a hearing on the question of remedy will be held on August 14, 1990. Prehearing remedy briefs will be due to the Secretary no later than the close of business on August 7, 1990, and posthearing remedy briefs will be due no later than the close of business on August 21, 1990; all briefs must conform with the requirements of § 201.6 of the Commission's rules.

Parties are encouraged to limit their testimony at the hearings to a nonbusiness confidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearings must be filed in accordance with the procedures described below and any confidential business information must be submitted at least three (3) working days prior to the hearings (see § 201.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2))).

Written Submissions. As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information with respect to injury, critical circumstances, and provisional relief on or before June 27, 1990. If the Commission makes an affirmative injury determination or is equally divided on the question of injury, then any written submissions on remedy, including any commitments pursuant to 19 U.S.C. 2252(a)(6)(B), must be filed on or before August 21, 1990. A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business information will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Submissions containing confidential business information and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

Critical circumstances. Persons wishing to submit views on the issues of critical circumstances and provisional relief should submit them during the injury phase of the investigation and/or in conjunction with the Commission's public hearing on injury.

Authority: This investigation is being conducted under the authority of section 202 of the Trade Act of 1974. This notice is published pursuant to §§ 201.10 and 206.3 of the Commission's rules (19 CFR 201.10, 206.3)

By order of the Commission.
Issued: April 10, 1990.

Kenneth R. Mason,
Secretary.

[FR Doc. 90-8971 Filed 14-17-90; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

LIST OF WITNESSES

CALENDAR OF PUBLIC HEARING

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

Subject	:	CERTAIN CAMERAS
Inv. No.	:	TA-201-62
Date and Time	:	June 20, 1990 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main Hearing Room 101, United States International Trade Commission, 500 E Street, S.W., in Washington, D.C.

IN SUPPORT OF THE PETITION:

Frederick L. Ikenson, P.C.
Washington, D.C.
On behalf of

Keystone Camera Corporation

Victor M. Chernick, Vice Chairman, Keystone Camera Corporation, Clifton, New Jersey

Myron J. Berman, Chairman and Chief Executive Officer, Keystone Camera Corporation, Clifton, New Jersey

George Erfurt, Vice President -- National Accounts, Keystone Camera Corporation, Clifton, New Jersey

Michael D. Bradley, Associate Professor, Department of Economics, The George Washington University, Washington, D.C.

-more-

IN SUPPORT OF THE PETITION CONT'D:

Keystone Camera Corporation (Cont'd)

Kevin W. Nolan, Business Agent, Local 210, International Brotherhood of Teamsters, Chaufferurs Warehousmen and Helpers of America, AFL-CIO, New York, New York

Ray J. Fiant, President, Keystone Corporation

Richard S. Rosenfeld, Vice President, Keystone Corporation

Frederick L. Ikenson
J. Eric Nissley
--OF COUNSEL

IN OPPOSITION TO THE PETITION:

PANEL 1

U.S. PRODUCERS:

Clifford & Warnke
Washington, D.C.
On behalf of

Eastman Kodak Company (Kodak)

William J. Janawitz, Manager, Worldwide Strategic Planning Unit Photographic Equipment, Consumer Imaging Division Eastman Kodak Company

Gregory B. Foust, Program Manager of Consumer Photographic Equipment, Consumer Imaging Division, Eastman Kodak Company

Andrew R. Wechsler, Senior Economist, Economists Incorporated

-more-

IN OPPOSITION TO THE PETITION CONT'D:

PANEL 1

U.S. PRODUCERS:

John F. Kovin
James C. Duff
Kathryn A. Kusske
Dennis A. Tosh
--OF COUNSEL

PANEL 2

JAPANESE PRODUCERS:

Willkie Farr & Gallagher
Washington, D.C.
On behalf of

Japan Camera Industry Association (JCIA)

Members:

Manufacturers/Exporters	Importers
Asahi Optical Co., Ltd.	Pentax Corp.
Canon Inc.	Canon U.S.A., Inc.
Chinon Industries Inc.	Chinon America Inc.
Fuji Photo Film Co. Ltd.	Fuji Photo Film U.S.A., Inc.
Fuji Photo Film Co. Ltd.	Konica U.S.A., Inc.
Konica Corp.	Yashica, Inc.
Kyocera Corp.	Minolta Corp.
Minolta Camera Co., Ltd.	Nikon Inc.
Nikon Corp.	Olympus Corp.
Minolta Camera Co., Ltd.	Ricoh Corp.
Nikon Corp.	
Olympus Optical Co., Ltd.	
Ricoh Co., Ltd.	
West Electric Co., Ltd.	
Goko Cameria Co., Ltd.	

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JAPANESE PRODUCERS CONT'D:

John Reilly, Economist, on behalf of Japan Camera Industry Association (JCIA)

P. Lance Graef, Economist, on behalf of Taiwan Optical Appliance Manufacturers Association

William H. Barringer
Christopher Dunn
Daniel L. Porter
--OF COUNSEL

Brownstein Zeidman and Schomer
Washington, D.C.
On behalf of

Olympus Corporation, Lake Success, New York

Steven P. Kersner
Donald S. Stein
--OF COUNSEL

Skadden, Arps, Slate, Meagher & Flom
Washington, D.C.
On behalf of

Fuji Photo Film Co., Ltd.

William E. Perry--OF COUNSEL

Whitman & Ransom
New York, NY
On behalf of

Pentax Corporation

Charles H. Bayar--OF COUNSEL

-more-

JAPANESE PRODUCERS CONT'D:

Covington & Burling
Washington, D.C.
On behalf of

Canon, Inc., Tokyo, Japan

Harvey M. Applebaum)
David R. Grace) --OF COUNSEL

Weil, Gotshal & Manges
Washington, D.C.
On behalf of

Minolta Camera Co., Ltd. and
Minolta Corporation

A. Paul Victor)
Jeffrey P. Bialos) --OF COUNSEL

Graham & James
Washington, D.C.
On behalf of

Ricoh Company Ltd. and Taiwan Ricoh
Company Ltd.

Yoshihiro Saito)
Brian E. McGill) --OF COUNSEL

Graham & James
Washington, D.C.
On behalf of

Vivitar Corporation

Lawrence R. Walders)
Jeffrey L. Snyder) --OF COUNSEL

-more-

JAPANESE PRODUCERS CONT'D:

Soller, Singer & Horn
Washington, D.C.
On behalf of

Nikon, Inc.

Raymond E. Sullivan, Jr.--OF COUNSEL

Colamarino and Nagashima
New York, New York

Chinon Industries, Inc. (Chinon)

Leonard J. Colamarino--OF COUNSEL

Dorsey & Whitney
Washington, D.C.
On behalf of

Canon U.S.A., Inc.

Bruce Aitken
Will E. Leonard
Jonathan Hemenway Glazier
--OF COUNSEL

Dorsey & Whitney
Washington, D.C.
On behalf of

The International Electronics Manufacturers and Consumers of America, Inc. (IEMCA)

Bruce Aitken--OF COUNSEL

Willkie, Farr & Gallagher
Washington, D.C.
On behalf of

Taiwan Optical Appliance Manufacturers' Association (The Association)

JAPANESE PRODUCERS CONT'D:

Premiere Camera Taiwan Ltd.
Farsharp Industrial Corporation
Platon Precision Industries Co. Ltd.
Minton Optic Industry Co. Ltd.
Wizen Industry Co. Ltd.

Pan Oriental Industries (Optical Works) Ltd.
Canon, Inc. Taiwan
Toptronic Industrial Co. Ltd.
Taiwan Chinon Co. Ltd.

Asahi Optical Taiwan Co. Ltd.
Taiwan Ricoh Co. Ltd.

John Reilly, Economist, on behalf of
Taiwan Optical Association

P. Lance Graef, Economist, on behalf of
Taiwan Optical Association

Walter J. Spak
William J. Clinton --OF COUNSEL
Vincent Bowen

Dorsey & Whitney
Washington, D.C.
On behalf of

Coalition of American Camera Equipment and
Film Distributors and Consumers (Coalition)

Kalimar, Inc.

Bob Lipsitz, President, Kalimar,
Incorporated

Larry Lipsitz, Vice President, Kalimar
Incorporated

Chidi Chen, Special Legal Consultant,
Dorsey and Whitney

L. Daniel Mullaney--OF COUNSEL

PANEL 3

OTHER FOREIGN PRODUCERS:

Baker & McKenzie
Washington, D.C.
On behalf of

W. Haking Enterprises Ltd. (Haking)

David S. Greenlaw, Executive Vice President and Chief Executive Officer of Haking International Corporation (USA)

Kevin M. O'Brien)
)--OF COUNSEL
Herbert F. Riband)

The Representative for German Industry and Trade (RGIT)
Washington, D.C.
On behalf of

The Federation of German Industries (Bundesverband der Deutschen Industrie (BDI))
(Represents 34 manufacturing associations in FRG, comprising 500 trade and regional associations representing 80,000 private enterprises)

The Association of German Chambers of Industry and Commerce (Deutscher Industrie- und Handelstag (DIHT))
(Represents 69 regional chambers of commerce)

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APPENDIX C

TARIFF NOMENCLATURE

HARMONIZED TARIFF SCHEDULE of the United States (1990)

Annotated for Statistical Reporting Purposes

CHAPTER 90

OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF

XVIII
90-1

Notes

1. This chapter does not cover:

   (a) Articles of a kind used in machines, appliances or for other technical uses, of vulcanized rubber other than hard rubber (heading 4016), of leather or of composition leather (heading 4204) or of textile material (heading 5911);

   (b) Refractory goods of heading 6903; ceramic wares for laboratory, chemical or other technical uses, of heading 6909;

   (c) Glass mirrors, not optically worked, of heading 7009, or mirrors of base metal or of precious metal, not being optical elements (heading 8306 or chapter 71);

   (d) Goods of heading 7007, 7008, 7011, 7014, 7015 or 7017;

   (e) Parts of general use, as defined in note 2 to section XV, of base metal (section XV) or similar goods of plastics (chapter 39);

   (f) Pumps incorporating measuring devices, of heading 8413; weight-operated counting or checking machinery, or separately entered weights for balances (heading 8423); lifting or handling machinery (headings 8425 to 8428); paper or paperboard cutting machines of all kinds (heading 8441); fittings for adjusting work or tools on machine tools, of heading 8466, including fittings with optical devices for reading the scale (for example, "optical" dividing heads) but not those which are in themselves essentially optical instruments (for example, alignment telescopes); calculating machines (heading 8470); valves or other appliances of heading 8481;

   (g) Searchlights or spotlights of a kind used for cycles or motor vehicles (heading 8512); portable electric lamps of heading 8513; cinematographic sound recording, reproducing or re-recording apparatus (heading 8519 or 8520); sound-heads (heading 8522); radar apparatus, radio navigational aid apparatus and radio remote control apparatus (heading 8526); sealed beam lamp units of heading 8539; optical fiber cables of heading 8544;

   (h) Searchlights or spotlights of heading 9405;

   (ij) Articles of chapter 95;

   (k) Capacity measures, which are to be classified according to their constituent material; or

   (l) Spools, reels or similar supports (which are to be classified according to their constituent material, for example, in heading 3923 or section XV).

2. Subject to note 1 above, parts and accessories for machines, apparatus, instruments or articles of this chapter are to be classified according to the following rules:

   (a) Parts and accessories which are goods included in any of the headings of this chapter or of chapter 84, 85 or 91 (other than heading 8485, 8548 or 9033) are in all cases to be classified in their respective headings;

   (b) Other parts and accessories, if suitable for use solely or principally with a particular kind of machine, instrument or apparatus, or with a number of machines, instruments or apparatus of the same heading (including a machine, instrument or apparatus of heading 9010, 9013 or 9031) are to be classified with the machines, instruments or apparatus of that kind;

   (c) All other parts and accessories are to be classified in heading 9033.

3. The provisions of note 4 to section XVI apply also to this chapter.

4. Heading 9005 does not apply to telescopic sights for fitting to arms, periscopic telescopes for fitting to submarines or tanks, or to telescopes for machines, appliances, instruments or apparatus of this chapter or section XVI; such telescopic sights and telescopes are to be classified in heading 9013.

5. Measuring or checking optical instruments, appliances or machines which, but for this note, could be classified both in heading 9013 and in heading 9031 are to be classified in heading 9031.

6. Heading 9032 applies only to:

   (a) Instruments and apparatus for automatically controlling the flow, level, pressure or other variables of liquids or gases, or for automatically controlling temperature, whether or not their operation depends on an electrical phenomenon which varies according to the factor to be automatically controlled; and

   (b) Automatic regulators of electrical quantities, and instruments or apparatus for automatically controlling non-electrical quantities the operation of which depends on an electrical phenomenon varying according to the factor to be controlled.

HARMONIZED TARIFF SCHEDULE of the United States (1990)

Annotated for Statistical Reporting Purposes

Heading/ Subheading	Stat. Suf. & cd		Article Description	Units of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
9006 (con.)			Photographic (other than cinematographic) cameras; photographic flashlight apparatus and flashbulbs other than discharge lamps of heading 8539; parts and accessories thereof (con.):				
			Other cameras:				
9006.51.00			With through-the-lens viewfinder (single lens reflex (SLR)), for roll film of a width not exceeding 35 mm	.....	3%	Free (A,E,IL) 2.4% (CA)	20%
	40	5	For roll film of a width of 35 mm	No.			
	80	6	Other	No.			
9006.52			Other, for roll film of a width less than 35 mm:				
			Fixed focus:				
			Hand held:				
9006.52.10			110 cameras	.....	4%	Free (A,E,IL) 3.2% (CA)	20%
	20	6	With built-in electronic stroboscopic flash	No.			
	40	2	Other	No.			
9006.52.30	00	6	Other	No.	4%	Free (A,E,IL) 3.2% (CA)	20%
9006.52.50	00	1	Other	No.	4%	Free (A,E,IL) 3.2% (CA)	20%
			Other than fixed focus:				
9006.52.60	00	9	Valued not over $10 each	No.	6.8%	Free (A,E,IL) 5.4% (CA)	20%
9006.52.90			Valued over $10 each	.....	3%	Free (A,E,IL) 2.4% (CA)	20%
			Hand-held type:				
			110 cameras:				
	20	9	With built-in electronic stroboscopic flash	No.			
	40	5	Other	No.			
	60	0	Other	No.			
	80	6	Other	No.			
9006.53.00			Other, for roll film of a width of 35 mm	.....	3%	Free (A,E,IL) 2.4% (CA)	20%
	40	3	With built-in electronic stroboscopic flash	No.			
	80	4	Other	No.			
9006.59			Other:				
9006.59.40			Fixed focus	.....	4%	Free (A,E,IL) 3.2% (CA)	20%
	40	9	Disc cameras	No.			
	80	0	Other	No.			
			Other than fixed focus:				
9006.59.60	00	2	Valued not over $10 each	No.	6.8%	Free (A,E,IL) 5.4% (CA)	20%
9006.59.90	00	6	Valued over $10 each	No.	3%	Free (A,E,IL) 2.4% (CA)	20%

APPENDIX D

SUMMARY OF INDUSTRY DATA REGARDING "REPRESENTATIVENESS"

Table D-1
Certain cameras and instant print cameras: U.S. production, U.S.-produced domestic shipments, production and related workers, and shares of total, 1985-89 and January-March 1989-90

* * * * * * *

Table D-2
Certain cameras: Value of Kodak's production-related activities, by sources, 1988, 1989, and January-March 1990

* * * * * * *

Table D-3
Certain cameras: Value of Keystone's production-related activities, by sources, 1988, 1989, and January-March 1990

* * * * * * *

APPENDIX E

INDUSTRY DATA BASED ON KODAK ASSUMPTIONS

◊ Table E-1
Certain cameras: U.S.-produced domestic shipments, U.S. imports, and apparent U.S. consumption, 1985-89 and January-March 1989-90

* * * * * * *

Table E-2
Certain cameras: Channels of distribution, 1985-89 and January-March 1989-90

* * * * * * *

Critical circumstances

The petitioner has alleged that critical circumstances exist. The following tabulation provides recent monthly data on U.S. production and imports (excluding Mexico) of certain cameras:

* * * * * * *

Table E-3
Certain cameras: U.S. capacity, production, and capacity utilization, 1985-89 and January-March 1989-90

* * * * * * *

Table E-4
Certain cameras: U.S. producers' domestic shipments, 1985-89 and January-March 1989-90

* * * * * * *

Table E-5
Certain cameras: U.S. producers' export shipments, 1985-89 and January-March 1989-90

* * * * * * *

Table E-6
Certain cameras: U.S. producers' inventories and ratios to production, 1985-89 and January-March 1989-90

* * * * * * *

Table E-7
Income-and-loss experience of Kodak on its operations producing "certain" 110 cameras, including those assembled in Mexico, 1985-89

* * * * * * *

APPENDIX F

OPERATIONS AND FINANCIAL CONDITION OF KEYSTONE PRODUCTS AND SUBSIDIARIES

Operations and financial condition of Keystone Products and subsidiaries

Keystone Products is the parent company of Keystone and the parent's two foreign subsidiaries of Keystone Camera (Europe), Ltd., and Keystone Camera of Japan, Ltd. Selected operations of the parent are being presented because the foreign net sales represented * * *, the audited financial statements are consolidated, the parent receives equity investment, and the parent incurs major long-term debt. The consolidated income-and-loss data for Keystone Products are presented in table F-1. The balance sheet for Keystone Products is presented in table F-2, and selected financial ratios are presented in table F-3. Many of the ratios * * * those of the U.S. subsidiary; however, the debt and equity ratios are * * *.

Table F-1
Income-and-loss experience of Keystone Products on its consolidated operations, 1985-89

* * * * * * *

Table F-2
Assets, liabilities, and shareholders' equity of Keystone Products on its consolidated operations, as of December 31, 1985-89

* * * * * * *

Table F-3
Selected financial ratios for Keystone Products' consolidated operations as of December 31, 1985-89

* * * * * * *

Financing activities of Keystone Products were reported in the 1989 annual report to shareholders. The U.S. subsidiary is referred to as Keystone and the parent is referred to as the Company.

> "On January 20, 1989, Keystone entered into financing and security agreements ("the Congress Agreements") with Congress Financial Corporation ("Congress") providing for a credit facility of $20,000,000. Funds made available under this facility were used to repay the major portion of Keystone's indebtedness to its prior principal lenders. The $20,000,000 credit facility consists of a $1,000,000 three year term loan bearing interest at the prime rate plus 2.594% per annum and having equal monthly payments of principal throughout the term and the remaining $19,000,000 consists of a revolving credit facility. Borrowings under this facility are based on a formula consisting of up to 75% of eligible accounts receivable, 60% of eligible finished goods inventories and 25% of eligible raw materials and components (with a

provision for reduction with respect to disc camera finished goods inventories after March 1, 1989); provided that Keystone is required to maintain excess availability under the revolving credit line of $1,500,000.

All borrowings under the revolving credit line bear interest at the Philadelphia National Bank prime rate plus 2.594% per annum, are secured by a first lien on substantially all assets of the Company and its subsidiaries and are cross-guaranteed by each of such companies. If an event of default is declared under the Congress Agreements, the interest rate on all borrowings thereunder will increase by 3% per annum. Congress received a $200,000 facility fee and warrants to purchase 200,000 shares of the Company's Common Stock for $2.10 per share on or before January 20, 1994. The Congress Agreements have an initial term of two years which may be extended by Congress for an additional one year term. Thereafter, the Congress Agreements will automatically renew for additional one year terms unless terminated by either party on 60 days notice. In the event the Congress Agreements are terminated during the first three years thereof due to a default by, or at the request of, the Company or its subsidiaries, Congress will be entitled to receive an early termination fee in an amount equal to 3% of the average daily loan balance (which is deemed to be no less than $10,000,000) if terminated during the second year, and 1% of the average daily loan balance if terminated during the third year.

The Congress Agreements contain certain financial covenants and restrictions on corporate actions, including prohibitions on the payment of cash dividends, limitations on the amounts Keystone may remit to the Company and on other intercompany transfers, limitations on certain occupancy costs. As a result of losses, which exceeded the Company's expectations, the Company was in violation of working capital and net worth covenants in the agreement. Congress has waived such violations through April 30, 1990 and has verbally indicated that it will consider such other waivers as may be required from time to time. Since it is probable that the Company will continue to be in violation of the covenants throughout 1990, generally accepted accounting principles require that all debt under the agreement, and certain other long-term obligations, be classified as current liabilities. Accordingly current maturities of long-term debt include $2,068,000 that is classified as current because of the covenant violations. Management expects Congress to continue to waive the violations and, therefore, does not believe such debt will be required to be paid within the next year. It is the Company's belief accordingly that these financial covenant violations will have no effect on the financial condition of the Company or on the Company's ability to continue to maintain its financial and operating viability; however, there can be no assurance as to Congress' future actions.

The funds made available pursuant to the Congress Agreements, together with the $3,500,000 of net proceeds received from the sale of securities ...were used to repay approximately $12,400,000 of indebtedness to Keystone's prior principal lenders. The remaining $3,130,000 of indebtedness owed to such lenders was restructured as two subordinated term loans. These loans were subsequently renegotiated. In connection

with the Keystone acquisition,[1] all of Keystone's real property was sold, effective January 4, 1983, to certain of Keystone's former stockholders, for $2,833,000. Immediately thereafter, Keystone leased back the property for a base rent of $900,000 per year subject to certain escalation clauses. The lease had an initial term of ten years and was extended by Keystone in 1986. Keystone is responsible for all taxes, utilities, and other charges relating to the real estate. This lease has been accounted for as a capital lease. The assets are amortized over the term of the lease. The present value of the base rents at the appropriate interest rates at the time of this transaction exceeded the fair value of the leased assets by $1,644,000. Such amount was accrued as part of the cost of the Keystone acquisition in accordance with Accounting Principles Board Opinion No. 16.

In November 1986, the real property was sold to an unrelated party. As an inducement to the former Keystone shareholders to relinquish their rights to the remaining contingent payments provided for under the acquisition agreement aggregating $6,400,000, Keystone exercised its option to extend the lease for an additional five years. The effect of the exercise of the lease option on the financial statements was to increase the property account by $2,421,000 and to record a capitalized lease liability in the same amount. This amount is the present value of the future lease payments of $1,200,000, $1,275,000, $1,350,000, $1,430,000 and $1,520,000, in years eleven through fifteen, respectively. Keystone acquired[2] an option to buy this property.

Total future minimum lease payments aggregate $9,475,000, including interest of $3,844,000, and are payable at the rate of $900,000 annually through 1992 increasing to $1,200,000 in 1993, $1,275,000 in 1994, $1,350,000 in 1995, $1,430,000 in 1996 and $1,520,000 in 1997. At December 31, 1989 and 1988, accumulated depreciation on the capitalized value of the plant amounted to $2,263,000 and $1,889,000, respectively.

In 1986, a subsidiary of Keystone received a $2,500,000 Urban Development Action Grant for its videocassette business. As part of the video liquidation plan, Keystone has assumed this obligation as modified. Interest payments, due in equal amounts of $38,000 per year, do not begin until 1995. Principal repayments are to be made as follows: 1990-$67,000; 1991-$73,000; 1992-$79,500; 1993-$94,000; 1994-$109,000; 1995-$126,000 increasing $5,000 per year through 1999 with the balance due at December 31, 1999, subject to the right of the Company to negotiate extended repayment terms. Also, payments to a local municipality in lieu of property taxes will be payable as follows: 1990-$108,000; 1991-$102,000; 1992-$96,000; 1993-$81,000; 1994-$67,000; 1995-

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[1] Effective Dec. 31, 1982, the Company acquired all of the outstanding capital stock of Keystone. The total acquisition cost exceeded the fair value by $6,856,000 and is being amortized over 40 years.

[2] Keystone acquired an option, exercisable during the 120-day period commencing Jan. 20, 1989, to purchase the approximately 180,000 square foot main facility currently leased by Keystone, for $8,600,000. The option has been extended to July 9, 1990 and the Company has made deposits of $300,000 which will be forfeited if the facility is not purchased.

$53,000; 1996-$38,000; 1997-$21,000; 1998-$18,000 with a final payment of $5,000 in 1999. The loan is guaranteed by the Company and Keystone. In connection with the discontinuation of the video business, all interest due under this obligation ($1,280,000) has been accrued, and will not have an effect on the Company's future results of operations. The Company is currently negotiating a more favorable payment schedule."

A "$2,000,000 junior subordinated note bears interest at 12.5% per annum. Required principal payments of $166,667 are due in October, November, and December of 1990 with the remaining balance of $1,500,000 due January 31, 1991. The note is collateralized by a pledge of the stock of Keystone, is guaranteed by the Company, and provides that the subsidiary is precluded from further increasing its indebtedness unless Keystone maintains working capital of at least $5,000,000 and provides that the Company may not pay cash dividends while it remains unpaid. This loan has been classified as current as a result of the financial covenant violations...."

"In August, 1989, the Company concluded a $1,000,000 bank line of credit for tooling and general corporate purposes. At December 31, 1989, $780,000 was utilized, with the balance expiring. The loan bears interest at 2% over the prime rate and is collateralized by certain tooling. Required monthly principal payments in the amount of $48,000 are due until the loan is fully paid. The loan contains a net worth requirement with which the Company is not in compliance. The bank has waived such violations to April 30, 1990. Management expects the bank to continue to waive the violations and, therefore, does not believe such debt will be required to be paid within the next year. However, the entire amount of the loan is classified as current in accordance with generally accepted accounting principles."

The aggregate maturities of long-term debt (in thousands of dollars) during each of the five years subsequent to December 31, 1989, are as follows:

1990	$5,211
1991	490
1992	345
1993	717
1994	881

A short term note payable of $3,866,000 as of December 31, 1989, is described in the footnotes to the financial statements as follows:

"During 1989, Key B.H.[3] and its affiliates made unsecured demand loans to the Company for tooling and working capital purposes. The loans bear the same interest rate as charged by Congress Financial Corporation, the Company's senior lender. Interest is not being paid currently and is accruing. As of December 31, 1989, the accrued interest amounted to $206,000.

In connection with these loans, one warrant was issued for each $3.00 of loan principal. The warrants are exercisable at various prices representing the closing sale prices on the American Stock Exchange on the dates of the respective loans. The warrants expire in five years."

The independent auditors' report to the board of directors and shareholders of Keystone Camera Products Corp. for the year ended December 31, 1989 states:

"The accompanying financial statements have been prepared assuming that the Company will continue as a going concern...the Company was in violation of certain covenants of its loan agreements, for which waivers were obtained through April 1990. Management's plans, which it believes will enable the Company to effectively deal with these conditions...[4] If the company is not successful in achieving management's plans, there would be substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty."

---

[3] On Jan. 23, 1989, Key B.H. Associates, L.P., a limited partnership, acquired from the Company, for a net price of $3,500,000, 416,667 shares of a new "1989 Convertible Preferred Stock" and a three year warrant to purchase 1,283,333 units at an initial price of $3.00 per unit (subject to anti-dilution adjustment in certain circumstances). As a result of this transaction and acquisition by Key of other securities of the Company from third parties, Key's beneficial ownership of the outstanding shares of common stock of the Company as of Dec. 31, 1989 was 52.1 percent.

[4] Management made the following statement in the footnotes to the 1989 financial statements: "The Company anticipates a continuing need for additional infusions of capital through the period ending July 1990. It believes that operations will generate sufficient amounts of working capital for the balance of 1990. The Company intends, as it did in 1989, to continue to fund the working capital deficiency from its stockholders and lenders. In this respect, the Company's affiliates, during the period Jan. 25, 1990 through Apr. 10, 1990, advanced directly or made available through personal guarantees, an aggregate of $3,517,000 to the Company. On Mar. 19, 1990, NatWest provided an additional $500,000 to the Company for working capital purposes to an amendment to the loan agreement. The loan is payable in monthly installments of $50,000 commencing Oct. 31, 1990, and bears interest at 2% over the bank's prime rate. In addition, Congress extended overadvances in the aggregate amount of $1,000,000, which is to be repaid by May 21, 1990. The affiliates of Key B.H. have guaranteed the repayment of the NatWest loan. No assurance can be given that such sources will continue to be available or that the Company will be successful in meeting its additional working capital needs."

Cash payments to officers[5] and the percent to sales for the consolidated operations of Keystone Products are presented in the following tabulation:

Item	1985	1986	1987	1988	1989
Cash payments to officers (in thousands of dollars)...	***	***	***	***	***
Cash payments to officers as a percent of sales.....	***	***	***	***	***

[5] * * *.

APPENDIX G

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

The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of certain 35mm cameras and certain 110 cameras on their firms' growth, investment, ability to raise capital, and development and production efforts. Their responses are shown below:

Keystone

* * * * * * *

Kodak

* * * * * * *

Polaroid

* * * * * * *

APPENDIX H

INCENTIVE PROGRAMS FOR CAMERAS

Incentive programs for cameras

Price protection.--* * * generally offer price protection to their customers for unsold inventory following a decline in the supplier's official price. The supplier offers the retailer either cash or a product credit on remaining inventory equal to the difference between the old and new price. The retailer must contact the supplier within a specified timeframe after a new price sheet in order to take advantage of the program. The supplier then reviews the purchaser's inventory and determines the amount due the retailer.

Free goods.--* * * reported instituting programs that offered free goods to purchasers of subject cameras. Typically, a specific percentage of the quantity of the order is given to the purchaser, e.g., 1 percent to 5 percent of the total order in free goods or buy six cameras and get one camera free. These suppliers reported that this program is seldom used and mostly for special promotions only.

Rebates.--* * * offered rebate programs during the period of the investigation. The rebates were based on either a percentage growth in sales or maintenance of an absolute volume by purchasers over a specific time period. For example, * * *. * * *.

Market development funds (MDF).--Market development funds provide additional resources to a customer for market development activities. * * * offered these funds to specific purchasers. * * *. * * *.

Cooperative advertising allowance.--This incentive program is very similar to an MDF in that they both attempt to develop the market area for the supplier. However, the cooperative advertising expense is more easily verifiable. Under this program, suppliers offer to pay a percentage of the retailer's advertising expense for highlighting the supplier's branded product. Typically, proof of this expense must be presented to the supplier for reimbursement. * * *. * * * offer these allowances for up to * * * percent. * * *.

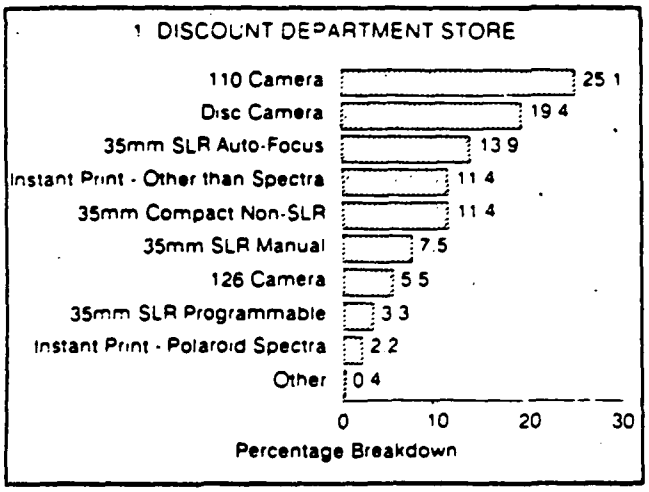
Spiffs.--Spiffs are payments to sales representatives as a reward for achieving sales goals of a specified product. * * * offered this program as a short-term promotion. * * * typically offered cash, although they have also offered trips and merchandise.

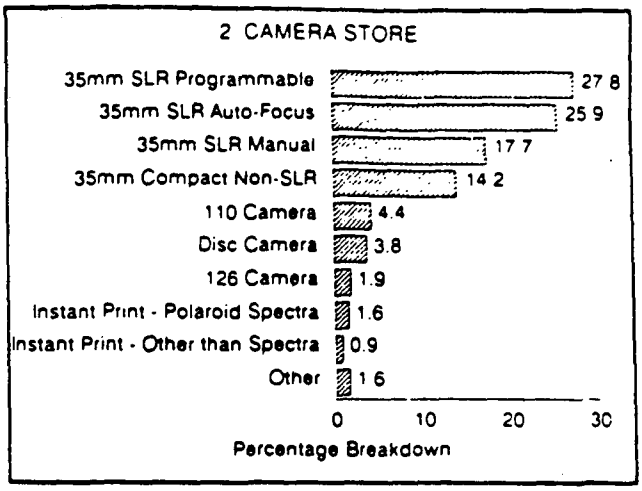
Cash/credit terms.--For U.S. producers, Keystone generally offers sales terms of * * * and Kodak offers sales terms of * * *. Sales terms offered by U.S. importers range from * * *.

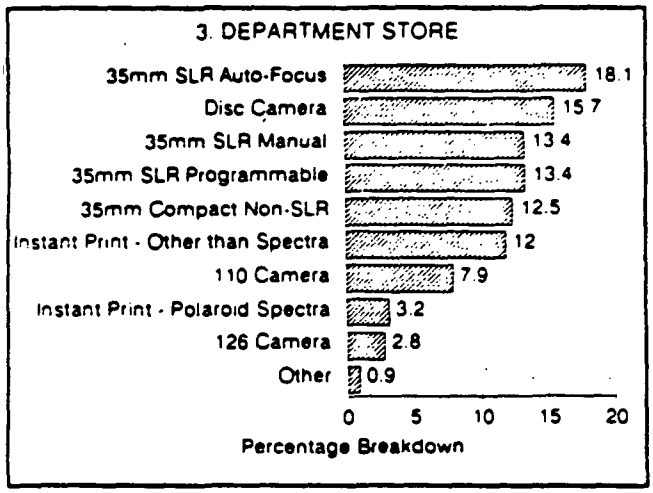
Other programs.--* * * reported other purchasing incentives. * * * reported travel awards based on dealer performance. * * *.

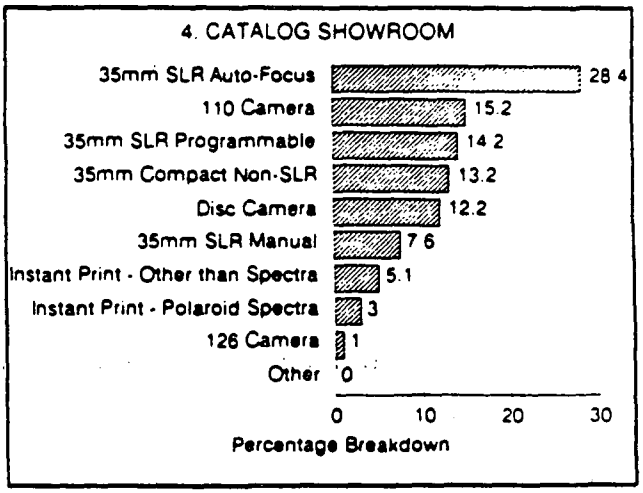
APPENDIX I

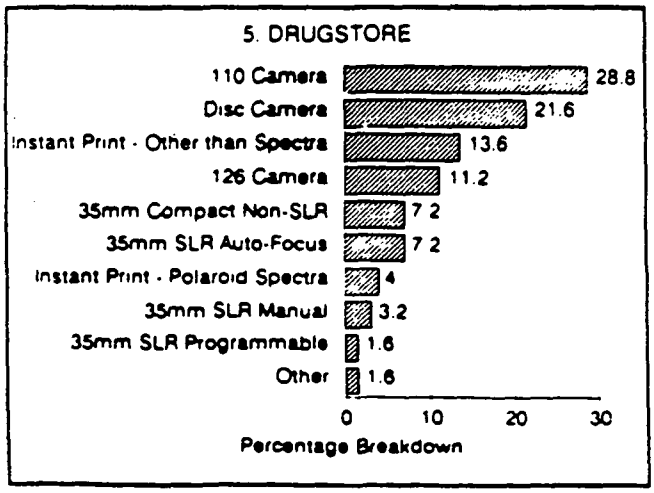
BREAKDOWN OF CAMERAS PURCHASED AT THE TOP SIX OUTLETS

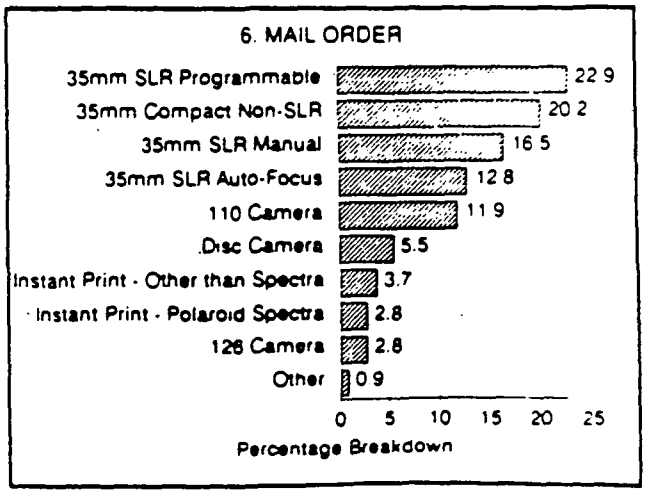












Source: 1988 Consumer Photographic Survey, Photo Marketing Association International.

APPENDIX J

PRICING TRENDS FOR U.S.-ASSEMBLED AND IMPORTED PRODUCTS 1-6, BY SELECTED MODELS

Pricing trends for U.S.-assembled and imported products 1-6, by selected models

Similar to aggregate price trends, individual supplier prices of both U.S.-produced and imported selected camera models showed mixed trends during the period of investigation (tables J-1 to J-6). Prices for most camera models fluctuated, but prices for some camera models steadily increased while prices for others steadily decreased.

U.S. producer prices for the low-end 110 and 35mm camera models, products 1 and 3, * * *. U.S. producer prices * * * for products 2, 5, 6, and 7. Average prices for camera product 4 * * *.

U.S. importer prices for the subject cameras generally fluctuated without any clear trends for most companies' models within each of the product categories. Exceptions to this are the prices for * * * and the prices for cameras in product 6. Prices for * * *.[1] * * *.

Prices for * * *. Prices * * *.

Seven importers reported declining camera prices for 16 of the 33 product 6 camera models.[2] Prices fell between 3 percent and 48 percent for these models. Three importers reported increasing camera model prices between 15 percent and 43 percent for three camera models.[3] Prices fluctuated for the remaining 14 camera models.

Table J-1
Certain cameras: Indexes of unit values of U.S.-produced and imported camera product 1, by companies, by selected camera models, and by quarters, January 1985-March 1990

* * * * * * *

Table J-2
Certain cameras: Indexes of unit values of U.S.-produced and imported camera product 2, by companies, by selected camera models, and by quarters, January 1985-March 1990

* * * * * * *

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

Table J-3
Certain cameras: Indexes of unit values of U.S.-produced and imported camera product 3, by companies, by selected camera models, and by quarters, January 1985-March 1990

* * * * * * *

Table J-4
Certain cameras: Indexes of unit values of U.S.-produced and imported camera product 4, by companies, by selected camera models, and by quarters, January 1985-March 1990

* * * * * * *

Table J-5
Certain cameras: Indexes of unit values of U.S.-produced and imported camera product 5, by companies, by selected camera models, and by quarters, January 1985-March 1990

* * * * * * *

Table J-6
Certain cameras: Indexes of unit values of imported camera product 6, by companies, by selected camera models, and by quarters, January 1985-March 1990

* * * * * * *