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# UNITED STATES TARIFF COMMISSION

AUTOMOTIVE RADIO TUNERS:
WORKERS OF THE
JOLIET, ILL., PLANT OF THE
GENERAL INSTRUMENT CORP.

Report to the President on Investigation No. TEA-W-132 Under Section 301(c)(2) of the Trade Expansion Act of 1962



TC Publication 475 Washington, D.C. April 1972

# UNITED STATES TARIFF COMMISSION

Catherine Bedell, Chairman

Joseph O. Parker, Vice Chairman

Glenn W. Sutton

Will E. Leonard, Jr.

George M. Moore

J. Banks Young

Kenneth R. Mason, Secretary

Address all communications to United States Tariff Commission Washington, D.C. 20436

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Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that could result in the disclosure of the operations of an individual concern. This published report is the same as the report to the President, except

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#### REPORT TO THE PRESIDENT

U.S. Tariff Commission, April 18, 1972.

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the findings of an investigation made under section 301(c)(2) of the act in response to a petition filed on behalf of a group of workers.

On February 18, 1972, the Commission received a petition for a determination of eligibility to apply for adjustment assistance filed on behalf of the former workers of the Joliet, Ill., plant of General Instrument Corporation. The Commission instituted its investigation (TEA-W-132) on March 3, 1972. The investigation was undertaken to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with automotive radio tuners produced by General Instrument Corp. are being imported into the United States in such increased quantities as to cause or threaten to cause the unemployment or underemployment of a significant number or proportion of the workers of that company or an appropriate subdivision thereof.

Public notice of this investigation was given in the <u>Federal</u> Register of March 8, 1972 (37 F.R. 4985). No public hearing was requested, and none was held.

In the course of its investigation, the Commission obtained information from its files, from General Instrument Corp., and from other domestic producers, importers, and consumers of automotive radio tuners.

## Finding of the Commission

On the basis of its investigation, the Commission (Commissioner Sutton dissenting and Vice Chairman Parker not participating) finds that articles like or directly competitive with the automotive radio tuners (of the types provided for in item 685.25 of the Tariff Schedules of the United States) produced by General Instrument Corp. are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of the company or appropriate subdivision thereof.

# Views of Commissioners Bedell, Leonard, Moore and Young

The petitioning workers in the instant investigation were employed at the Joliet, Ill., plant of General Instrument Corp.; the plant was engaged principally in the production of automotive radio tuners. Late in the fall of 1970, General Instrument decided to close the Joliet plant and increase its production of automotive radio tuners at its plant in Sydney, Nova Scotia, Canada.

Our determination is in the affirmative because in our judgment the four criteria established under section 301(c)(1) of the Trade Expansion Act of 1962 have been met in the instant case. These criteria are:

- (1) Articles like or directly competitive with those produced by the workers' firm are being imported in increased quantities;
- (2) The increased imports are a result in major part of concessions granted under trade agreements;
- (3) A significant number or proportion of the workers concerned are unemployed or underemployed, or threatened with unemployment or underemployment; and
- (4) The increased imports resulting from trade-agreement concessions are the major factor causing or threatening to cause the unemployment or underemployment.

# Increased imports

U.S. imports of automotive radio tuners have increased steadily in recent years. In 1971 imports of such tuners were approximately triple those in 1967--in both quantity and value. \* \* \*.

## In major part

In recent years more than over 95 percent of U.S. imports of automotive radio tuners have entered the United States from Canada free of duty. Such duty-free treatment was proclaimed by the President in 1965 under the authority of the Automotive Products Trade Act (APTA) to carry out the U.S.-Canadian automotive agreement signed early that year. Under the tariff provision concerned, automotive radio tuners produced in Canada and imported for use as original equipment in the manufacture of motor vehicles are permitted entry into the United States free of duty. Section 301 of the APTA provides that such duty-free treatment is to be considered a concession granted under a trade agreement for purposes of the adjustment-assistance provisions of the Trade Expansion Act of 1962. Thus, it is abundantly clear in this case that goods entered free of duty from Canada under the APTA provision must be considered as articles entered under a trade-agreement rate of duty.

Rarely is it as clear as in this case that increased imports of the articles concerned are a result in major part of concessions granted under trade agreements (in this instance, free entry under the U.S.-Canadian automotive agreement). Immediately following the establishment of free entry in 1965, U.S. imports of automotive radio tuners from Canada began a marked growth. The import flow of tuners entering free of duty reached \* \* \* in 1967 and \* \* \* in 1971. Indeed, promptly after it was assured that Canadian articles imported for use

as original equipment in the manufacture of motor vehicles would be accorded free entry into the United States, the General Instrument Corp. established a plant in Canada to produce automotive radio tuners and other automotive components. The plant was built and operating by 1967. Even in its first year of operation, the shipments by that plant to the United States accounted for a significant share of the U.S. import trade in automotive radio tuners, and the share has grown. Exports from the Canadian plant to U.S. customers, entered free of duty, accounted for \* \* \* of total U.S. imports of automotive radio tuners in 1967, and for \* \* \* in 1971. As shipments by the Canadian plant increased, production at Joliet declined; finally the Joliet plant was closed. The evidence could not be clearer. Instrument built the Canadian plant to take advantage of the duty-free treatment resulting from the U.S.-Canadian automotive agreement. Thus, the second criterion is satisfied--there are increased imports due in major part to trade-agreement concessions, i.e., the establishment of duty-free entry.

## Unemployment

In recent years employment at the Joliet, Ill., plant has declined almost steadily. Average annual employment of production and related workers at the plant—all of whom were engaged in the manufacture of automotive radio tuners—dropped from \* \* \* in 1968 to \* \* \* in 1970. Following a major layoff in November and December 1970, only a few production and related workers were employed in the early months of 1971; the last were laid off by mid-year. The third criterion of the statute, therefore, is satisfied—that a significant number or proportion of the firm's workers are unemployed.

## Major factor

As noted above, the production of automotive radio tuners at General Instrument's Joliet plant has been closely linked to the volume of such tuners imported into the United States from the company's Canadian plant. With the expansion of production in Canada and growth in shipments to the U.S. market, the production and employment at the Joliet plant declined. General Instrument's total business in automotive radio tuners declined by about a fourth in recent years due to a loss of a major customer. But even taking into account the effects of the loss of business, it is the greatly increased imports from Canada entering the United States free of duty under the U.S.-Canadian automotive agreement, a trade-agreement concession, which have played the overwhelming role in the closing of the Joliet plant.

## Conclusion

The evidence obtained in this investigation indicates that each of the statutory requirements is satisfied. We determine, therefore, that articles like or directly competitive with automotive radio tuners produced by the workers at the Joliet, Ill., plant of General Instrument Corp. are, as a result in major part of concessions granted under trade agreements, being imported in such increased quantities as to be the major factor causing the unemployment of a significant number or proportion of these workers.

# Views of Commissioner Sutton

I cannot concur in the reasoning or in the affirmative determination of my colleagues in this case. In my opinion, the requirements of section 301(c)(2) of the TEA have not been met.

At the outset, it is noted that, for the reasons set out elsewhere, 1/ the increased imports of radios, principally from Japan, are not articles "like or directly competitive with" automotive radio tuners produced by General Instrument Corp. Under the TEA criteria, these radio imports are therefore not relevant to this determination.

With respect to automotive radio tuners, it is noted that increased imports thereof come principally from Canada and are for the most part being admitted free of duty in accordance with the preferential concessions granted in the U.S.-Canadian Automotive Agreement. In my opinion, these tuners are not being imported into the United States as a result in major part of concessions granted under trade agreements.

General Instrument's decision to establish producing facilities in Sydney, Nova Scotia, was influenced substantially by the special inducements of the above mentioned Automotive Agreement that

<sup>1/</sup> See my statements in the following cases: Plastic or Rubber-Soled Footwear, Report to the President on TEA-W-13 and TEA-W-14, TC Publication 321, April 1970, p. 13; Rayon Staple Fiber, Report to the President on TEA-W-35, TC Publication 357, January 1971, p. 7; Paper Cones For Loudspeakers, Report to the President on TEA-F-16 and TEA-W-55, TC Publication 362, February 1971, p. 8; and Variable Electrical Capacitors, Report to the President on TEA-F-32, TC Publication 423, October 1971, p. 3.

encouraged U.S. automotive producers to "rationalize" their production by establishing, or increasing, Canadian production facilities.

Owing to the general inapplicability and stringency of the regular TEA provisions for adjustment assistance, the Automotive Products Trade Act of 1965 1/ provided until July 1, 1968, special transitional adjustment assistance for firms and workers. These special transitional provisions were tailored to the conditions and requirements of the Automotive Agreement that induced and brought about the anticipated relocation of automotive producing facilities from the United States to Canada.

It is noted also that General Instrument's decision to establish the Canadian plant for tuners was influenced significantly by a short labor supply in Joliet, the availability of labor at lower wages in Sydney, and by the prior decision of General Instrument's United States competitor to produce tuners in Canada.

In the circumstances, no basis exists, in my opinion, for concluding that the increased imports of tuners from Canada are due in major part to the preferential duty-free concessions granted by the United States in the Automotive Agreement.

There is another aspect of this case which is troublesome.

General Instrument Corp. is a large multinational conglomerate. In the years since World War II a very large and ever increasing share of international trade is carried on by such multinational firms.

<sup>1/</sup> Public Law 89-283, approved Oct. 21, 1965.

It is becoming more and more difficult to apply traditional provisions of law that are designed to protect domestic producers and industries from injurious import competition and that do not take into account and provide guidance for appropriate consideration of the multinational operations of U.S. firms under review.

In the case at hand, the tuner imports from Canada are produced by General Instrument's Sydney plant and by the Canadian plant of General Instrument's erstwhile U.S. competitor (also a multinational firm). Can it be said, in such circumstances, that these firms—either singly or in combination—by managerial decisions of their own making are seriously injuring themselves or each other by availing themselves of the benefits of the Automotive Agreement, including the preferential duty—free import privileges? In my view, this argument is not tenable. This question of self-injury is an important one to resolve as is shown below.

A review of the provisions of the TEA and their legislative histories reveals both implicit and explicit mandates that unemployed workers must have been employed by a firm or subdivision of a firm which is being seriously injured by reason of increased imports of an article like or directly competitive with an article produced by the firm or subdivision thereof.

Section 301(c)(2) of the TEA states that the Commission shall determine--

whether, as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such firm or subdivision.

The worker adjustment assistance provisions of the TEA provide that each form of assistance shall be made to an "adversely affected worker." See sections 322 through 328. Section 338(2) defines an "adversely affected worker" as "an individual who, because of lack of work in an adversely affected employment" has become unemployed, etc.

The Senate Finance Committee stated in its report 1/on H.R.

11970, which was enacted as the TEA, that adjustment assistance

"Allowances will be payable only to workers \* \* \* who have been attached \* \* \* to a firm or firms, or subdivisions thereof, found to be affected by imports, and who have become unemployed because of lack of work due in major part to the effect of increased imports on such firm after the enactment of this bill." The House Ways and Means Committee made a like comment in its report also cited in the

<sup>1/</sup> Senate Report No. 2059, 2d Sess., 87th Cong., p. 12. See similar comment on p. 6 of House Report No. 1818, 2d Sess., 87th Cong., on the same bill.

footnote. On page 29 of the Ways and Means report the following additional comments were made:

Only "adversely affected workers" (as defined in section 338(2)) are eligible for worker assistance. Generally, eligibility will require the following steps:

(i) \* \* \*

(ii) \* \* \*

(iii) a determination that the worker has been separated because of lack of work in an import-affected firm or subdivision.

In the light of the foregoing, it is my opinion that, if a firm or subdivision thereof is not injured by increased imports, adjustment assistance allowances for workers released by such firm or subdivision are not authorized under the TEA.

# INFORMATION OBTAINED IN THE INVESTIGATION Description of Articles Under Investigation

The principal product made at the Joliet, Ill., plant of General Instrument Corp. was automotive radio tuners. An automotive radio tuner is the component of an automobile radio which allows the operator to select the radio station he wishes to hear. It operates in conjunction with other parts of the set to select a desired frequency band from the receiving antenna.

Radio tuners may be classified, on the basis of use, into two groups--those used in home radios and those used in automobile radios. The tuner used in automobile radios consists basically of an electromechanical selection device, ordinarily used in conjunction with filter elements (capacitors, resistors, and inductors). Automotive radio tuners are most often of the pushbutton type, although tuners based on dial-spring or sliding-arm mechanisms are occasionally encountered. Pushbutton tuners are mass-produced mechanisms constructed, largely from stamped sheet-metal parts, to meet rigid and precise standards of operation, since even minute deviations from the standard may result in unsatisfactory tuning of received signals.

Pushbutton automotive radio tuners use a tunable inductance (set up by positioning small magnetic cores within coils located within the tuner) rather than the more common variable-tuning capacitor found in home radios. The automotive radio tuner is generally of a higher quality than the home radio tuner.

The tuner manufactured at the Joliet plant is covered by U.S.

Patent No. 2,996,925 (pushbutton tuner) which is assigned to General

Instrument Corp. of New Jersey. This patent expires in August 1978.

The corporation has not licensed production of tuners under this patent by other firms.

#### U.S. Tariff Treatment

Automotive radio tuners of the type produced at the Joliet, Ill., plant have been dutiable in the Tariff Schedules of the United States

Annotated (TSUSA) under item 685.2560 since August 31, 1963, the effective date of the Tariff Schedules of the United States (TSUS).

In addition to automotive radio tuners, this item, which is a "basket" classification, includes parts of radio receivers, cabinets for radios, antennas, transmitters, and certain studio and transmission equipment.

Automobile radios, including those which contain tuners of the type produced at the Joliet plant, are classified under item 685.2320 of the TSUK, which provides for "solid-state (tubeless) radio receivers designed exclusively for motor-vehicle installation."

Under the Tariff Act of 1930, both tuners and radios were classified for duty purposes under paragraph 353 ("All articles suitable for producing, rectifying, modifying, controlling, or distributing electrical energy . . . wholly or in chief value of metal, and not specially provided for"). They were dutiable at the rate of 35 percent

ad valorem. This rate of duty remained unchanged until January 1, 1939, when it was reduced to 25 percent pursuant to a bilateral agreement with the United Kingdom. The rate was further reduced to 15 percent on January 1, 1948, as a result of trade-agreement concessions negotiated under the General Agreement on Tariffs and Trade (CATT), and to 12.5 percent, effective June 6, 1951, in accordance with GATT concessions negotiated at Torquay, England. No further reductions were made until the concessions granted under the Kennedy Round of GATT became effective on January 1, 1968.

The current duty rate for automotive radio tuners--6 percent ad valorem--went into effect on January 1, 1972, and represents the fifth and final stage of the Kennedy Round reductions. The present rate for automobile radios is 10.4 percent ad valorem. This rate went into effect on January 1, 1971, and represents the fourth and final stage of concessions negotiated in the Kennedy Round.

The various rates of duty applicable to automobile radios and automotive radio tuners under the Tariff Act of 1930, as modified by trade-agreement concessions, are given in the table below.

Automotive radio tuners and automobile radios (tariff par. 353 and TSUSA items 685.2560 and 685.2320): U.S. rates of duty and effective date of rate changes, June 18, 1930, to Jan. 1, 1972

(In percent ad valorem)					
		:	Rate	of	duty
	Effective date	:	Automotive radio tuners (item 685.2560)	:	radios
Jan. l.	, 1930 , 1939 , 1948 , 1951	-: -:	1/ 1/ 1/	35 25 15 12	
Jan. 1, Jan. 1, Jan. 1, Jan. 1,	1963 1968 1969 1970 1971 1972	200 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	12.5 11 10 8.5 2/7 6	•	12.5 12 11.5 11 2/10.4 10.4
		•		÷	

<sup>1/</sup> In Tariff Act of 1930 par. 353 before Aug. 31, 1963.

Automotive radio tuners and automobile radios are also entered into the United States in very small quantities under item 807.00. Under the provisions of this item, the dutiable value of imported tuners and radios is reduced by an amount equal to the value of the U.S.-fabricated components used in the assembly of these articles abroad. The effect of item 807.00 is thus to permit U.S.-fabricated

Z/ An additional 10 percent import duty was imposed during the period Aug. 16, 1971, to Dec. 20, 1971 (Presidential Proclamation 4074).

components to reenter the United States duty free. Use of the provision provided duty savings to importers of automotive radio tuners as indicated by the ad valorem rates shown in the following tabulation.

Automotive radio tuners: Rates of duty under item 685.2560 and ad valorem equivalents of duty paid under item 807.00, 1968-71

	(In percent)	
Year	: Rate under : item 685.2560	: Ad valorem equivalent : under item 807.00
1968 <u>1</u> /	: 11 : 10 : 8.5 : 7	: 7.0 7.1 : 6.4 : 5.1

<sup>1/ 1968</sup> was the first year in which there were imports of automotive radio tuners under item 807.00.

In recent years, the great bulk of the imports of automotive radio tuners and about half of the imports of automobile radios have entered the United States from Canada under the duty-free provision of the Automotive Products Trade Act of 1965 (APTA). The APTA provides for the duty-free treatment of specified motor-vehicle parts from Canada, including automotive radio tuners and automobile radios. To be accorded duty-free status under the APTA, the parts must be Canadian articles 1/ imported into the United States for use as original equipment in the manufacture of motor vehicles. Automotive

<sup>2/</sup> Exclusive of the 10-percent import surcharge in effect Aug. 16-Dec. 20, which probably raised the ad valorem equivalent of the duty collected under item 807.00 to nearly 6 percent.

<sup>&</sup>lt;u>l</u>/ To qualify as a Canadian article, the value of an automotive radio tuner must, in effect, not consist of more than 50 percent imported materials (see TSUS (1972) General Headnote 3(d)(ii)).

radio tuners imported under the provisions of the APTA are classified under item 685.5540; automobile radios are classified under item 685.5520. The duty-free treatment accorded by the APTA is considered to be a concession granted under a trade agreement pursuant to section 301, title III of Public Law 89-283 (APTA).

By Presidential Proclamation 4074 of August 15, 1971, President Nixon imposed, effective August 16, 1971, an additional temporary duty of 10 percent ad valorem or less on most imported articles, as provided for in new subpart 0 to part 2 of the appendix to the TSUS. This temporary duty (import surcharge) was terminated 126 days later by Presidential Proclamation 4098, effective December 20, 1971. During this period, the extra duty applicable to both automotive radio tuners and automobile radios was the full 10 percent. For automotive radio tuners, the total rate was 17 percent; for automobile radios, it was 20.4 percent.

### U.S. Producers

Currently (April 1972) there are two domestic producers of automotive radio tuners, Delco Division of General Motors Corp. and Motorola Automotive Products, Inc. Both companies use all of the tuners they produce in the manufacture of their own automobile radios. They do not import automotive radio tuners.

During the period 1967-71, three major U.S. companies ceased domestic production of automotive radio tuners: TRW, Inc., and Tenna Corp. in 1907 and General Instrument Corp. in May 1971. Tenna Corp. went out of the radio business completely. TRW, Inc., and General

Instrument now manufacture all of their automotive radio tuners in Canada.

During the period 1966-71, there were seven U.S. producers of automobile radios in the United States with shipments of \$100,000 or more. Currently the four leading producers are Bendix, Delco, Motorola, and Philco-Ford.

### U.S. Consumption

Apparent U.S. consumption of automotive radio tuners, \* \* \*, increased irregularly during the period 1967-71. \* \* \*.

Apparent U.S. consumption of automobile radios, \* \* \*, increased irregularly from \* \* \* in 1966 to \* \* \* in 1971. The bulk are installed as original equipment in new automobiles. \* \* \*.

### U.S. Manufacturers' Shipments and Exports

U.S. manufacturers' shipments (including intracompany transfers) of automotive radio tuners increased from \* \* \* in 1967 to \* \* \* in 1968 \* \* \*. Thereafter, shipments declined to \* \* \* in 1969 and to \* \* \* in 1970, but increased to \* \* \* in 1971. The \* \* \* increase in value from 1970 to 1971, while accounted for in part by the increased quantity of tuners shipped, is also explained in part by the manufacture of more sophisticated and complex tuner models.

\* \* \* \* \* \* \* \*

U.S. exports of automotive radio tuners increased 110 percent during the period 1967-71. Nevertheless, such exports constituted less than 10 percent of total U.S. shipments.

U.S. Imports

# Imports of automotive radio tuners $\frac{1}{2}$

Prior to 1966, U.S. imports for consumption of automotive radio tuners were negligible. During the period 1967-71 imports increased steadily. From about \* \* \*, in 1967, imports for consumption increased to almost \* \* \*, in 1971. These figures represent a

If There are no U.S. Department of Commerce or Electronic Industries Association statistics on imports of automotive radio tuners. All data on automotive radio tuners contained in this report were obtained from information supplied to the U.S. Tariff Commission by U.S. producers and importers of automotive radio tuners in response to the Commission's questionnaires.

18%-percent increase in the quantity of tuners imported and a 230-percent increase in the value \* \* \*. Almost all the imports entered duty free under the provisions of the APTA.

Two U.S.-based firms--TRW, Inc., and General Instrument Corp.-import the great bulk of automotive radio tuners. Virtually all the
units imported by these two companies enter duty free under the APTA
as original equipment for new cars. \* \* \*.

In addition to the imports entering the United States under the APTA, an average of about \* \* \* units per year were imported during the period 1967-71 under item 685.2560, the dutiable classification.

About \* \* \* percent of these dutiable imports were from Japan; the remainder were Canadian imports intended almost entirely for use in new car radios sold by car dealers or other distributors.

Imports of automotive radio tuners under item 807.00 were practically nonexistent prior to 1971. In 1971, about \* \* \* units \* \* \* were entered from Canada.

# Imports of automobile radios $\frac{1}{2}$

U.S. imports for consumption of automobile radios began, according to industry sources, in the early 1960's, but were not entered in any significant quantities until the mid-1960's. Such imports increased from \* \* \* in 1966 to \* \* \* in 1971 \* \* \*. These figures represent a 695-percent increase in the number of units imported and a 726-percent increase in the value of units imported during the period 1966-71 \* \* \*.

In 1966, imports from Canada (all entering under the provisions of the APTA) represented 55 percent of the total \* \* \*. In 1971, imports from Canada (99 percent of which entered under the APTA) accounted for 42 percent of total imports; those from Japan represented 47 percent of the total. In no year during the period 1966-71 have imports from countries other than Canada and Japan amounted to more than 11 percent of the total.

Imports of automobile radios under item 807.00 are thought to have been small before 1970. In that year about 107,000 units, valued at \$1.9 million, were entered under item 807.00, about 75 percent of them from Taiwan. In 1971 about 271,000 units, valued at \$2.4 million, were entered under item 807.00, with more than 85 percent of them coming from Taiwan.

<sup>1/</sup> There are no U.S. Department of Commerce or Electronic Industries Association statistics on imports of automobile radios prior to 1966, or on imports under item 807.00 prior to 1970.

## General Instrument Corp.

General Instrument Corp., a multinational conglomerate with headquarters in Newark, N.J., is organized into hime groups. The corporation's Entertainment Electronic Products Group is the parent organization of the Automotive Electronics Division, which operated the Joliet, Ill., plant, where the petitioning workers were formerly employed. General Instrument Corp, is ranked among the 500 largest firms in the United States, with worldwide total sales for all operations of \$267 million during the fiscal year ended February 28, 1971. In February 1971 the corporation employed 21,200 workers throughout the world; more than 54 percent of them were employed in the corporation's overseas operations.

## Automotive Electronics Division

The Automotive Electronics Division of General Instrument Corp., an integral part of the corporation's Entertainment Electronic Products Group, is a multiproduct manufacturer of automotive radio tuners and parts for tuners. The division, with 1971 sales of about \* \* \*, currently operates plants in Chicopee, Mass., and Sydney, Nova Scotia.

The division's Sydney, Nova Scotia plant, which opened in 1967, did not reach full production capacity until 1971. With the cessation of production at the Joliet plant in May 1971, all production of automotive radio tuners was transferred to this facility. The Sydney plant, with a total area of about 75,000 square feet, employed \* \* \* persons in 1971.

# The Joliet, Ill., plant

The Joliet plant of the Automotive Electronics Division employed an average of \* \* \* employees during the period 1967-71. The plant stopped all production of automotive radio tuners on May 30, 1971, and closed its doors on June 30, 1971.

\* \* \* \* \* \* \*