Outboard Engines From Japan

Investigation No. 731-TA-1069 (Preliminary)

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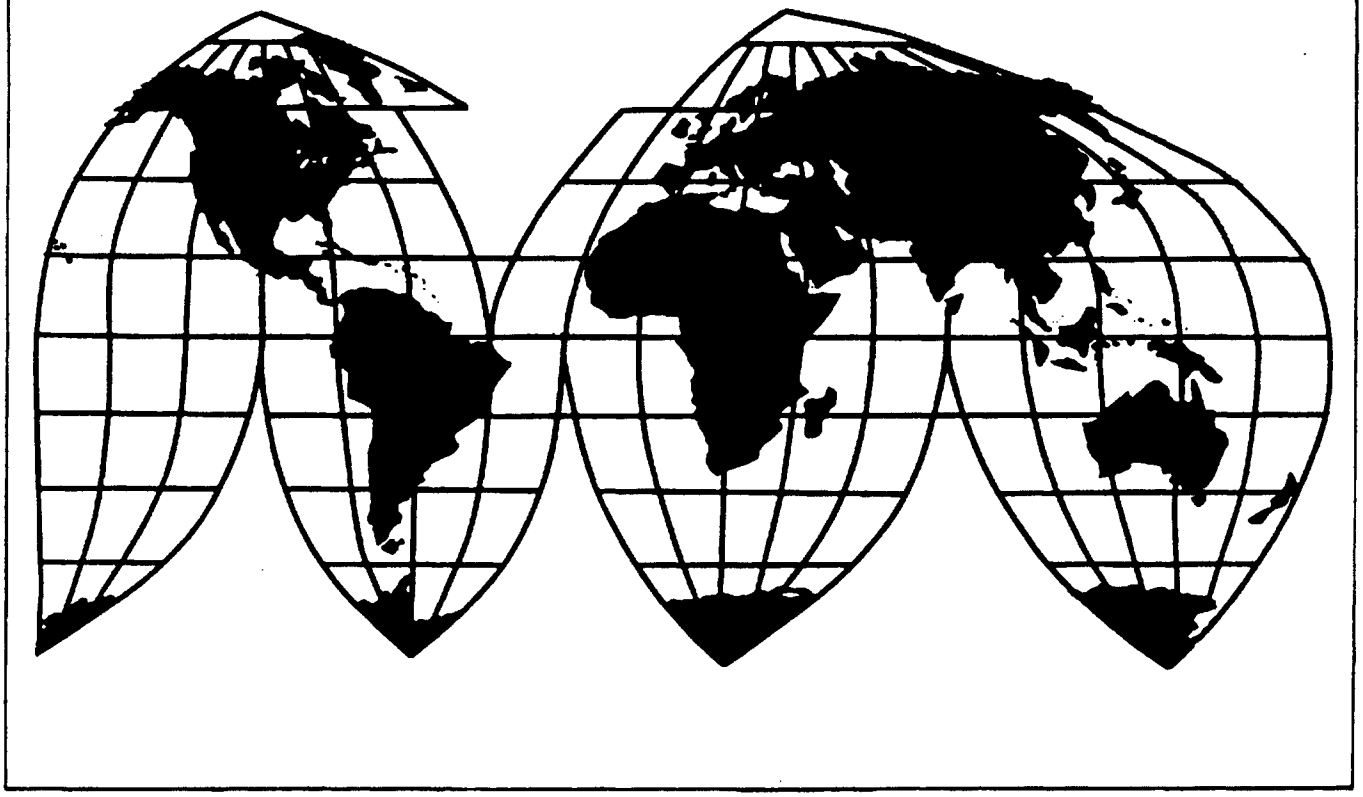

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CONTENTS

	Page
Determination	1
Views of the Commission	3
Part I: Introduction	I-1
Background	I-1
Summary data	I-1
Petitioners' alleged dumping margins	I-2
The subject product	I-2
Physical characteristics and uses	I-2
Producers and the production process	I-5
Distribution and market overview	I-7
Domestic like product issues	I-10
Part II: Conditions of competition in the U.S. market	II-1
U.S. market segments/channels of distribution	II-1
Supply and demand considerations	II-1
U.S. supply	II-1
U.S. demand	II-3
Substitutability issues	II-4
Factors affecting purchasing decisions	II-4
Comparisons of domestic products and subject imports	II-4
Comparisons of domestic products and nonsubject imports	II-5
Comparisons of subject imports and nonsubject imports	II-5
Part III: U.S. producers' production, shipments, and employment	III-1
Part IV: U.S. imports, apparent consumption, and market shares	IV-1
Part V: Pricing and related information	V-1
Factors affecting prices	V-1
Raw material costs	V-1
Transportation costs to the U.S. market	V-1
U.S. inland transportation costs	V-1
Exchange rates	V-1
Pricing practices	V-1
Sales terms and discounts	V-2
Price data	V-2
Price comparisons	V-5
Lost sales and lost revenues	V-6
Part VI: Financial experience of U.S. producers	VI-1
Background	VI-1
Operations on outboard engines	VI-1
Capital expenditures, research and development expenses, and investment in productive facilities	VI-3
Capital and investment	VI-3
Actual negative effects	VI-4
Anticipated negative effects	VI-4
Part VII: Threat considerations	VII-1
The Japanese industry	VII-1
Remedies in third-country markets	VII-1
U.S. inventories of imported product	VII-1

CONTENTS

Page

Appendixes

A. *Federal Register* notices A-1
B. Calendar of the Commission's conference B-1
C. Summary data C-1

Note.–Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

Investigation No. 731-TA-1069 (Preliminary)

OUTBOARD ENGINES FROM JAPAN

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Japan of outboard engines and powerheads, provided for in subheading 8407.21.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

COMMENCEMENT OF FINAL PHASE INVESTIGATION

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigation. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigation need not enter a separate appearance for the final phase of the investigation. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

BACKGROUND

On January 8, 2004, a petition was filed with the Commission and Commerce by Mercury Marine, a division of Brunswick Corp., Fond du Lac, WI, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of outboard engines and powerheads from Japan. Accordingly, effective January 8, 2004, the Commission instituted antidumping duty investigation No. 731-TA-1069 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of January 14, 2004 (69 FR 2158). The conference was held in Washington, DC, on January 29, 2004, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of this investigation, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of outboard engines and powerheads imported from Japan that are allegedly sold at less than fair value.

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

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

II. BACKGROUND

Outboard engines are designed and used principally for marine propulsion of all types of light recreational and commercial boats. Such engines consist of three primary components: the engine itself, or powerhead; the midsection, by which the outboard engine is attached to the boat (usually at the stern); and the gearcase, which includes a transmission and propeller shaft, and may or may not include a propeller. The subject powerheads are gasoline powered spark-ignition internal combustion engines and are the only components of outboard engines that are given separate consideration in this investigation.[3] There are three basic types of outboard engines sold in the U.S. market: two-stroke carbureted, two-stroke direct injection, and four-stroke. Each type is available in a wide range of horsepower ("hp") (two to over 300) and with several optional features.[4] The principal market for outboard engines and powerheads consists of (1) original equipment manufacturers ("OEMs"), i.e., boat builders, for inclusion in the sale of the boat, and (2) boat dealers, generally for replacement sales direct to consumers.[5]

The antidumping duty petition was filed on January 8, 2004, by Mercury Marine ("Mercury"), a division of Brunswick Corp. Mercury produced the subject products in the United States in the period examined along with Outboard Marine Corp. ("OMC"), which went bankrupt in 2000, and Bombardier Motor Corp. of America ("Bombardier"), which purchased OMC's outboard engine-making assets and inventories in 2001 and resumed production.[6] In the period examined, Mercury accounted for over *** percent of the production of outboard engines and over *** percent of the production of separately sold

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[1] 19 U.S.C. §§ 1671b(a), 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[2] American Lamb, 785 F.2d at 1001; see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[3] Confidential Staff Report (CR) at I-1 to I-3; Public Staff Report (PR) at I-1 to I-2.

[4] CR at I-4 to I-6; PR at I-3 to I-4.

[5] CR at I-10 to I-11; PR at I-7 to I-8.

[6] Bombardier submitted a complete questionnaire response for its own operations and a partial response for OMC's operations. CR/PR at III-1.

powerheads produced in the United States.[7]

Domestic shipments of outboard engines and separately sold powerheads accounted for *** percent of apparent U.S. consumption (based on imports plus U.S. producers' domestic shipments) by value in 2000, *** percent in 2001, *** percent in 2002, and *** percent in interim 2003 as compared to *** percent in interim 2002.[8] Subject imports from Japan accounted for *** percent of the U.S. market by value in 2000, *** percent in 2001, *** percent in 2002, and *** percent in interim 2003 as compared to *** percent in interim 2002.[9] Imports from other countries were minor. Separately sold powerheads accounted for an average of 3.4 percent by value of the combined U.S. apparent consumption of outboard engines and separately sold powerheads in the period examined.[10]

III. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[11] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[12] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation. . . . "[13]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[14] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[15] The Commission looks for clear dividing lines among possible like products, and disregards minor

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[7] CR/PR at III-1 and III-2.

[8] CR/PR at Tables IV-3 and C-3.

[9] Id.

[10] CR/PR at Tables IV-1 to IV-3 and C-1 to C-3. Separately sold powerheads accounted for 5.6 percent by value of combined U.S. apparent consumption (imports plus U.S. producers' domestic shipments) of outboard engines and separately sold powerheads in interim 2003.

[11] 19 U.S.C. § 1677(4)(A).

[12] Id.

[13] 19 U.S.C. § 1677(10).

[14] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) consumer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and , where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[15] See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess., at 90-91 (1979).

variations.[16] Although the Commission must accept the determination of the U.S. Department of Commerce ("Commerce") as to the scope of the imported merchandise allegedly subsidized or sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[17] The Commission must base its domestic like product determination on the record in this investigation. The Commission is not bound by prior determinations, even those pertaining to the same imported products, but may draw upon previous determinations in addressing pertinent like product issues.[18]

B. Product Description

Commerce's notice of initiation defines the imported merchandise within the scope of this investigation as follows –

> Outboard engines (also referred to as outboard motors), whether assembled or unassembled; and powerheads, whether assembled or unassembled. The subject engines are gasoline-powered spark-ignition, internal combustion engines designed and used principally for marine propulsion for all types of light recreational and commercial boats, including, but not limited to, canoes, rafts, inflatable, sail, and pontoon boats. Specifically included in this scope are two-stroke, direct injection two-stroke, and four-stroke outboard engines. Outboard engines are comprised of (1) a powerhead assembly, or an internal combustion engine, (2) a midsection assembly, by which the outboard engine is attached to the vehicle it propels, and (3) a gearcase assembly, which typically includes a transmission and propeller shaft, and may or may not include a propeller. To the extent that these components are imported together, but unassembled, they collectively are covered within the scope of this investigation. An "unassembled" outboard engine consists of a powerhead as defined below, and any other parts imported with the powerhead that may be used in the assembly of an outboard engine.
>
> Powerheads are comprised of, at a minimum, (1) a cylinder block, (2) pistons, (3) connecting rods, and (4) a crankshaft. Importation of these four components together, whether assembled or unassembled, and whether or not accompanied by additional components, constitute a powerhead for purposes of this investigation. An "unassembled" powerhead consists of, at a minimum, the four powerhead components listed above, and any other parts imported with it that may be used in the assembly of a powerhead.

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[16] Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 249 at 90-91 (Congress has indicated that the domestic like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.")

[17] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission's determination of six domestic like products in investigations where Commerce found five classes or kinds).

[18] Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp.2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int'l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

> The scope does not include parts or components (other than powerheads) imported separately. The outboard engines and powerheads subject to this investigation are typically classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheadings 8407.21.0040 and 8407.21.0080. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.[19]

Commerce's scope of investigation consists of both the complete outboard engine made of three primary components--the powerhead, the midsection and the gearcase assemblies--and any powerheads sold separately.[20]

C. Domestic Like Product

Mercury argues that the Commission should find one domestic like product consisting of all outboard engines and powerheads ("outboard engines and powerheads"), coextensive with Commerce's scope of investigation.[21] Mercury argues that powerheads should be included in the same domestic like product as outboard engines based on the Commission's semifinished like product analysis.[22] Japanese Respondents Tohatsu and Nissan ("Tohatsu and Nissan") argue that the Commission should define two domestic like products: outboard engines under 25 horsepower ("hp") ("outboard engines under 25 hp") and outboard engines 25 hp and above ("large outboard engines").[23] None of the other Japanese respondents, namely, Yamaha, Honda, and Suzuki,[24] made any other domestic like product arguments, either in favor of, or in opposition to, the domestic like product definition advocated by Mercury or Tohatsu and Nissan.

For the reasons set forth below, based on the record in this preliminary phase investigation, we find a single domestic like product encompassing all outboard engines and powerheads coextensive with Commerce's scope of investigation.

(i) Whether the Commission Should Include Powerheads in the Same Domestic Like Product as Outboard Engines.

The Commission has often used a "semifinished product" analysis to address whether articles at different stages of processing should be included in the same domestic like product.[25] We have applied

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[19] 69 Fed. Reg. 5316, 5316-17 (Feb. 4, 2004).

[20] Outboard engines are distinct from stern drive and inboard marine engines that also propel boats. CR at I-2-3; PR at I-2.

[21] Mercury Postconference Brief at 4-5.

[22] Mercury Postconference Brief at 7- 9.

[23] Tohatsu and Nissan Postconference Brief at 1, 3.

[24] Japanese Respondents are Yamaha Motor Company, Ltd., Yamaha Marine Company, Ltd., and Yamaha Motor Corp., U.S.A. (collectively "Yamaha"); American Honda Motor Co., Inc., and Honda Motor Co., Ltd. (collectively "Honda"); Tohatsu Corporation, Tohatsu Marine Corporation, Tohatsu America Corporation, and Nissan Marine Co., Ltd. ("Tohatsu and Nissan") and Suzuki Motor Corporation and American Suzuki Motor Corporation ("Suzuki").

[25] In a semi-finished products analysis, the Commission examines: (1) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (2) whether there are perceived to be separate

(continued...)

that analysis here because Commerce's scope of investigation includes powerheads, a semifinished product that is incorporated into a completed outboard engine. None of the parties has challenged Mercury's argument that domestically produced powerheads should be included in the same domestic like product as outboard engines.

Applying the semifinished products analysis, we find that powerheads should be included in the same domestic like product as outboard engines. The record does not reflect any use for powerheads (upstream article) other than as a component in an outboard engine (downstream article).[26] There is no separate market for powerheads other than as a component in a new outboard engine, except as a replacement in a used outboard engine.[27] The powerhead is the primary component of a completed outboard engine, and contains the internal combustion engine that provides the power to move the boat.[28] Each powerhead is developed for the production of a particular complete outboard engine model.[29] A powerhead accounts for 50 percent to 70 percent of the value of the complete outboard engine. The processes used to transform the powerhead into a completed engine involve manufacturing the other subassemblies (the midsection and the gearcase) and assembling them with the powerhead. The assembly of the three primary components, though substantial, has a low cost relative to the cost of manufacturing the powerhead and the other subassemblies.[30] We, thus, include powerheads in the same domestic like product as outboard engines.

(ii) Whether the Commission Should Find a Single Domestic Like Product or Two Domestic Like Products Consisting of Outboard Engines under 25 HP and Large Outboard Engines

Physical Characteristics and Uses

All outboard engines are similar in their use and basic design, including outboard engines under 25 hp and large outboard engines. They attach to a boat and propel it through the water.[31] They all consist of a powerhead, a midsection and a gearcase that attaches to the boat. Mercury reports that the only differences between all three types of outboard engines that it produces are the differences between the engines' powerheads.[32]

There is a continuum of outboard engines ranging in technologies and specifications, with a broad range of potential outboard engine variations. There are three types of outboard engines: two-

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[25] (...continued)
markets for the upstream and downstream articles; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) differences in the costs or value of the vertically differentiated articles; and (5) significance and extent of the processes used to transform the upstream into the downstream articles. E.g., Certain Frozen Fish Fillets from Vietnam, Inv. No. 731-TA-1012 (Preliminary), USITC Pub. 3533 (August 2002) at 7.

[26] Mercury Postconference Brief at 8.

[27] Tr. at 127-128 (Dempsey).

[28] Mercury Postconference Brief at 8. CR at I-1, n.1; PR at I-1, n.1.

[29] Tr. at 53 (Davis).

[30] Tr. at 40, 72-73 (Dempsey); Mercury Postconference Brief at 9.

[31] CR at I-2-4; PR at I-2-3.

[32] Tr. at 52 (Davis). Mercury Postconference Brief, Answers to Staff Questions at A-8.

stroke carbureted, two-stroke direct injection and four-stroke engines. They can range from two to 300 horsepower, and from one to six cylinders. The record reflects that as outboard engines increase in horsepower, they gradually increase in complexity, but outboard engines of different horsepower have overlapping specifications.[33] We acknowledge that there may be differences in physical characteristics between outboard engines under 25 hp and many large outboard engines, in terms of size, portability and rigging, but we also recognize the similarities in physical characteristics shared by all outboard engines.

Interchangeability

Interchangeability between outboard engines of different sizes is limited due to the fact that there is only a certain range of weight and horsepower appropriate to power a particular boat.[34] Relatively small boats cannot handle heavy engines,[35] while bigger boats need higher horsepower engines, and possibly need more than one.[36] Some smaller engines can be carried. Outboard engines of the same horsepower, but different technologies, can generally be directly substituted for each other,[37] although consumers may prefer engines using certain technologies for certain applications. For example, a consumer may prefer a two-stroke direct injection engine over a four-stroke engine in bass boating where speed is important.[38] For speed and performance, a lighter high horsepower engine is required. Two-stroke engines generally weigh less than four-stroke engines, for the same horsepower.[39] Although there may be limited or no interchangeability at the extreme ends of the product spectrum between outboard engines under 25 hp and much larger outboard engines, the record does not reflect a lack of interchangeability between outboard engines under 25 hp and those at or near 25 hp, but instead reflects a range of engines that can power a particular boat.[40]

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[33] The record reflects that this is true of both Mercury and Bombardier engines. We note that Tohatsu and Nissan have compared the Mercury 15 Classic (15 hp) outboard engine to the "large" Mercury 25 Classic (25 hp) in terms of its weight (the 25 hp engine is 37 pounds heavier by dry weight), but their exhibit is more illustrative of a continuum than a clear dividing line between the Mercury 15 Classic and the Mercury 25 Classic. The Mercury 25 Classic is somewhat heavier, with a larger powerhead, but is otherwise close in design, specifications, technology and use to the Mercury 15 Classic. They can both be steered using a tiller. They are also both classified as "small" by Mercury. Tohatsu and Nissan Postconference Brief at 4 & nn. 11, 13, Exhibit 1.

Bombardier sells domestically produced Evinrude outboard engines. The engines in its Evinrude E-Tec direct injection product line increase in weight and engine complexity, from in-line two-cylinder to in-line three-cylinder, as they increase in horsepower. We note that engines of different horsepower can have the same weight. These overlapping physical characteristics of engines of different horsepowers, produced using different technologies, further corroborates the lack of a clear dividing line at 25 hp. Tohatsu and Nissan Postconference Brief, Exhibit 3.

[34] Mercury Postconference Brief at 5.

[35] Tr. at 233-35 (Mudgett/Kalibat).

[36] Tr. at 208 (Dyskow).

[37] Tr. at 50 (Sheller), 54 (Davis). For example, a 75 horsepower two-stroke direct injection outboard engine can be directly substituted for a 75 horsepower four-stroke engine. Tr. at 97 (Pomeroy).

[38] CR at I-5-6; PR at I-4. Tr. at 96 (Pomeroy).

[39] Tr. at 234 (Mudgett).

[40] We note that a lack of interchangeability between products at either end of a continuum is not inconsistent with a finding of a single domestic like product when the products are all part of a continuum. Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961 and 962 (Final), USITC Pub. 3546 (Oct. 2002) at 12.

Channels of Distribution

Outboard engines are either distributed to OEM boatbuilders, who package the engines with the boats for sale to dealers, or are distributed directly to dealers. Dealers sell the boats and engines to consumers.[41] In 2002, *** percent of total domestic producer shipments went to OEMs and *** percent of these shipments went to dealers.[42] Tohatsu and Nissan argue that outboard engines under 25 hp are sold primarily to dealers, whereas large engines are primarily sold to OEMs. Because the issue was not raised before Tohatsu and Nissan filed their postconference brief, the Commission was unable to gather pertinent data.

Common Manufacturing Facilities, Production Processes, and Production Employees

Outboard engines of different horsepowers and technologies are made at the same production facilities, using the same workers.[43] Mercury accounted for *** percent of domestic production of outboard engines over the period of investigation.[44] It produces all of its outboard engines (including those above and below 25 hp) at its Fond du Lac, Wisconsin plant, using the same manufacturing facilities and workers.[45] Mercury produces two-stroke and four-stroke engines on the same production line due to its flexible machining equipment, although production processes vary from one engine model to another.[46]

Customer and Producer Perceptions

According to Mercury, producers and customers regard all outboard engines as part of a continuum of products, with no clear dividing line.[47] Tohatsu and Nissan argue that the EPA regulations have caused customers and producers to consider two-stroke carbureted outboard engines under 25 hp "antiquated," and large outboard engines that use two-stroke direct injection and four-stroke technology, as new products, and the future of the domestic industry.[48] This alleged perception distinguishes between two-stroke carbureted and two-stroke direct injection and four-stroke engines to a greater degree than between engines of different horsepower.

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[41] Mercury Postconference Brief at 5.

[42] CR at I-10; PR at I-7.

[43] CR at I-8; PR at I-6.

[44] CR/PR at Table III-1.

[45] Tr. at 55 (Davis).

[46] CR at I-8-9; PR at I-6. Tr. at 106-107 (Davis). Four-stroke engines have more moving parts, and are more costly to produce than two-stroke engines. Tr. at 54 (Davis). CR at I-9; PR at I-6. Due to its fuel injection system, the two-stroke direct injection engine has a more sophisticated design than a two-stroke carbureted engine. Tr. at 53 (Davis).

[47] Mercury Postconference Brief at 6.

[48] Tohatsu and Nissan Postconference Brief at 7.

Price

Depending on the model and various features, the manufacturers' suggested retail price for outboard engines ranges from under $1,000 to about $20,000.[49] The Commission's price data reflect that the price of an engine increases as its horsepower increases. However, the record does not contain information indicating that 25 hp represents a significant dividing point with respect to price. The price data also indicate that prices to OEMs are generally lower than prices to dealers.[50]

Conclusion

On balance, we find that there is not a sufficiently clear dividing line between outboard engines under 25 hp and larger outboard engines to warrant finding two like products in the preliminary phase of this investigation, given the similarities in use and basic design of all outboard engines, the broad continuum of outboard engines with no clear dividing line with respect to physical characteristics and interchangeability at any given horsepower, their similarities in manufacturing facilities, production processes, and employees, producers' and customers' perceptions, and the existence of a continuum of prices, which increase as the horsepower increases. Accordingly, we find a single domestic like product encompassing all outboard engines and powerheads, corresponding to Commerce's scope of investigation.

IV. DOMESTIC INDUSTRY

The domestic industry is defined as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[51] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[52]

A. Sufficient Production-Related Activities

Since 2001, Mercury and Bombardier have been the only two producers of outboard engines and powerheads in the United States.[53] Mercury also imports powerheads from Yamaha for various four-stroke engine models, and incorporates these imported powerheads into complete outboard engines.[54] One issue is whether Mercury's incorporation of imported powerheads into complete outboard engines is sufficient to constitute domestic production such that those outboard engines are included in

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[49] CR at I-4; PR at I-3.

[50] For both U.S. product and subject imports, the weighted average prices for 25 horsepower four-stroke engines (Product 3) ranged from approximately ***, over the period of investigation. CR at Tables V-3, V-6. The same average prices for 90 horsepower two-stroke carbureted engines (Product 1) ranged from approximately ***. CR at Tables V-1, V-4. A 150 horsepower two-stroke direct injection V-6 engine (Product 2) ranged from ***. CR at Tables V-2, V-5.

[51] 19 U.S.C. § 1677(4)(A).

[52] United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[53] CR/PR at Table III-1.

[54] CR at III-2; PR at III-1. ***. CR at III-3; PR at III-1.

our domestic production data.[55] None of the parties has expressly argued that this conversion is not domestic production based on the Commission's six-factor test, but we note that Tohatsu and Nissan, as well as Yamaha, have made arguments that appear to assume that outboard engines made from powerheads imported by Mercury are not domestically produced.[56]

In order to incorporate the imported powerhead into a complete engine, Mercury must assemble the powerhead with the other two subassemblies: the midsection and the gearcase. Mercury produces these subassemblies in the United States,[57] and it has made significant capital investment in its manufacturing facility.[58] The midsection and gearcase subassemblies are sophisticated machinery,[59] and their production involves technical expertise. The midsection contains the steering and tilt/trim mechanisms,[60] and attaches the outboard engine to the boat it propels. The gearcase assembly includes the transmission and propeller shaft, and may or may not include a propeller.[61] Mercury reports that its manufacturing process is capital-intensive, with different engine components produced on the same flexible machining equipment incorporating computer numeric control, which enables programmable machining.[62] The manufacturing process includes such processes as metal smelting, die-casting, machining, finishing, and assembly.[63]

Powerheads account for 50 percent to 70 percent of the value of the completed outboard engine.[64] However, producing the midsection and the gearcase subassemblies can cost approximately 30 percent to 50 percent of the cost of the completed engine.[65] Assembling the three subassemblies is a low-cost operation relative to the cost of producing the subassemblies.[66] The relative value of the powerhead to the

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[55] In deciding whether production related activities are sufficient to constitute domestic production, the Commission generally has analyzed the overall nature of a firm's production-related activities in the United States, although production-related activity at minimum levels could be insufficient to constitute domestic production. The Commission generally considers six factors: (1) source and extent of the firm's capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative and the Commission may consider any other factors it deems relevant in light of the specific facts of any investigation. See, e.g., DRAMs and DRAM Modules from Korea, Inv. No. 701-TA-431 (Final), USITC Pub. 3616 at 7-11 (Aug. 2003).

[56] Tohatsu and Nissan Postconference Brief at 11 ("Fully 100 percent of all domestically branded 4-stroke engines under 25 hp are actually re-branded subject imports.") Yamaha Letter Submission dated January 13, 2004 at 4.

[57] CR/PR at III-3.

[58] CR/PR at Table VI-5; Tr. at 107.

[59] Tr. at 72-73 (Dempsey).

[60] CR at I-3, n.6; PR at I-3, n.6.

[61] CR at I-1, n.1; PR at I-1, n.1. Some gearcase assemblies operate a water-jet system, in which a jet of water is expelled from the rear of the boat, instead of a propeller. CR at I-3 & n.10; PR at I-3 & n.10.

[62] CR at I-8-9; PR at I-6.

[63] CR at I-8; PR at I-6.

[64] CR at III-2, n.2; PR at III-2, n.2.

[65] Tr. at 72-73 (Dempsey).

[66] Tr. at 40 (Dempsey); Mercury Postconference Brief at 9.

rest of the engine is lower at lower horsepower ranges.[67] Mercury's imports of such powerheads were *** powerheads in 2000, *** in 2001, and *** in 2002.[68] Thus, the share of its production devoted to incorporating imported powerheads into completed outboard engines remained about the same over this time period. Mercury reported that the same workers produce all of its engines,[69] and that it incurs significant labor costs in its production of outboard engines.[70] We find that Mercury's conversion of an imported powerhead into a complete outboard engine involves sufficient production-related activity to constitute domestic production of an outboard engine.

B. Related Parties

We also must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to 19 U.S.C. § 1677(4)(B). That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers. The purpose of the provision is to exclude domestic producers that substantially benefit from, or that are shielded from injury due to, their imports of subject merchandise, or their relationship(s) with exporter(s) of subject merchandise in which they exercise control or are controlled, on the basis that the interests of such domestic producers do not lie with the domestic industry.[71] Mercury and Bombardier are both related parties under 19 U.S.C. § 1677(4) because they import subject merchandise.[72]

We do not find that "appropriate circumstances" exist to exclude Mercury or Bombardier from the domestic industry. These two producers now comprise the entire domestic industry, and none of the parties has argued that either domestic producer should be excluded from the domestic industry as a related party. Over the period of investigation, Mercury and Bombardier, respectively, accounted for *** percent and *** percent of domestic outboard engine production, and *** percent and *** percent of domestic production of separately sold powerheads.[73] For both companies, the ratios of imports to production for outboard engines and powerheads demonstrate that their interests lie primarily in domestic production rather than with importing.[74]

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[67] CR at III-2, n.2; PR at III-1, n.2.

[68] Supplement to Mercury's Importer Questionnaire Response, dated February 2, 2004.

[69] Mercury Postconference Brief at 6.

[70] CR/PR at Table VI-2.

[71] See USEC, Inc. v. United States, 132 F. Supp. 2d 1, 12 (Ct. Int'l Trade 2001); see also 19 U.S.C. § 1677(4)(B).

[72] CR/PR at IV-1. Mercury also may be considered a related party due to its relationship with its subsidiary, Mercury Marine Japan, an exporter of subject merchandise. CR/PR at I-6-7. It also produces certain engines with two of the Japanese Respondents, but the record in the preliminary phase of this investigation does not reflect that those firms exercise control over Mercury or vice versa. Id.

[73] CR/PR at Table III-1. Staff calculated this as an average over the period of investigation. Id.

[74] Mercury's ratio of its imports of outboard engines from Japan to its domestic production of outboard engines was *** percent in 2000, *** percent in 2001, *** percent in 2002, *** in interim 2002 and *** percent in interim 2003. Calculated from tabulation, CR at III-7; PR at III-3.

Bombardier *** import subject outboard engines in 2000 or 2001. Bombardier's ratio of its imports of outboard engines from Japan to its domestic production of outboard engines was *** percent in 2002, *** percent in interim 2002, and *** percent in interim 2003. Calculated from tabulation, CR at III-7; PR at III-3.

The ratio of Mercury's imports of powerheads from Japan to its domestic production of powerheads was

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Both companies ***.[75] The domestic operations of Mercury and Bombardier do not appear to be shielded from the effects of the subject imports.[76] Both companies ***.[77] Both companies have ***.[78]

Given the importance of the data from these companies to the Commission's analysis, the absence of any argument on the part of respondents to exclude them from the domestic industry, the fact that their primary interests appear to lie in domestic production, and the fact that they do not appear to be shielded from the effects of the subject imports, we do not find that "appropriate circumstances exist" to exclude either Mercury or Bombardier from the domestic industry.

VII. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LESS THAN FAIR VALUE IMPORTS FROM JAPAN[79]

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[80] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[81] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[82] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[83] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to

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[74] (...continued)
*** percent in 2000, *** percent in 2001, *** percent in 2002, *** percent in interim 2002, and *** percent in interim 2003. Calculated from tabulation, CR at III-7; PR at III-7; OINV Memorandum INV-BB-024 (Feb. 19, 2004).

The ratio of Bombardier's imports of powerheads from Japan to its domestic production of powerheads was ***, *** percent in 2002, *** percent in 2003, *** percent in interim 2002, and *** percent in interim 2003. Calculated from tabulation, CR at III-7; PR at III-3.

[75] CR at III-1-3; PR at III-1-1.

[76] CR/PR at Table VI-4.

[77] CR/PR at Table III-1.

[78] CR/PR at Table VI-1 (Bombardier, Outboard Engines); CR/PR at Table VI-2 (Mercury, Outboard Engines). The combined financial data for Mercury and Bombardier on powerheads sold separately showed a ***, but these products accounted for only a very small share of their combined commercial sales. Compare total net sales for powerheads in 2002 for both companies, CR/PR at Table VI-3, ***, to total net sales for outboard engines and separately sold powerheads in 2002 for both companies, CR/PR at Table VI-4, ***.

[79] Negligibility is not an issue in this investigation. Imports from Japan, measured by quantity, based on data from importer questionnaires, constituted 87 percent or more of all imports of outboard engines in all periods surveyed, and 99.5 percent or more of all imports of powerheads in all periods surveyed. CR/PR at Tables IV-1 & IV-2.

[80] 19 U.S.C. §§ 1671b(a) and 1673b(a).

[81] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor ... [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also, e.g., Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[82] 19 U.S.C. § 1677(7)(A).

[83] 19 U.S.C. § 1677(7)(C)(iii).

the affected industry."[84]

Based on an evaluation of the relevant statutory factors, we find that there is a reasonable indication that the domestic industry producing outboard engines and powerheads is materially injured by reason of subject imports from Japan that are allegedly sold at less than fair value.

B. Conditions of Competition and the Relevant Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of the subject imports.

Demand Conditions

Demand for outboard engines and powerheads depends on the demand for the boats they are used to power, and the discretionary income of potential boat purchasers.[85] Apparent U.S. consumption, measured in value, indicates that overall demand in the United States for both outboard engines and powerheads combined declined from *** in 2000 to *** in 2001 and then recovered to *** in 2002. Apparent U.S. consumption was *** in interim 2003, as compared to *** in interim 2002.[86] Based on questionnaire responses, most responding producers and importers indicated that the principal factor affecting the demand for outboard engines and powerheads was the health of the overall U.S. economy.[87] Noting that a boat purchase is generally a substantial, discretionary consumer purchase, Mercury points out that it is not surprising that boat and engine sales are affected by the economy, and that the volume of such sales tends to track the overall economy.[88] Mercury maintains that there was a recession in 2001 and at least a partial economic recovery in 2002.[89] Japanese Respondents assert that the principal determinant of the composition of the market for outboard engines over the period of investigation has been the shift of consumer demand away from two-stroke engines toward four-stroke engines.[90]

Recent environmental regulations affect the type of engines that will be available to consumers in the future. Two-stroke carbureted engines, which have historically dominated the U.S. market for outboard engines, are not compliant with increasingly strict Environmental Protection Agency ("EPA") and California Air Resources Board ("CARB") emissions requirements. Pursuant to these standards, two-stroke carbureted engines are being phased out of the U.S. market, and their sales will be very limited in the U.S. market after 2006.[91] Outboard engine manufacturers have been focusing on producing

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[84] 19 U.S.C. § 1677(7)(C)(iii).

[85] CR at II-4; PR at II-3.

[86] CR/PR at Table IV-3. We have relied on value, rather than quantity, data in our consideration of apparent U.S. consumption in this investigation due to differences in value between outboard engines and powerheads.

[87] CR at II-4; PR at II-3.

[88] CR at II-4, n.7; PR at II-3, n.7. Tr at 31-32 (Noellert).

[89] Mercury Conference Exhibit. Mercury's Postconference Brief at 25.

[90] Yamaha Postconference Brief at 3. Suzuki Postconference Brief at 4. Honda Postconference Brief at 10. Tohatsu and Nissan support the positions set forth in the briefs of the other Japanese Respondents. Tohatsu and Nissan Postconference Brief at 1.

[91] These EPA regulations require that by model-year 2006 (July 2005), all new marine spark-ignition engines sold in the United States emit approximately 75 percent fewer hydrocarbon emissions (on a corporate average) than the 1998 model-year level. CARB adopted these EPA standards in 1998, but accelerated their implementation. CR at I-

(continued...)

emissions-compliant two-stroke direct injection engines and four-stroke engines.[92] Based on the data in this preliminary phase of the investigation, the recent environmental regulations appear to have already affected demand for certain types of engines. Current shipment data reflect increased shipments of environmentally compliant four-stroke and two-stroke direct injection engines, relative to non-compliant two-stroke carbureted engines.[93]

Supply Conditions and the Structure of the Domestic Industry

There have been two domestic producers of outboard engines at any given time during the period of investigation: Mercury and Outboard Marine Corporation ("OMC") in 2000, and Mercury and Bombardier from 2001 through interim 2003. Bombardier purchased OMC's outboard engine production facilities after OMC entered into bankruptcy and ceased production in December 2000.[94] After purchasing certain of OMC's outboard engine facilities, Bombardier engaged in various restructuring operations, and did not ship any of its own product for approximately 10 months, until mid-October 2001.[95] Japanese Respondents argue that this shutdown in production created a supply void in the U.S. market during much of 2001.[96] Mercury acknowledges that the shutdown reduced U.S. production in 2001, but argues that there was no shortage of outboard engines available from domestic producers at the time, given the simultaneous general downturn in the economy.[97]

The impact of OMC's bankruptcy on the U.S. market illustrates the importance of boat/engine packages. Sales of outboard engines involve the engine manufacturer, the OEM or boat builder, and the

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[91] (...continued)
11-12 & n.67. PR at I-8-9 & n.67.

[92] CR at I-4-5; PR at I-3. Tr. at 77-78 (Pomeroy).

[93] The percentage of total U.S. shipments (domestic producer shipments and importer shipments) of non-compliant two-stroke carbureted engines decreased steadily from 63.9 percent of total shipments in 2000 to 46.8 percent of total shipments in 2002. This percentage was 39.9 percent in interim (January to September) 2003 as compared to 47.8 percent in interim 2002. CR/PR at Table IV-5.

The same data for four-stroke engines show a significant and steady increase in percentage of total U.S. shipments over the period of investigation. Total U.S. shipments of four-stroke engines comprised 26.2 percent of total U.S. shipments in 2000, 38.5 percent in 2001, and 45.5 percent in 2002. This percentage was 50.0 percent in interim 2003 as compared to 45.2 percent in interim 2002. CR/PR at Table IV-5.

The data for two-stroke direct injection engines indicate an increase in demand for these engines relative to demand for two-stroke carbureted engines, although not a demand increase of the same magnitude as that experienced by four-stroke engines. Total U.S. shipments of two-stroke direct injection engines decreased from 9.8 percent of total U.S. shipments in 2000 to 6.7 percent in 2001, and then partially recovered to 7.8 percent in 2002. This percentage was 10.0 percent in interim 2003 as compared to 7.0 percent in interim 2002. Unlike shipments of two-stroke carbureted engines, shipments of two-stroke direct injection engines recovered with the improved health of the economy in 2002, and were larger in interim 2003 than in interim 2002. CR/PR at Table IV-5.

[94] CR at I-7; PR at I-5. Mercury *** that subject imports from Japan were a significant factor in OMC's financial difficulties in 2000, and its ultimate demise. Mercury Postconference Brief at 27. CR at VI-13; PR at VI-4. Japanese Respondents assert that unrelated factors, and not imports, led to OMC's bankruptcy. Japanese Respondents maintain that OMC's bankruptcy was due to performance problems with its two-stroke direct injection Ficht engine, cash-flow problems, supply problems, the financial burdens of a rebate program, and an increased debt burden. Yamaha Postconference Brief at 13-14. Suzuki Postconference Brief at 3. CR at III-1; PR at III-1.

[95] CR at I-7, n.35; PR at I-5, n.35; CR at VI-1, n.2; PR at VI-1, n.2; CR/PR at III-1, n.1.

[96] Yamaha Postconference Brief at 10-13.

[97] Mercury Postconference Brief at 24-25.

dealer. The OEM builds the boat, selects the engine that will be sold with the boat, and sells the boat/engine package to a dealer. The dealer then sells boats with the attached outboard engines, as well as separate outboard engines, to the consumer. Both Yamaha and Mercury assert that over 75 percent of outboard engine sales to consumers in the United States are sold as part of a boat/engine package;[98] our data indicate that U.S. shipments of outboard engines to OEMs have accounted for approximately fifty percent of the combined quantity of U.S. shipments of U.S. producers and importers.[99] The wide use of these boat/engine packages gives an engine manufacturer who also owns boat building companies an advantage in the marketplace over at least some of its competitors because that engine manufacturer has a secure market for its engines - - its boats. The importance of boat/engine "packages" in outboard engine sales is why supplying the larger independent boat builders, who choose the engines for the largest number of new boats, is so important to outboard engine suppliers.

Like Mercury, OMC was both an engine manufacturer and a boat building company. Therefore, OMC had a secure market for a certain quantity of its engines. After OMC's bankruptcy, Bombardier purchased OMC's outboard engine production facilities, but not OMC's companies that built and sold boats. Instead, Genmar, the largest recreational boat builder in the United States, whose chairman believes it to be the largest purchaser of outboard engines in the United States,[100] bought OMC's boat-building companies.[101]

With that acquisition, Genmar also acquired the right to select the engines for the boats that it sells.[102] Genmar purchases its engines from multiple sources, including Mercury, but Yamaha and Bombardier appear to be its favored suppliers. Genmar recently has dropped Mercury from some of its boat lines. Genmar chose Yamaha and not Mercury to supply engines to the boat companies that Genmar bought from OMC. This choice has resulted in a significant increase in Yamaha's exports of outboard engines to the United States.[103]

The parties disagree on why subject imports gained market share after Genmar bought OMC's boat building companies. Mercury argues that the shift is price-related. It insists that Japanese engine manufacturers gained market share after OMC's bankruptcy by aggressively discounting prices.[104] According to Yamaha, Genmar chose it over Mercury to supply more engines because Genmar experienced dissatisfaction with the performance of Mercury's engines.[105] Yamaha states that it gained market share because it was providing the reliable four-stroke engines that the consumer wanted,[106] and because it quickly authorized prior OMC dealerships to service Yamaha engines, making it more likely

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[98] Yamaha Postconference Brief at 15-16; Tr. at 44, 112 (Sheller). The parties' data may be based on sales value rather than quantity of shipments.

[99] CR/PR at Table IV-4.

[100] Tr. at 132-33 (Jacobs).

[101] Yamaha Postconference Brief at 32-33. We note that unlike OMC, Bombardier does not have a secure market for any of its engines, and it has to compete with other engine manufacturers for all of its sales.

[102] Yamaha Postconference Brief at 30.

[103] Tr. at 133, 135, 140-141 (Jacobs). Yamaha Postconference Brief at 12, 30-31.

[104] CR at I-14.

[105] Yamaha Postconference Brief at 12.

[106] Yamaha Postconference Brief at 37-38.

that boat builders using those dealerships would purchase Yamaha engines.[107]

Substitutability

The record reflects a moderate level of substitutability between domestic and imported outboard engines.[108] Most importers responded that they were "sometimes" interchangeable, while *** reported that they were "always" used interchangeably.[109] The record is mixed regarding the importance of price in purchasing outboard engines and powerheads. Mercury indicates that price has become more important in purchasing outboard engines. Japanese Respondents disagree, arguing that it is the increase in market demand for four-stroke engines, rather than small price differentials, that drive the market.[110] Short- and long-term contracts are important in sales of outboard engines and powerheads, although such engines and powerheads also may be sold through spot sales.[111] All responding producers and importers reported offering discounts, rebates, incentives and other promotional reductions from manufacturers' suggested retail price (MSRP) or list price. Typically sales are made at a percentage discount off of the list price. The percentage discount is typically the same for all engines and is higher for customers who purchase larger volumes.[112]

Outboard engine suppliers to the U.S. market have differed in their responses to recent environmental regulations. Japanese manufacturers chose to meet EPA and CARB requirements primarily by manufacturing additional four-stroke engines.[113] Domestic manufacturers chose mainly to develop and promote two-stroke direct injection engines to comply with the EPA and CARB requirements: Mercury's OptiMax, and OMC's Ficht engine.[114] Mercury and Japanese Respondents differ on consumer preference and quality issues with respect to these engines. Mercury maintains that there is no evident consumer preference at this time for four-stroke engines over two-stroke direct injection engines.[115] Japanese Respondents argue to the contrary that consumers have expressed a clear preference for four-stroke engines.[116] Mercury argues that the quality of domestic engines is high,[117] while Japanese Respondents argue that the domestic industry's two-stroke direct injection engines had suffered from severe performance problems.[118]

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[107] Yamaha Postconference Brief at 18. Further, other boat builders, according to Yamaha, are reluctant to purchase engines from one of their competitors in the boat building arena. Yamaha also claims that former OMC dealerships, that had competed against Mercury for years, are reluctant to become a dealership for them. Yamaha Postconference Brief at 27-28.

[108] CR at II-5; PR at II-4.

[109] CR at II-6; PR at II-4.

[110] CR at II-6; PR at II-4.

[111] CR/PR at V-2; Yamaha Postconference Brief at 18-20.

[112] CR at V-3; PR at V-2.

[113] Yamaha Postconference Brief at 3-4. We note that Yamaha and *** make two-stroke direct injection engines as well as four-stroke engines. Yamaha Postconference Brief at 6; ***.

[114] Yamaha Postconference Brief at 6-7.

[115] Mercury Postconference Brief at 31-32.

[116] Yamaha Postconference Brief at 4-6.

[117] Mercury Postconference Brief at 36-39.

[118] Yamaha Postconference Brief at 6-8.

Both domestic producers provide their customers with a wide range of two-stroke, two-stroke direct injection and four-stroke engines, but not all of these engines are produced in the United States.[119] Several of Mercury's two-stroke and four-stroke outboard engine models are ***. We note that Mercury has recently introduced a new line of four-stroke engines, ***.[120] Yamaha also produces powerheads for several of Mercury's outboard engines. These powerheads are imported by Mercury and incorporated into a complete outboard engine.[121] Bombardier imports outboard engines ***.[122] As noted above, ***.[123]

B. Volume of Subject Imports

Section 771(7)(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[124]

The volume of subject imports measured in value increased significantly over the period of investigation, both in absolute terms and relative to production and consumption in the United States. The volume of subject imports (outboard engines and powerheads) measured in value increased from *** in 2000 to *** in 2001 and to *** in 2002, and was *** in interim 2003 as compared to *** in interim 2002.[125] At the same time, the volume of subject imports of outboard engines measured in quantity also steadily increased.[126] The volume of subject imports of separately sold powerheads, and those imported by Mercury for incorporation into domestic production, decreased slightly from 2000 to 2002, but was larger in interim 2003 than in interim 2002.[127]

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[119] CR at III-1; PR at III-1.

[120] OINV Memorandum INV-BB-024 (Feb. 19, 2004).

[121] CR at III-1-3; PR at III-2-3.

[122] CR at III-2-3; PR at III-1.

[123] CR at I-7, n.32; PR at I-5, n.32. CR at III-3; PR at III-1. Japanese Respondents contend that the domestic industry does not supply the U.S. market with a complete line of four-stroke engines, and that subject imports of four-stroke engines are necessary to complement the domestic industry's product lines. Yamaha Postconference Brief at 8-9, 34; Nissan and Tohatsu Postconference Brief at 9, 11. Mercury maintains that it offers a full range of low-emissions engines, and that only Yamaha offers a comparable range of products. Mercury's Postconference Brief at 34. CR at I-13. We note that Mercury recently has introduced a new line of four-stroke engines, ***. OINV Memorandum INV-BB-024 (Feb. 19, 2004).

[124] 19 U.S.C. § 1677(7)(C)(i).

[125] CR/PR at Table IV-3. Given that the subject merchandise includes both a semifinished and finished product which differ in value, we have considered only subject imports of both outboard engines and powerheads in terms of their cumulated value, not in terms of quantity of units. We have focused our volume analysis on these data, although we also have considered volume measured by quantity separately for outboard engines and powerheads. We note that powerheads are a much smaller component of subject merchandise than outboard engines, whether measured in terms of quantity or value. Compare CR/PR at Table IV-1 (outboard engines), IV-2 (separately sold powerheads) and ***.

[126] The volume of subject imports of outboard engines by quantity steadily increased from 134,784 units in 2000, to 140,319 units in 2001 and further to 180,101 units in 2002. It was 139,188 units in interim 2003 as compared to 124,831 units in interim 2002. CR/PR at Table IV-1.

[127] The volume of separately sold subject imports of powerheads by quantity increased from 24,883 units in 2000 to 27,552 units in 2001, and decreased to 24,815 units in 2002, and was 27,088 units in interim 2003 as compared to 15,759 units in interim 2002. CR/PR at Table IV-2.

***.

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Subject import market share rose steadily over the period of investigation. Subject imports' share of the U.S. market measured in value steadily increased from *** percent in 2000 to *** percent in 2001 and *** percent in 2002, and was *** percent in interim 2003 as compared to *** percent in interim 2002.[128] The domestic industry's share of the U.S. market measured in value decreased from *** percent in 2000 to *** percent in 2001 and decreased further to *** percent in 2002, and was *** percent in interim 2003 as compared to *** percent in interim 2002.[129] The market share of non-subject imports never exceeded *** percent, measured by value, over the period of investigation, and therefore these imports were not a significant factor in the U.S. market.[130]

The ratio of subject imports to domestic producers' U.S. shipments of outboard engines and powerheads measured in value increased from *** percent in 2000 to *** percent in 2001, surpassing the value of domestic producer U.S. shipments, and further increased to *** percent in 2002. It was *** percent of domestic producer U.S. shipments in interim 2003 as compared to *** percent in interim 2002.[131] Subject imports of outboard engines measured by quantity were equivalent to *** percent of U.S. production of outboard engines in 2000, *** percent in 2001, and *** percent in 2002, and were equivalent to *** percent of U.S. production in interim 2003 as compared to *** percent in interim 2002.[132]

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[127] (...continued)

If the volume of these subject imports are combined, the trend is the same. The volume of subject imports of powerheads (separately sold and incorporated into domestic product by Mercury) measured by quantity increased from *** units in 2000, to *** units in 2001, and then decreased to *** units in 2002, and was *** units in interim 2003 as compared to *** units in interim 2002. CR/PR at Table IV-2; ***.

[128] CR/PR at Table IV-3. The record indicates similar demand trends and increases in market share measured by quantity for subject imports of outboard engines. CR/PR at Table IV-1. Since 2000 data are not available for separately sold powerheads measured by quantity, we have not included them in our analysis of market share trends. We have not considered powerheads imported by Mercury and incorporated into domestic production as part of this analysis. Consideration of those imported and incorporated powerheads in a market share analysis would result in double-counting, since these powerheads are already represented in domestic shipments. We invite the parties to comment on the proper method for analyzing imported powerheads incorporated into domestic production, particularly with respect to our market share analysis, in any final phase investigation.

[129] CR/PR at Table IV-3.

[130] CR/PR at Table IV-3. Non-subject imports' share of U.S. market for outboard engines, measured by quantity, was never higher than 3.5 percent of the market, in the annual periods surveyed, although it was 8.0 percent in interim 2003 as compared to 1.8 percent in interim 2002. CR/PR at Table IV-1.

[131] CR/PR at Table IV-3.

[132] CR at Table IV-1. We have not considered powerheads in this market analysis because 2000 data are not available for subject imports of separately sold powerheads, and imported powerheads incorporated into domestic production are already included in domestic production data.

Japanese Respondents argue that the domestic industry lost market share due to its own imports of subject merchandise, and that it should not complain of its own actions. The data in this preliminary phase of the investigation do not indicate that the increase in subject imports is due solely or primarily to subject imports by the domestic industry, either with respect to outboard engines or powerheads.

Imports of subject outboard engines by the domestic industry decreased from 2000 to 2001, while total subject imports of outboard engines increased from 2000 to 2001 by approximately five thousand units. Imports of subject outboard engines by the domestic industry increased by *** outboard engines from 2001 to 2002, while total subject imports of outboard engines increased by 39,782 units from 2001 to 2002, approximately *** units more than the simultaneous increase in subject imports by the domestic producers. CR/PR at Table IV-1; CR at III-7; PR at III-3. With respect to the interim periods, the volume of subject imports of outboard engines imported by the

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Accordingly, we find for purposes of the preliminary phase of this investigation that subject import volume was significant during the period examined, both in absolute terms and relative to consumption and production in the United States.

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act[133] provides that, in evaluating the price effects of subject imports, the Commission shall consider whether – (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses

prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.

As discussed above, outboard engines are consumer products ranging, on a continuum, from low to high horsepower, with a wide range of specifications. Many outboard engines have limited fungibility, e.g., a low horsepower engine cannot power a large boat. Also, as noted above, we find that subject imports and the domestic like product are at least moderately substitutable, although the record reflects that this substitutability is more pronounced among engines of similar quality, weight and horsepower.[134] Mercury acknowledges that price is only one of the factors affecting the purchase of an engine, but maintains that price has recently become a more important factor, while Japanese Respondents disagree, and assert that quality, reliability and the consumer's desire for four-stroke engines drives the U.S. market for outboard engines.[135]

We note that pricing in this market is complex, given the variety of discounts, rebates, performance and freight incentives, and boat/engine "packages" reported by producers, respondents and importers.[136] In this investigation, U.S. producers and importers provided quarterly pricing data for the total quantity and value of sales of the following three outboard engine products, net of all discounts, to

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[132] (...continued)
domestic industry was only *** units larger in interim 2003 as compared to interim 2002, but the volume of total subject imports of outboard engines was 14,357 units larger in interim 2003 than it was in interim 2002. CR/PR at Table IV-1. CR at III-7; PR at III-3.

To avoid doublecounting, subject imports of powerheads by Mercury that are incorporated into domestic production, which comprised the overwhelming majority of powerheads imported by the domestic industry, are not included in the data on subject imports of separately sold powerheads. Thus, subject imports of powerheads by the domestic industry are not responsible for the increase in the volume of subject imports of separately sold powerheads in interim 2003 as compared to interim 2002. CR/PR at Table IV-2.

[133] 19 U.S.C. § 1677(7)(C)(ii).

[134] CR at II-5-8; PR at II-4-5. Several responding importers and purchasers responded that substitutability was more limited between domestically produced two-stroke and two-stroke direct injection engines and subject imports of four-stroke engines, due to the reliability and convenience of the four-stroke engines. However, domestic producers report that domestically produced and imported product can "always" be used interchangeably. The weight and horsepower of the engine also can affect interchangeability. CR at II-6-7; PR at II-4-5.

[135] CR at II-6; PR at II-4.

[136] CR at V-3; PR at V-2. Mercury Postconference Brief at 15 & n.47, 18. Yamaha Postconference Brief at 15-17, 41-43.

unrelated U.S. OEMs and dealers: carbureted two-stroke 90 horsepower engines ("Product 1");[137] direct fuel injection two-stroke V-6 150 horsepower engines ("Product 2"); and four-stroke 25 horsepower engines ("Product 3"). Two U.S. producers and five importers provided usable pricing data.[138] Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' reported shipments of outboard engines and *** percent of U.S. shipments of subject imports from Japan in 2002.[139]

Subject imports undersold the comparable domestic product in 55 instances (about 62 percent) of 89 price comparisons. Margins of underselling averaged 7.7 percent, ranging from 0.6 percent to 18.1 percent. In the remaining 34 instances, subject imports oversold the comparable domestic product. Margins of overselling averaged 7.2 percent, ranging from 0.3 percent to 22.7 percent. Price comparisons for OEMs as compared to dealers were not appreciably different with respect to these margins of underselling and overselling.[140] For purposes of this preliminary investigation, we find these data show significant underselling.

As stated earlier, there are two channels of distribution for outboard engines: OEMs and dealers. *** percent of domestic producer shipments of outboard engines were to OEMs in 2002, while *** percent went to dealers. Forty-four percent of importer shipments of subject outboard engines went to OEMs in 2001, while 51 percent of these shipments went to dealers.[141]

We considered domestic price trends for outboard engines sold to OEMs and dealers. Prices vacillated in all categories surveyed. Prices for Products 1 and 3 fluctuated within narrow ranges, but prices for Product 2 fluctuated within a wider range.[142] While prices have shown some declines, it is difficult to conclude on this record that subject imports have had significant price depressing effects.

There is some evidence of price suppression, as the ratio of cost of goods sold to sales increased irregularly from *** percent in 2000 to *** percent in 2001 and then fell slightly to *** percent in 2002; the ratio was lower in interim 2003, *** percent, as compared to interim 2002, *** percent[143] This suggests the domestic industry could have difficulty raising prices to cover increases in costs.

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[137] As explained above, two-stroke carbureted engines are being phased out of the U.S. market due to emissions regulations. We intend to explore further, in any final phase of the investigation, the new technology cycle for outboard engines and how that may be affecting demand and prices for the two-stroke carbureted engines that are still being sold in the U.S. market.

[138] CR at V-4; PR at V-3. We rely principally on the specific pricing data gathered in these investigations, rather than the average unit value ("AUV") data, due to the potential differences in outboard engines and powerheads. The Federal Circuit has criticized the use of AUV data as a basis for establishing price trends when there are serious issues pertaining to product mix, and when the values may thus reflect different merchandise rather than differences in prices. Allegheny Ludlum Corp. v. United States, 287 F.3d 1365, 1373-74 (Fed. Cir. 2002).

[139] CR at V-4; PR at V-3.

[140] CR at V-16-17; PR at V-5-6. The record also contains information on allegations of lost sales *** that totaled approximately *** and involve *** outboard engines. ***. ***. CR at V-17-18; PR at V-6 & CR/PR at Table V-7.

[141] CR at I-10; PR at I-7.

[142] ***. CR/PR at Tables V-1, V-2, V-3 & Figure V-2.
***. CR/PR at Tables V-4, V-5, V-6 & Figure V-3.

[143] CR/PR at Table VI-4.

We find for purposes of this preliminary determination, that underselling has been significant, and that the record reflects some evidence of price suppression.[144]

D. Impact of the Subject Imports[145]

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[146] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[147]

We have examined the performance indicators of the consolidated trade and financial results for the domestic industry producing outboard engines and powerheads.[148] These data indicate declining overall trends in the condition of the domestic industry.

With respect to the domestic industry's performance indicators in the preliminary phase of this investigation, we note that as the volume of subject imports measured in value rose over the period examined, U.S. producers' total domestic shipments of outboard engines and powerheads decreased irregularly, from *** in 2000 to *** in 2001, then partially recovered to *** in 2002. Such shipments were lower, at *** in interim 2003 as compared to *** in interim 2002.[149] Domestic producers' market share declined steadily by *** percentage points in the annual periods surveyed, from *** percent in 2000 to *** percent in 2001, to *** percent in 2002; and it was *** percent in interim 2003 as compared to *** percent in interim 2002.[150] At the same time, apparent U.S. consumption fluctuated, declining from *** in 2000 to *** in 2001 and then recovering to *** in 2002 and was *** in interim 2003 as compared to *** in interim 2002.[151]

The domestic industry's outboard engine capacity, production and shipments declined in 2001 from 2000 following OMC's bankruptcy. With Bombardier's purchase of OMC's outboard engine

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[144] In order to better assess price competition in the market, we request that in any final phase of the investigation, the parties suggest additional pricing products that they believe will most accurately reflect the competition in the U.S. market. We note that Yamaha has argued that our pricing data, which compares weighted-average prices, do not fully take into account differences in product offerings, including differences in model years for a particular product. Yamaha Postconference Brief at 39-40.

[145] In its notice of initiation, Commerce estimated dumping margins for subject imports from Japan of 11.80 percent to 41.50 percent. 69 Fed. Reg. 5316, 5318 (Feb. 4, 2004).

[146] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.") SAA at 885.

[147] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25 n.148 (Feb. 1999).

[148] CR/PR at Table VI-4.

[149] Calculated from CR/PR at Table III-4 (total domestic industry shipments minus exports).

[150] CR/PR at Table IV-3 and C-3. We note that Mercury and ***. ***.

[151] CR/PR at Table IV-3.

assets, and its opening of additional capacity in 2001, total U.S. producers' capacity was re-established in 2002 to approximately the same level as in 2000, but production and shipments remained well below 2000 levels and were lower in interim 2003 than in interim 2002.[152] The number of production related workers and hours worked for outboard engines and powerheads fell irregularly from 2000 to 2002, by 13.6 percent, and by 14.8 percent, respectively, and the number of production and related workers and hours worked were lower by 12 percent and 13 percent, respectively, in interim 2003 than in interim 2002.[153] The decline in employment indicators in 2001 and the subsequent increase in 2002 appears largely due to OMC's bankruptcy and Bombardier's gradual revival of its production facilities.[154]

Many of the domestic industry's consolidated financial indicators declined over the period of investigation. These declines occurred as subject imports increased their volume and market share and may have suppressed U.S. prices. Net sales measured by value declined irregularly by 14 percent from 2000 to 2002, declining from *** in 2000 to *** in 2001, before increasing to *** in 2002, and were *** in interim 2003 as compared to *** in interim 2002.[155] Operating *** throughout the period examined.[156] The domestic industry's ratio of operating *** to net sales for outboard engines and powerheads worsened irregularly from *** percent in 2000 to *** percent in 2001 and *** percent in 2002, and it was *** percent in interim 2003 as compared to *** percent in interim 2002.[157] We note that these operating margins are negatively affected by ***--a one-time event.[158] ***.[159] ***.[160]

As a ratio to net sales, the industry's cost of goods sold increased irregularly from 2000 to 2002, reflecting the *** experienced by the domestic industry. This ratio was slightly lower in interim 2003 as compared to interim 2002.[161] Capital expenditures and research and development expenditures generally increased during the period of investigation, consistent with efforts by both domestic producers to design new engines.[162]

Japanese Respondents have raised several arguments with respect to causation that we intend to examine more closely in any final phase investigation. These arguments include a shift in the market

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[152] CR/PR at Table III-2; CR at III-3; PR at III-2. Only limited trade data on powerheads are available. Relatively few powerheads are made by the domestic industry for separate sale, and these powerheads were less than one percent of outboard engine shipments in the period examined. CR at III-6; PR at III-3. Data on capacity and capacity utilization for separately sold powerheads are not available. CR/PR at Table C-2.

[153] CR/PR at Table III-4. Wages paid followed similar trends except that they were slightly higher in interim 2003 than in interim 2002. Hourly wages were highest in 2001, and were higher in interim 2003 than in interim 2002. Id.

[154] CR/PR at Table VI-4.

[155] CR/PR at Table VI-4.

[156] CR/PR at Tables VI-1, VI-2 & VI-4.

[157] CR/PR at Table VI-4.

[158] ***. CR/PR at Table VI-1 & nn 1, 3.

[159] CR/PR at Tables VI-1 & VI-2. Mercury went from being ***in 2000 to *** in 2001, and continued to *** throughout the remainder of the period of investigation. Bombardier experienced ***, particularly in ***, when it ***. Id.

[160] CR/PR at Table VI-3. As stated earlier, powerheads constituted less than one percent of domestic shipments of outboard engines and powerheads as measured by value.

[161] CR/PR at Table VI-4.

[162] CR/PR at Table VI-5.

demand toward four-stroke engines;[163] quality issues with respect to the domestic product, in particular the domestically produced two-stroke direct injection engines;[164] and the effect that the OMC bankruptcy had had on the market.[165]

For purposes of this preliminary determination, we conclude that subject imports had an adverse impact on the condition of the domestic industry during the period of investigation. As discussed above, we find both the absolute and relative volume of subject imports, as well as the underselling by the subject imports, to be significant. As subject imports captured market share and may have suppressed U.S. prices, U.S. producers' sales values declined irregularly over the period of investigation, notwithstanding the market recovery in 2002, and were lower in interim 2003 as compared to interim 2002, contributing to *** in operating income and profitability.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of outboard engines and powerheads from Japan that are allegedly sold in the United States at less than fair value.

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[163] Yamaha Postconference Brief at 9 ("With such limited domestic production of four-stroke engines, Mercury has been hurt in the market place"). The record reflects that over the period of investigation the market share of four-stroke engines grew significantly. The record also shows that the domestic industry lost market share to subject imports with respect to all types of outboard engines: two-stroke carbureted engines, two-stroke direct injection engines and four-stroke engines. CR/PR at Table IV-5.

[164] The current record contains conflicting information as to whether there are quality differences between the domestic like product and subject imports from Japan. Mercury Postconference Brief at 27. CR at I-9-10; I--7; PR at I-10; Yamaha Postconference Brief at 6-8, 22-24. There are some indications that Bombardier's new Evinrude engines are of high quality. Tr. at 140 (Jacobs).

[165] We intend to explore further in any final phase investigation the effect that the OMC bankruptcy had on subject import market share, the reasons behind changes in that market share, the reasons behind Genmar's shift in suppliers, and Mercury's relationship with independent boat builders and prior OMC dealerships.

Yamaha argues that Mercury's parent company, Brunswick, had a financial strategy that encompassed a diverse group of companies that resulted in losses that kept Mercury from adequately developing new products. Yamaha Postconference Brief at 30. As a preliminary matter, we note that, consistent with the statute, 19 U.S.C. § 1677(7)(B), our financial data relate only to Mercury's operations regarding outboard engines and powerheads, and not the overall operations of its parent company, Brunswick. CR/PR at Tables VI-2 & VI-3. Further, we note that Mercury has just released a new line of four-stroke engines, and that it has incurred capital expenditures and research and development costs throughout the period of investigation. OINV Memorandum INV-BB-024 (Feb. 19, 2004); CR/PR at Table VI-5.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed with the Commission and the Department of Commerce (Commerce) on behalf of Mercury Marine, a division of Brunswick Corp., Fond du Lac, WI, on January 8, 2004, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of outboard engines[1] from Japan. Information relating to the background of this investigation is provided below.[2]

Effective Date	*Action*
January 8, 2004	Petition filed with Commerce and the Commission; institution of Commission investigation (69 FR 2158, January 14, 2004)
January 29, 2004 ...	Commission's conference[3]
February 4, 2004 ...	Commerce's notice of initiation (69 FR 5316)
February 23, 2004 ..	Commission's vote and determination transmitted to Commerce
March 1, 2004	Commission's views transmitted to Commerce

The product, as defined, has not been the subject of any other Commission investigations under sections 701 or 731 of the Act, under sections 201 or 301 of the Trade Act of 1974, or under section 232 of the Trade Expansion Act of 1962.

SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C. The data relate to imports and U.S. production (tables C-1, C-2, and C-3) and shipments of imports and U.S. production (tables C-4, C-5, and C-6) of the subject product. U.S. industry data are based on questionnaire responses of two firms, and the partial reconstruction of data for another that ceased operations in 2000, that account for 100 percent of U.S. production of this product in the period examined (January 2000-

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[1] According to Commerce's scope, the products covered in this investigation are outboard engines, also referred to as outboard motors, whether assembled or unassembled, and also powerheads therefor, whether assembled or unassembled, designed and used principally for marine propulsion of all types of light recreational and commercial boats. Outboard engines consist of a powerhead assembly, which provides the motive force of the engine; a midsection assembly, by which the outboard engine is attached to the vehicle it propels; and a gearcase assembly, which includes a transmission and propeller shaft, and may or may not include a propeller. Other than powerheads, the scope does not include parts or components imported separately. The subject powerheads are gasoline powered spark-ignition internal combustion engines consisting of, at a minimum, (1) a cylinder block, (2) pistons, (3) connecting rods, and (4) a crankshaft. Outboard engines and powerheads are jointly provided for in subheading 8407.21.00 of the Harmonized Tariff Schedule of the United States (HTS) and are free of duty under the general duty rate, applicable to Japan. For statistical reporting purposes the HTS classifies outboard engines and powerheads into "less than 22.38 kW" (or less than 30 horsepower) and "other" (or 30 horsepower and above) (kW, or kilowatt, is a unit of power equivalent to 1.3405 horsepower). For a more detailed description of the merchandise subject to this investigation, including the like product produced in the United States, see the subsection of Part I entitled, "The Subject Product."

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

[3] A list of witnesses appearing at the conference is presented in app. B.

September 2003). U.S. imports are based on the questionnaire responses of six firms, including the two comprising the U.S. industry, that account for 100 percent of imports in the period examined.

PETITIONER'S ALLEGED DUMPING MARGINS

On the basis of home market prices in Japan and constructed export prices to the United States in the third quarter of 2003 for eight types of outboard engines produced in Japan by Yamaha Motor Co., Ltd. (Yamaha), and four types of outboard engines produced in Japan by Honda Motor Corp. (Honda), the petitioner arrived at dumping margins ranging from 11.80 percent to 41.50 percent, as revised in accordance with Commerce's instructions.

THE SUBJECT PRODUCT

Physical Characteristics and Uses

The product scope, as hitherto noted, consists of both the complete outboard engine made of three primary components--the powerhead, midsection, and gearcase assemblies–and any powerheads for the outboard engine sold separately. Describing such engines as "gasoline powered spark ignition internal combustion engines," the scope effectively excludes any similar devices that are electrical, diesel, or turbine powered.[4] Outboard engines, in addition to inboard engines and inboard-outboard engines (also known as "stern drive" engines), are the main means of motorized marine propulsion used worldwide. The type of propulsion system is typically chosen at an early design stage, and principally reflects boat use.[5] Whereas the outboard engine is a completely separate unit designed to attach to and operate completely outside the boat, inboard and stern drive engines are designed to be built into the boat. As such, they have powerhead and gearcase assemblies but no midsection,[6] or housing and attachment assembly, and are generally designed for vessels larger and heavier than those using outboard engines.[7] Inboard and stern drive engines use heavy, iron engine blocks and horizontal crankshafts rather than the lighter aluminum blocks and vertical crankshafts used for outboard engines.[8] As a result, boats that are rigged for outboard engines cannot accommodate stern drive or inboard engines without significant redesign for future production.[9]

Major components from which the primary components of an outboard engine are made include the cylinder block, pistons, crankshaft, carburetor (or fuel-injection system for direct injection engines), and electrical harness for the powerhead, and transmission, drive shaft, and propeller for the gearcase

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[4] There is no known production of diesel or turbine powered outboard engines in either the United States or Japan.

[5] Conference transcript, p. 87

[6] The midsection contains the steering and tilt/trim mechanisms.

[7] The stern drive is a hybrid marine engine that combines the built-in powerhead of an inboard with the gearcase assembly of an outboard. The gearcase assembly extends outside the boat in the same fashion as an outboard but is permanently attached to the hull with connections to the inside.

[8] Conference transcript, p. 39.

[9] Conference transcript, p. 88.

assembly. (Some outboard engines have a gearcase assembly that operates a water-jet system,[10] eliminating the need for a propeller.) Aluminum alloys are typically used in the manufacture of engine blocks and other components because of their light weight, high strength/weight ratio, corrosion resistance, and relative ease of fabrication. Stainless steel is used in the production of certain salt-water engine components, such as bolts and shafting, because of its high resistance to corrosion.[11] Carbon steel is often used for applications requiring hardness and ability to withstand wear.

All outboard engines have the same primary components and are designed for the same purpose. Engines are largely classified according to the number of the powerhead's cylinders (1 to 6), the number of strokes the piston makes in the cylinder to complete a power cycle (2-stroke and 4-stroke),[12] and horsepower (hp) (2 to over 300). Other important differentiating features include propeller shaft length (15 inches to 30 inches), starting method (electric and manual), control method (remote and tiller), tilt method (power and manual), drive method (propeller and water jet), and water compatibility (salt and fresh). Depending on the model and various features, manufacturers' suggested retail prices range from under $1,000 to about $20,000. A more or less full line of U.S. and Japanese models are offered in the U.S. market, although to varying degrees by the individual maker.

The three principal outboard engine types discussed in this investigation include the 2-stroke carbureted, 2-stroke direct injection (DI), and 4-stroke engine. The 2-stroke carbureted engine traditionally dominated the U.S. market for outboard engines, accounting for 99 percent of sales in 1995/96.[13] These engines run on a mixture of gas and oil that is directed into the cylinders by a carburetor.[14] The design of the 2-stroke carbureted engine requires that both the exhaust and inlet ports be open during the intake stroke, thus allowing fuel entering the cylinder to also exit the open exhaust port. As a result, an estimated 25 to 30 percent of the fuel of a 2-cycle engine can be unburned and emitted into the environment.[15] Because these engines cannot meet the increasingly strict emission standards enacted by the Environmental Protection Agency (EPA) and California Air Resources Board (CARB),[16] engine manufacturers have focused on the production of emissions-compliant 2-stroke DI and 4-stroke engines.

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[10] With a water jet system, a jet of water is expelled from the rear of the boat. The reaction of this action is to propel the boat forward. The water jet itself is essentially a water pump.

[11] Conference transcript, pp. 110-111.

[12] Internal combustion engines receive their power from an ignited fuel mixture that drives a piston (connected to a rotating drive shaft) back and forth in a cylinder in successive cycles. For 2-stroke engines the cycle involves the combustion of the air/fuel mixture following the piston's movement to the top of the cylinder (1st stroke) and the filling of the cylinder with the air/fuel mixture and concurrent purging from the cylinder of the previous combustion's exhaust as the piston moves to the bottom of the cylinder (2nd stroke). For 4-stroke engines the cycle involves the combustion of the air/fuel mixture following the piston's movement to the top of the cylinder (1st stroke), the consequent movement of the piston to the bottom of the cylinder (2nd stroke), the purging of the combustion's exhaust as the piston returns to the top of the cylinder (3rd stroke), and the filling of the cylinder with another air/fuel mixture as the piston returns to the bottom (4th stroke).

[13] Conference exhibit 14, Mercury, Jan. 29, 2004.

[14] Traditional 2-stroke engines have a carburetor that vaporizes fuel and mixes it with air in the appropriate amount and proportion for combustion in the specific engine.

[15] "Regulatory Impact Analysis: Control of Air Pollution Emission Standards for New Nonroad Spark-Ignition Marine Engines," Environmental Protection Agency, June 1996, pp. 1-13, found at http://www.epa.gov/otaq/regs/nonroad/marine/marnfria.pdf, retrieved February 12, 2004.

[16] For more information, see section on Distribution and Market Overview.

The 2-stroke DI engine incorporates a fuel injection system that sprays fuel either directly into the cylinders or into the intake manifold just ahead of the cylinders without the use of a carburetor. This system uses an electronic sensing device to deliver the correct amount into the combustion chamber.[17] Because fuel usage and burn are carefully calibrated with fuel injection systems, engines incorporating these systems are more fuel efficient and environmentally friendly than a typical carbureted engine.[18] Various fuel injection systems, such as Yamaha's high-pressure direct injection (HPDI), have been developed by engine makers for their 2-stroke engines. Four-stroke outboard engines are similar in design to motor-vehicle engines, with valves on each cylinder controlled by a timing belt attached to a camshaft. The intake valve allows the inflow of air and fuel into the cylinder and the exhaust valve releases exhaust gases into the atmosphere.[19] Four-stroke engines may be carbureted or incorporate a fuel injection system.[20]

These engines exhibit different performance characteristics that lend themselves to specific boat applications, reflecting both customer preferences and boating requirements within a given horsepower range.[21] Two-stroke engines have generally had higher horsepower ceilings than 4-stroke engines.[22] Two-stroke carbureted engines have also traditionally offered more power for their weight than 4-stroke engines, but emit more hydrocarbons than 4-stroke engines[23] because they burn their lubricating oil as well as gasoline during the combustion process.[24] Four-stroke engines, although heavier and more expensive, are considered quieter (especially at lower speeds), more fuel efficient, and generally more reliable than 2-stroke engines.[25] On the other hand, two-stroke engines have been deemed best for portability, lower cost, and high performance.[26] The performance and price gaps, however, are narrowing among 2-stroke DI and 4-stroke engines as a result of technological and design improvements.[27] Many of these developments have focused on reducing the size and weight of 4-stroke engines to increase their competitiveness across a broader range of engine applications.[28] According to the respondents, the 4-stroke engine increasingly equals the 2-stroke engine in acceleration and top end performance.[29]

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[17] Dictionary of Automotive Terms, found at http://www.motorera.com/, retrieved Feb. 4, 2004.

[18] "Boating Magazine's Outboard Engines," petition of Mercury, Jan. 8, 2004, vol. II, exhibit II-I, p. 121.

[19] "Boating Magazine's Outboard Engines," petition of Mercury, Jan. 8, 2004, vol. II, exhibit II-I, p. 2.

[20] A system that injects fuel into the engine and includes an electronic control unit to time and meter the flow. Dictionary of Automotive Terms, found at http://www.100megsfree4.com/dictionary/car-dice.htm.

[21] Maximum horsepower ratings for individual boats are determined by the boat builder.

[22] Four-stroke engines generally operated at 150 horsepower or less until 2002. Keith Burton, "Big-Power Outboards," *Go Boating*, Feb. 2004, p. 84.

[23] Conference transcript, p. 54.

[24] This oil must be added separately by the engine operator, unlike the 4-stroke engine that has a self-contained oil unit. Conference transcript, p. 200.

[25] Conference transcript, pp. 50 and 54.

[26] Conference exhibit 16, Mercury, Jan. 29, 2004.

[27] Conference transcript, pp. 241-244, and Keith Burton, "Big-Power Outboards," *Go Boating*, Feb. 2004, p. 88.

[28] Conference transcript, pp. 241-243.

[29] Conference transcript, p. 156.

Producers and the Production Process

There are eight makes (brands) of outboard engines sold in the United States: Mercury, Johnson, Evinrude, Yamaha, Honda, Suzuki, Tohatsu, and Nissan. Mercury, producing the "Mercury" brand, and Bombardier Motor Corporation of America (Bombardier), producing the "Johnson" and "Evinrude" brands, are the only two U.S. manufacturers of outboard engines and their primary components following the December 2000 bankruptcy of Outboard Marine Corp. (OMC). Both companies also import powerheads and/or engines from Japanese producers, but sell them under their own brands. There is no separate production of primary components in the United States by any other manufacturers. The other brands are made by Japanese producers and include, respectively, Yamaha Motor Corp. (Yamaha), Honda Motor Co. (Honda), Suzuki Motor Corp. (Suzuki), and Tohatsu Corp. (Tohatsu), including its subsidiary, Tohatsu Marine Corp. (TMC), which produces the Tohatsu and Nissan brands. Each of the U.S. and Japanese producers is part of a larger international corporation largely focused on transportation, power, and/or recreational products.

Mercury, a division of the Brunswick Corporation,[30] is the world's largest marine propulsion systems manufacturer, producing such products as outboard, stern drive, and inboard engines; jet drives; and propellers. Mercury supplies a wide range of outboard engines to the U.S. market, including 2-stroke, 2-stroke DI, and 4-stroke engines ranging between 4 to 250 horsepower,[31] and produces the mid-section and gearcase assemblies for certain 4-stroke engine powerheads that it imports from Yamaha.[32] Yamaha also supplies *** to Mercury.[33] In addition, Mercury is a partner with Tohatsu in the production of small 2- and 4-stroke outboard engines in Japan.[34]

Bombardier is a Canadian-owned manufacturer of recreational equipment, including outboard engines. Bombardier purchased the outboard engine assets of OMC (the Johnson and Evinrude brands) in March 2001[35] and also supplies a broad line of 2-stroke, 2-stroke DI, and 4-stroke engines to the U.S. market, although it sources *** from outside the United States. Bombardier entered into a supply

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[30] In addition to marine engines, Brunswick manufactures a large line of boats, fitness equipment, and bowling and billiards equipment. Brunswick home page, found at http://www.brunswick.com/index.html.

[31] Conference transcript, pp. 37 and 257.

[32] Mercury imports *** hp powerheads from Yamaha. Producer questionnaire of Mercury. Mercury entered into a co-development program with Yamaha in 1993 for the production of small (9.9 to 50 horsepower) 4-stroke engines, in which the partners agreed to share in the development and manufacture of key engine components. For example, Mercury produces the engine blocks from which Yamaha produces powerheads. Conference transcript, p. 58. This arrangement not only reduced production and development costs for each partner, but also gave Mercury timely access to 4-stroke engine production. Conference transcript, pp. 58-59. Engines developed under this agreement were subject to a 5-year minimum co-manufacture window, after which time Mercury chose to produce some of the engines on its own; other engines are still being co-produced. Conference transcript, pp. 67 and 72.

[33] Producer questionnaire of Mercury.

[34] Tohatsu supplies *** hp 2-stroke engines and *** hp 4-stroke engines to Mercury. Producer questionnaire of Mercury.

[35] Bombardier did not reopen several OMC facilities, including those in Waukegan, IL; Burnsville, NC; and Calhoun, GA, but instead purchased a new facility in Sturtevant, WI and invested *** in equipment, machinery, and plant modifications for production of outboard engines. Producer questionnaire of Bombardier.

agreement with Suzuki[36] to ***. Bombardier also ***.[37]

Four Japanese outboard engine makers – Yamaha, Honda, Suzuki, and Tohatsu – supply the U.S. market. Like the U.S. producers, Yamaha and Tohatsu supply a relatively wide range of engines to the U.S. market, including 2-stroke, 2-stroke DI, and 4-stroke engines. Suzuki supplies a range of 2-stroke and 4-stroke models, and Honda supplies a range of 4-stroke models only.

The major processes attending the production of outboard engines are metal smelting, die-casting, machining, finishing, assembly, and/or outsourcing of the primary and major components. Although the nature and extent of the production process varies from maker to maker and from model to model, the outboard engines produced by each engine maker share common manufacturing facilities and production workers.[38] These manufacturing facilities are largely dedicated to the production of outboard engines.[39] However, some firms also produce in these facilities small amounts of related marine or engine components not subject to this investigation.[40]

The manufacturing process is capital intensive, with different engine components produced on the same flexible machining equipment incorporating computer numeric control, which enables programmable machining.[41] The respondents indicate that their facilities are similar to those of the U.S. producers, being capital-intensive, purpose-built marine factories.[42] According to one of the respondents, however, the equipment used by the Japanese producers may be more complex than that of the U.S. producers because of the Japanese manufacturers' concentration on the more complicated 4-stroke engine production.[43] Because 4-stroke engines have more parts, are technically more complex, require more machining, and are heavier than 2-stroke engines, these engines generally cost more to produce.[44]

The powerhead, which is developed specifically for an engine model or range of models,[45] represents an estimated 50 to 70 percent of the overall cost of an outboard engine.[46] The processes used to transform the power head into a completed engine are limited to assembling the powerhead,

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[36] OMC had previously entered into a supply agreement with Suzuki in 1997 for 2- and 4-stroke engines. "Outboard Marine Corporation and Suzuki Marine Announce Supply/Purchase Agreement," June 17, 1997, and "Suzuki to supply boat engines to U.S. marine product maker," June 17, 1997, Recreational Boat Building Industry, found at http://www.rbbi.com, retrieved Feb. 2, 2004.

[37] ***. Producer questionnaire of Bombardier.

[38] Mercury produces its line of inboard and stern drive engines at its Stillwater, OK plant. Conference transcript, p. 39.

[39] Petitioner claims that its facilities are the only engine plants in the marine industry with ISO 9001 certification (quality assurance). Conference transcript, p. 95.

[40] Mercury, for example, manufactures engine blocks for Harley-Davidson at its outboard engine casting facility. Conference transcript, p. 101.

[41] Conference transcript, p. pp. 105-106.

[42] Conference transcript, p. 237.

[43] Conference transcript, p. 237.

[44] Conference transcript, pp. 51 and 79, and conference exhibit 16.

[45] Conference transcript, p. 53.

[46] Conference transcript, pp. 39-40.

midsection, and gearcase subassemblies together. This assembly operation is relatively low cost compared to the expense of producing the powerhead and other subassemblies.[47]

The petitioner and respondents indicate that both U.S. and Japanese engine makers have experienced some performance problems, primarily related to spark plug fouling, with the roll-out of their new DI engines.[48] For example, the petitioner cites a recall and numerous service bulletins that Yamaha has issued on its 4-stroke and 2-stroke DI engines, respectively.[49] The respondents claim that both Mercury's Optimax and Bombardier's Ficht direct injection engines experienced numerous technical problems,[50] and that Mercury's quality and reliability problems with its 2-stroke DI engine have led to a poor perception and reputation with customers.[51] The petitioner claims that there is no technological gap in the production of U.S. and Japanese low-emission 2-stroke or 4-stroke engines,[52] and that Mercury provides low emission engines that are comparable to those of Japanese engine producers.[53]

Distribution and Market Overview

U.S. and Japanese makers sell most of the subject products to either original equipment manufacturers (OEMs), i.e., boat builders, for inclusion in the sale of the boat, or to boat and marine-product dealers that sell the subject products separately. U.S. producers ship primarily to boat builders, which represented *** percent of their U.S. outboard engine shipments from U.S. production in 2002, whereas dealers accounted for *** percent of these shipments. U.S. shipments of Japanese-produced product, however, were more evenly split, with 44 percent of these shipments to boat builders and 51 percent of these shipments to dealers in the same year.[54] The higher level of U.S. shipments to boat builders may be attributable in part to the relationship of Mercury and its parent Brunswick, a leading U.S. boat builder, which one of the respondents claims is a large "guaranteed" market.[55]

Boat builders may purchase engines from a number of different manufacturers, reflecting the type and volume of boats being built, their varying engine requirements, and dealer/customer preference. Some boat builders may also source engines from a single supplier, either because of an ownership relationship with an engine maker[56] or because of price incentives offered by an engine maker to obtain such exclusivity.[57] Boat builders generally ship a "package" consisting of a boat, trailer, and engine to dealers, or pre-rig or rig a boat to operate with a specific engine make.

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[47] Conference transcript, p. 40.

[48] Conference transcript, p. 114 and p. 253.

[49] Post-conference brief of Mercury, Feb. 3, 2004, p. A-11.

[50] Conference transcript, p. 159.

[51] Conference transcript, pp. 137-138.

[52] Conference transcript, p. 20.

[53] Post-conference brief of Mercury, Feb. 3, 2004, p. 31.

[54] Data compiled from questionnaire responses of U.S. producers and importers.

[55] Post-conference brief of Yamaha, Feb. 3, 2004, p. 16.

[56] Post-conference brief of Yamaha, Feb. 3, 2004, p. 16.

[57] Submission by Yamaha, Jan. 13, 2004, p. 3.

Dealers sell both boats and engines produced by a number of manufacturers directly to consumers,[58] and also provide a broad array of repair and maintenance services and replacement parts for boats and related equipment.[59] According to the respondents, dealers must be authorized by an engine manufacturer to perform service operations on its engines; thus, an engine manufacturer can provide an incentive to boat builders to purchase its engines by authorizing the builders' dealers to provide engine services.[60] Dealers may be single-store or multi-store operations. Multi-store dealers generally purchase engines in volumes that are similar to those of boat builders.[61]

Engine sales to OEMs and dealers are generally discounted off the manufacturer's suggested retail price (MSRP) on a program basis, with separate programs for boat builders and dealers. The discount level reflects the distribution channel, sales volume, rated engine power and technology, seasonal specials, and advertising, for example,[62] and is applicable to the engine maker's entire product line.[63] Boat builders generally receive larger base discounts than those offered to dealers, and total program discounts are also usually higher for OEMs. OEMs may also receive special discounts for exceeding program targets.[64] According to industry reports, engine makers discount engine sales to boat builders by an estimated 32 to 35 percent, whereas full-line retail engine dealers receive lower discounts of an estimated 18 to 19 percent.[65]

The EPA and CARB rulings establishing increasingly stringent emission standards for outboard marine engines, and the sale to Bombardier in 2001 of the bankrupt OMC (maker of the Evinrude and Johnson outboard engine brands), altered U.S. market dynamics for outboard engines. The EPA standards require all new marine spark-ignition engines sold in the United States to emit by model-year 2006 (July 2005) approximately 75 percent lower hydrocarbon emissions (on a corporate average) from the 1998 model-year level,[66] thus spurring engine suppliers to the U.S. market to focus production on emissions-compliant engines and/or to develop advanced engines and technologies that meet these standards. In 1998 the CARB adopted the same standards for spark-ignition marine engines, but accelerated implementation to 2001.[67] These standards, which effectively preclude the sale of the

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[58] Petition of Mercury, Jan. 8, 2004, vol. II, p. 15.

[59] Conference transcript, pp. 174, 195, 227, and 230.

[60] Post-conference brief of Yamaha, Feb. 3, 2004, p. 18.

[61] Conference transcript, p. 34.

[62] For more information, see the Pricing section.

[63] Conference transcript, pp. 44-46.

[64] Conference transcript, pp. 34-36, and petition of Mercury, Jan. 8, 2004, vol. II, pp. 15-16.

[65] Jeff Kurowski, "Dealers Frustrated About Outboard Engine Gray Market," *Boating Industry*, January/February 2003, pp. 27-28.

[66] Conference transcript, p. 27.

[67] "Recreational Marine Engines," California Air Resources Board, Dec. 17, 2003, found at http://www.arb.ca.gov, retrieved Jan. 30, 2004. The State of California will implement emission standards stricter than the maximum federal level by 2008, with two staged reductions occurring in 2004 and 2008. "Air Board to Reduce Marine Engine Pollution," press release, California Air Resources Board, Dec. 10, 1998, found at http://www.arb.ca.gov, retrieved Feb. 5, 2004.

traditional 2-stroke carbureted engine,[68] are largely being met by 4-stroke engines and newly-designed 2-stroke engines with direct injection systems.[69]

The petitioner and respondents acknowledge that 2-stroke carbureted engines have been largely replaced by 2-stroke DI and 4-stroke engines in the U.S. market. According to the petitioner, EPA estimates that 2-stroke engines will account for 15 percent of wholesale U.S. sales in 2006, down from 47 percent in 2002.[70] Such substitution is possible because the different engine technologies are fully interchangeable at a given horsepower level, according to the petitioner.[71]

The respondents contend that consumer preference in the U.S. market has largely shifted to 4-stroke engines.[72] They allege that U.S. producers were slow to respond to this market shift, focusing on the development of direct injection technology for their 2-stroke engines rather than the production of 4-stroke engines.[73] Respondents contend that neither Mercury nor Bombardier have enough variety of engine products, particularly in the 4-stroke range, and technologies that have gained customer acceptance and quality perception.[74] In particular, the respondents contend that Mercury does not supply higher horsepower 4-stroke engines of its own, using instead powerheads supplied by Yamaha,[75] and that Bombardier has yet to make any commitment to 4-stroke engines other than its supply agreement with Suzuki to import and resell an incomplete lineup.[76]

The petitioner, however, claims that there is no clear consumer preference for 4-stroke engines vis-à-vis other low emission engines, citing the predominant use of 2-stroke engines in the bass and coastal fishing boat markets.[77] To supply those customers that do prefer 4-stroke engines, Mercury expects to introduce a complete line of improved performance, higher horsepower 4-stroke engines in February 2004.[78] Mercury states that none of the Japanese engine producers has introduced a full line of new-technology engines, and that only Yamaha offers a range of products similar to that of Mercury.[79]

Respondents acknowledge that 2-stroke engines may be preferred in certain segments of the market because of their low cost, high performance, and relative weight.[80] Despite their focus on

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[68] Petition of Mercury, Jan. 8, 2004, vol. II, p. 11.

[69] The design of the two-stroke carbureted engine prevents cost-effective retrofitting with direct injection technology. Conference transcript, p. 103.

[70] Conference exhibit 14, Mercury, Jan. 29, 2004.

[71] Conference transcript, p. 38.

[72] Post-conference brief of Suzuki, Feb. 3, 2004, p. 6.

[73] Conference transcript, p. 191.

[74] Conference transcript, pp. 136 and 148-151.

[75] Conference transcript, pp. 136-137.

[76] Conference transcript, p. 162.

[77] Post-conference brief of Mercury, Feb. 3, 2004, pp. 31-32.

[78] Post-conference brief of Mercury, Feb. 3, 2004, pp. 34-35.

[79] Post-conference brief of Mercury, Feb. 3, 2004, p. 34.

[80] Conference transcript, pp. 230, 233, and 235-236.

supplying 4-stroke engines to the U.S. market, however, respondents indicate that Honda and Suzuki do not experience a disadvantage with their lack of a 2-stroke DI engine in their product line-up.[81]

The December 2000 bankruptcy of OMC, a leading U.S. producer of outboard marine engines and boats, led to intense competition among the remaining outboard engine suppliers for OMC's 28-percent[82] U.S. market share. The bankrupcy created a significant opportunity for engine suppliers to the U.S. market to increase market share and expand dealer and boat builder networks,[83] resulting in a reallocation of market share among U.S. and Japanese engine producers. Petitioners claim that the Japanese engine makers aggressively discounted prices to gain market share during this time.[84] The respondents, however, claim that OMC dealers were reluctant to source from Mercury, OMC's principal competitor.[85] Bombardier reintroduced OMC's Johnson and Evinrude engine brands to the U.S. market in October 2001.[86]

DOMESTIC LIKE PRODUCT ISSUES

The Commission must determine what domestic product is like, or in absence of like, most similar in characteristics and uses to, the imported articles as defined in Commerce's scope. The petitioner considers the domestic like product to be coextensive with the product scope, i.e., all products specified as "outboard engines" or "powerheads." Respondents, except Tohatsu, accede to petitioner's single like product, at least for purposes of this preliminary phase of the investigation.

Tohatsu claims that outboard engines under 25 hp should be considered a separate like product from outboard engines 25 hp and above. Tohatsu claims that these engines are not EPA compliant and that there is no evidence they will be compliant within the EPA mandate; that their use is limited to small boats; that they are physically distinct from larger engines in being light weight and portable and having tiller handles for operational control rather than complicated rigging; that they are largely sold to dealers rather than boat builders; that customers and producers view these engines as antiquated; and that there are considerable price differences between small and large horsepower engines.[87]

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[81] Conference transcript, pp. 247-249.

[82] "OMC: Two Drops in Much Bigger Buckets," The Eyerdam Report, *The Boating News*, Apr. 2001, found at http://www.theboatingnews.com, retrieved Jan. 28, 2004. Other sources indicate the OMC's share of the market was smaller, e.g, 23 percent. Rick Barrett, "Despite sale, Bombardier to stay invested in Sturtevant," *Milwaukee Journal Sentinel Online*, Aug. 27, 2003, found at http://www.jsonline.com/, retrieved Jan. 15, 2004.

[83] Conference transcript, pp. 68-69.

[84] Conference transcript, p. 121.

[85] Post-conference brief of Yamaha, Feb. 3, 2004, p. 11.

[86] Liz Walz, "Igniting Change," *Boating Industry*, May-June 2003, p. 24.

[87] Post-conference brief of Tohatsu, Feb. 3, 2004, pp. 1-8.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION

Both U.S. producers and importers sell outboard motors to OEMs and individual dealers. According to data submitted in response to Commission questionnaires, sales to OEMs by both U.S. producers and importers as a share of the U.S. market increased from *** percent of total U.S. shipments in 2000 to *** percent in 2002. The share of sales of U.S.-produced outboard motor engines to OEMs fell from *** percent in 2000 to *** percent in 2002 while the share of sales of Japanese-produced outboard motors from Japan to OEMs increased from *** percent to *** percent between 2000 and 2002. All responding importers[1] and U.S. producers sell outboard engines nationally.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, U.S. outboard engines producers are likely to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced outboard engines to the U.S. market. The main contributing factors to the large degree of responsiveness of supply are the existence of alternate markets, the availability of unused capacity, the existence of some inventories, and an ability to produce alternate products.

Industry capacity

U.S. producers' reported capacity utilization for outboard engines fell from *** percent to *** percent between 2000 and 2002. This level of capacity utilization would indicate that U.S. producers have some unused capacity with which they could increase production of outboard engines in the event of a price change.

Alternative markets

U.S. producers' exports of outboard engines increased from *** percent of shipments in 2000 to *** percent of shipments in 2002. These data indicate that U.S. producers have the ability to divert shipments to or from alternative markets in response to changes in the price of outboard engines.

Inventory levels

U.S. producers' inventories, as a percentage of total shipments, fluctuated and decreased between 2000 and 2002, increasing from *** percent of their shipments in 2000 to *** percent in 2001 and declining to *** percent in 2002. These data indicate that U.S. producers have some ability to use inventories as a means of increasing shipments of outboard engines to the U.S. market.

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[1] Since *** responding U.S. producers filled out both producer and importer questionnaires, their responses to narrative questions are included in descriptions of responses from "responding producers," but not included in descriptions of "responding importers."

Production alternatives

U.S. producers have the ability to use at least some of the equipment used to produce outboard engines to produce other products. Mercury is an expert die casting and machining designer of metal and non-metal components. While Mercury's production equipment is specifically tailored to marine applications, its casting facilities could be used for other purposes. It currently supplies castings to Harley-Davidson for their engine blocks and has supplied some castings to Paralis Engine for ATVs.[2]

Subject Imports

Based on available information, the Japanese producers are likely to respond to changes in demand with large changes in the quantity of shipments of outboard engines to the U.S. market. The main contributing factors to the large degree of responsiveness of supply are the existence of alternate markets and some inventories and an ability to produce alternate products moderated by the unavailability of unused capacity.

Industry capacity

Japanese producers' reported capacity utilization for outboard engines fluctuated and increased, falling from *** percent in 2000 to *** percent in 2001 before increasing to *** percent in 2002 and increasing from *** percent to *** percent between interim 2002 and interim 2003. This level of capacity utilization would indicate that Japanese producers have little unused capacity with which they could increase production of outboard engines in the event of a price change.

Alternative markets

Japanese producers' shipments of outboard engines to markets other than the United States (their home market and other export markets) fell from *** percent of shipments in 2000 to *** percent of shipments in 2002, but increased from *** percent of shipments to *** percent of shipments between interim 2002 and interim 2003. These data indicate that Japanese producers have the ability to divert shipments to or from alternative markets in response to changes in the price of outboard engines.

Inventory levels

Japanese producers' inventories, as a percentage of shipments, declined between 2000 and 2002, falling from *** percent of shipments in 2000 to *** percent in 2001 and falling further to *** percent in 2002. These data indicate that Japanese producers have some ability to use inventories as a means of increasing shipments of outboard engines to the U.S. market.

Production alternatives

As is the case with U.S. producers, Japanese producers have the ability to use the equipment used to produce outboard engines to produce other products.[3]

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[2] Rick Davis, Vice President of Engine Development and Chief Technology Officer, Mercury, conference transcript, p. 101.

[3] Phillip Dyskow, President, Marine Group, Yamaha, conference transcript, p. 237.

U.S. Demand

Based on available information, outboard engine consumers are likely to respond to changes in price with large changes in their purchases of outboard engines. The main contributing factors to the high degree of responsiveness of demand is sensitivity of demand to changes in discretionary income and the relatively high cost share of end uses, moderated by the limited substitutability of other products for outboard engines.

Demand Characteristics

Demand for outboard engines depends on the demand for the boats they are used to power and discretionary income of potential boat purchaser.[4] All responding producers and importers indicate that demand for outboard engines has decreased or remained unchanged since 2000.[5] Citing changes in annual wholesale sales, petitioner indicates that demand fell by 24 percent between 2000 and 2001, increased in 2002 to a level about 6 percent below its level in 2000, and then increased by just over 1 percent between 2002 and 2003.[6]

Most responding producers and importers indicated that the principal factor affecting demand was the economy.[7] Other demand factors mentioned by responding importers included emissions regulations, changes in the amount of personal recreation time, gasoline prices, interest rates, and bad weather (particularly droughts and floods). One importer indicated that as a result of a downturn in the economy and the fact that boats are primarily purchased with consumer discretionary money, some people can no longer afford "boating" and others choose to fix their old outboards rather than buy a new one.

Substitute Products

While other types of engines cannot be installed on boats using outboard motors without converting the boat, one of two responding producers and all responding importers indicated that there are boats with other types of engines, such as stern drives, inboard motors, jet units, and electric trolling motors, that could be substitutes for boats with outboard engines. This type of substitution would be limited to purchases of new boats, which make up approximately 85 percent of sales of outboard engines.[8] *** responding importers, but *** responding producers indicated that changes in the prices of these substitute products affect the price of outboard engines. One responding importer also indicated that sellers of outboard engines also face competition for the consumer's discretionary dollars from other industries.

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[4] William A. Noellert, Economist, Dewey Ballantine, conference transcript, p. 32.

[5] Even if the *demand* at a given price for outboard engines in the U.S. market remains the same or decreases, the apparent consumption (*quantity demanded*) of outboard engines may increase (decrease) due to an increase (decrease) in the supply of outboard engines from domestic or foreign sources to the U.S. market.

[6] William A. Noellert, conference transcript, p. 31. However, as noted in fn. 5, at least part of the decrease in engine sales between 2000 and 2002 could be the result of a decrease in domestic supply caused by the OMC bankruptcy and not be an actual decrease in demand.

[7] Petitioner points out that since a boat purchase is generally a substantial purchase for a consumer that is discretionary and therefore income elastic, it is not surprising that boat and engine sales tend to track the overall economy. William A. Noellert, conference transcript, p. 32.

[8] Dennis W. Sheller, Vice President of Marine Strategy, Mercury, conference transcript, p. 89.

Cost Share

According to responding producers and importers, the proportion of the total cost of a new boat accounted for by outboard engines varies by the type of boat use, but in most cases it ranges from 15 percent to 65 percent. One importer indicated that the cost share is 96 percent to 100 percent of the cost of repowering a boat and 25 percent to 50 percent of the cost of boats assembled by boat builders.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported outboard engines depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is a moderate level of substitutability between domestically produced outboard engines and outboard engines imported from Japan and other import sources.

Factors Affecting Purchasing Decisions

The petitioner indicates that while there are numerous factors in the consumer's purchase process, such as quality and availability, price has become more and more important during the transition to the production of lower-emission outboard engines.[9] Petitioner also indicates that significant price competition is seen in the purchases by boat builders, and that price is the leading factor in making the sale.[10] However, referring to data showing an increase in sales of Japanese-produced 4-stoke engines during the period of investigation, Yamaha indicates that what is driving the market is not small price differentials between comparable engines, but the migration of the market to 4-stroke engines.[11] Also, several Yamaha dealers indicate that minor differences in price are not important and that they can sell a quality product for a higher price.[12]

Comparisons of Domestic Products and Subject Imports

In their questionnaire responses, *** indicated that U.S.-produced and Japanese imports of outboard engines are "always" used interchangeably. Three of four responding importers indicated that U.S.-produced and Japanese imports of outboard engines are "sometimes" used interchangeably, while *** indicated that U.S.-produced and Japanese imports of outboard engines are "frequently" used interchangeably.

Several responding importers and respondents indicated that domestically produced 2-stroke and 2-stroke DI engines are not interchangeable with Japanese-produced 4-stroke engines. Respondents indicate that while 2-stroke and 2-stroke DI engines have some advantages over 4-stroke engines in terms

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[9] Dennis Sheller, conference transcript, p. 92.

[10] Kevin Dempsey, counsel for petitioner, conference transcript, pp. 92-93.

[11] Post-conference brief of Yamaha, p. 45 and Exhibit 35.

[12] Scott Deal, President, Maverick Boat Company, conference transcript, pp. 154-55; John Haddon, Sea Witch Marine, conference transcript, p. 167, and Jack Mudgett, Action Marine, conference transcript, p. 174.

of weight, acceleration, and top-end performance, consumers prefer the 4-stroke model because it does not require mixing gas and oil in precise proportions and has better reliability.[13] ***.[14] ***.[15]

Also, one importer indicated that motor weight and technology are important issues affecting interchangeability and that different technology engines cannot be mixed in a multi-engine installation. Another responding importer indicated that, in general, outboard engines produced in the United States and Japan are interchangeable, provided the mounting is adaptable and the horsepower is sufficient to power (and not overpower) the boat.

*** indicated that differences in product characteristics or sales conditions between U.S.-produced and Japanese imports of outboard engines are "sometimes" a significant factor in their firm's sales of outboard engines. The *** indicated that differences in product characteristics or sales conditions between U.S.-produced and Japanese imports of outboard engines are "never" a significant factor in their firm's sales, while *** indicated that differences in product characteristics or sales conditions between U.S.-produced and Japanese imports of outboard engines are "frequently" a significant factor in their firms' sales. *** indicated that differences in product characteristics or sales conditions between U.S.-produced and Japanese imports of outboard engines are "always" a significant factor in their firm's sales.

Comparisons of Domestic Products and Nonsubject Imports[16]

In their questionnaire responses, *** indicated that U.S.-produced and nonsubject imports of outboard engines are "sometimes" used interchangeably. The *** indicated that U.S.-produced and nonsubject imports of outboard engines are "frequently" used interchangeably, *** indicated that U.S.-produced and nonsubject imports of outboard engines are "always" used interchangeably, and *** was unable to make a comparison.

*** indicated that differences in product characteristics or sales conditions between U.S.-produced and nonsubject imports of outboard engines are "always" a significant factor in their firm's sales of outboard engines. *** indicated that differences in product characteristics or sales conditions between U.S.-produced and nonsubject imports of outboard engines are "sometimes" a significant factor in its firm's sales, *** was unable to make a comparison.

Comparisons of Subject Imports and Nonsubject Imports

In their questionnaire responses, *** indicated that U.S.-produced and nonsubject imports of outboard engines are "sometimes" used interchangeably. *** indicated that U.S.-produced and nonsubject imports of outboard engines are "frequently" used interchangeably, *** indicated that U.S.-produced and nonsubject imports of outboard engines are "always" used interchangeably and *** unable to make a comparison.

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[13] Post-conference brief of Yamaha, p. 5.

[14] Irwin Jacobs, Chairman, Genmar Holdings, conference transcript, pp. 139-140. Aside from some excerpts of J.D. Power reports available in the public domain, J.D. Power reports are not part of the record in this investigation.

[15] ***.

[16] Typically, imports of outboard engines from other countries are produced by subsidiaries of U.S. and Japanese producers and are of the same make (brand) as those sold in the United States.

*** indicated that differences in product characteristics or sales conditions between U.S.-produced and nonsubject imports of outboard engines are "sometimes" a significant factor in their firms' sales of outboard engines. *** indicated that differences in product characteristics or sales conditions between U.S.-produced and nonsubject imports of outboard engines are "frequently" a significant factor in its firm's sales, *** was unable to make a comparison.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of two firms, Mercury and Bombardier, that accounted for 100 percent of the subject product produced in the United States in the period examined, except in 2000. Complete data for a third firm, OMC, whose production ended in 2000, are not available; however, shipment data for OMC were provided by Bombardier, which purchased OMC's outboard engine assets in March 2001, and other data for OMC, including capacity, production, inventories, and employment, were estimated on the basis of its known shipment data and the quantity of these data relative to comparable data for Mercury.[1] According to Suzuki, which had supplied OMC with outboard engines made in Japan since 1997, OMC's demise began in early 2000 and was caused by delays in obtaining component parts from outside suppliers, the financial burdens of a rebate program, and technical problems with its 2-stroke DI engine. There were no firms other than Mercury, Bombardier, and OMC that produced the primary components of outboard engines during the period examined. Mercury's and Bombardier's plant locations, positions on the petition, and individual shares of U.S. production are presented in table III-1.

Both Mercury and Bombardier provide their customers with a wide range of 2-stroke, 2-stroke DI, and 4-stroke engines, but not all of their 2- and 4-stroke models are produced in the United States. Mercury's *** models and its *** models are produced *** in Japan by Tohatsu Marine Corp. (TMC) under a joint-venture agreement. Mercury's *** model is also built *** in Japan–in this case by Yamaha. In addition to producing *** for Mercury, Yamaha also produces powerheads for Mercury's *** models.[2] Many of Bombardier's models are also *** sourced from outside the United States, but not wholly from Japan. From affiliates in Mexico (Bombardier Mexico S.A. de C.U.) and China (Bombardier Recreational Products Asia, Ltd.), Bombardier imports several of its *** models, including ***. From a Suzuki affiliate in Thailand, Bombardier imports ***; and from Suzuki in Japan, Bombardier imports ***. (***). All of the outboard engines and powerheads imported by Mercury and Bombardier ***. Mercury's and Bombardier's domestic facilities are designed and used exclusively for the production of the subject product.

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[1] According to Bombardier, OMC, which produced Johnson and Evinrude outboard engines in five U.S. plants (Spruce Pine, NC; Andrews, NC; Waukegan, IL; Burnsville, NC; and Calhoun, GA) filed for bankruptcy on December 22, 2000, at which time it ceased producing the subject product. Bombardier acquired these plants in March 2001, selling OMC's remaining inventories of outboard engines and choosing to close all but the Spruce Pine and Andrews plants. Concurrently, it purchased an existing plant in Sturtevant, WI, for *** and invested over *** to transform it into a "world class, state-of-the-art manufacturing facility" for outboard engines. Production resumed in in the Sturtevant, Spruce Pine, and Andrews plants in August 2001, with full capacity complete by January 2002.

[2] As noted previously, the powerhead accounts for 50 percent to 70 percent of the value of the complete outboard engine, depending on the engine's hp rating--the larger the hp, the larger the relative value of the powerhead.

Table III-1
Outboard engines and powerheads therefor: U.S. producers, locations of production facilities, positions with respect to the petition, and shares of U.S. production, January 2000-September 2003

Company	Locations of production facilities	Position with respect to the petition	U.S. production of outboard engines *(units)*	Share of U.S. production *(percent)*	U.S. production of powerheads *(units)*	Share of U.S. production *(percent)*
Mercury[1]	Fond du Lac, WI	Petitioner	***	***	***[4]	***
Bombardier[2]	Sturtevant, WI Andrews, NC Delavan, WI Spruce Pine, NC	***	***[3]	***	***[4]	***
Total			***	100.0	***	100.0

[1] Mercury is a wholly-owned division of Brunswick Corp., Lake Forest, IL.
[2] Bombardier is a wholly-owned subsidiary of Bombardier Recreational Products (USA) Inc., Wilmington DE, which is wholly owned by Bombardier Recreational Products Inc., Montreal, Canada.
[3] Includes an estimate of OMC's production in 2000.
[4] Does not include production in 2000.

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

Source: Compiled from data submitted in response to Commission questionnaires.

Combined data for Mercury's and Bombardier's U.S. operations are shown in tables III-2 (outboard engines, including engines built from imported Yamaha powerheads), and III-3 (separately sold powerheads). Because the same production and related workers use the same equipment to produce all powerheads, employment data cannot be allocated between outboard engines and powerheads separately sold, so employment data for outboard engines and separately sold powerheads combined are presented in table III-4, along with combined shipment value.

U.S. outboard engine capacity, production, and shipments declined noticably in 2001 following OMC's bankruptcy (table III-2). With Bombardier's purchase of OMC's outboard engine assets and its opening of additional capacity in 2001, U.S. producers' capacity was restored in 2002, but production and shipments remained well below 2000 levels and also fell from January-September 2002 to January-September 2003. In addition to serving the U.S. market, both Mercury and Bombardier export large quantities of outboard engines to many countries throughout the world. Exports were *** percent of their total quantity of shipments in the period examined. Both Mercury and Bombardier also have related dealers and/or boat builders in the United States, but transfers to these accounted for less than *** percent of their total shipments. Significantly, dealers have accounted for a decreasing proportion of U.S. producers' domestic shipments of outboard engines, as shown in table III-2. U.S. producers' shipments to both dealers and OEMs declined in the period examined, but their shipments to OEMs steadily increased from *** percent of their total domestic shipments in 2000 to over *** percent in January-September 2003. A comparison of U.S. producers' and importers' shipments to these market segments is shown in Part IV of this report).

Table III-2
Outboard engines: U.S. producers' production, average practical capacity, capacity utilization, domestic shipments, exports, and end-of-period inventories, 2000-2002, January-September 2002, and January-September 2003

* * * * * * *

Table III-3
Powerheads, separately sold: U.S. producers' production, domestic shipments, exports, and end-of-period inventories, 2000-2002, January-September 2002, and January-September 2003

* * * * * * *

Table III-4
Outboard engines and separately sold powerheads: the value of U.S. producers' domestic shipments and exports of U.S.-produced product (including Mercury's outboard engines made from imported powerheads), average number of U.S. production and related workers, and hours worked by and wages paid to such workers, 2000-2002, January-September 2002, and January-September 2003

* * * * * * *

Relatively few powerheads are made by Mercury and Bombardier for separate sale (table III-3). In terms of value, powerhead shipments were less than *** percent of outboard engine shipments in the period examined. Virtually all were shipped to dealers as replacement parts. Also shown in table III-3 is a considerable quantity of powerheads that were shipped to dealers as replacements under warranty; however, unlike other shipments, these are an expense rather than a sale to the firm (i.e., have negative value) and are therefore not included in total shipments.

Employment in the industry generally declined throughout the period (table III-4), although the decline in 2001 and subsequent increase in 2002 was largely due to OMC's bankrupcy and Bombardier's gradual revival of production following its purchase of OMC's assets. Other than this transition, U.S. producers reported no unusual circumstances–such as plant closures, power outages, strikes, raw material shortages, or equipment failure–that adversely impacted the production quantity or quality of the subject product during the period examined.

As indicated previously, both Mercury and Bombardier import complete outboard engines and powerheads from Japan to complement their production in the United States. *** of the powerheads imported by Mercury were for its engines utilizing domestically-produced midsections and gearcase assemblies. Each firm's quantity (in units) of such imports and their U.S. production and shipments of U.S.-produced goods (commercial shipments and transfers, plus warranty replacements) for each reported period are shown in the tabulation below:

* * * * * * *

U.S. producers also provided the Commission with U.S. shipment data related to their 2-stroke, 2-stroke DI, and 4-stroke outboard engines. These data, in comparison with imports from Japan, are shown in Part IV.

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

The Commission received questionnaires from all six firms that imported the subject products from all sources during the period examined. They include Mercury, Bombardier, Yamaha Motor Corporation, USA (Yamaha USA), American Honda Motor Co., Inc. (American Honda), American Suzuki Motor Corp. (American Suzuki), and Tohatsu America Corp. (Tohatsu America). All sources of imports outside of Japan are related to these importers (most of the U.S. and Japanese producers have subsidiaries in other countries that produce their respective makes of outboard engines and/or powerheads). Yamaha USA, American Honda, American Suzuki, and Tohatsu America are wholly-owned subsidiaries of their respective makers in Japan. Of all the importers, only Mercury adds production value to the imported product. As noted previously, *** of Mercury's imports of powerheads from Yamaha is for use in its U.S. production of *** engines. In addition to importing directly from their parent companies, Yamaha USA imports outboard engines from ***, Suzuki America imports from ***, and Tohatsu America imports from a related firm in Japan, Nissan Marine Co., which exports some of Tohatsu's product (Nissan Motor Co., which owns Nissan Marine, also owns *** percent of Tohatsu America). Mercury imports its Yamaha-produced engines and powerheads directly from Yamaha, and its Tohatsu-produced engines from its subsidiary in Japan, Mercury Marine Japan. Bombardier imports directly from ***, and from ***.

U.S. imports, consumption, and market shares for outboard engines, separately sold powerheads, and outboard engines and separately sold powerheads combined (for value only) are shown in tables IV-1, IV-2, and IV-3, respectively. Japan accounted for the overwhelming bulk of imports in the period examined (negligibility is not an issue in this investigation), although its share diminished noticeably in January-September 2003 with ***. As a share of consumption, Japan's share has been large and increasing, as shown, despite the decline in consumption in 2001, resulting from the demise of OMC and a decline in boat sales in conjunction with recessionary factors in the U.S. economy. Apparent consumption and Japan's share of consumption based on shipments of imports rather than imports, shown in appendix tables C-4, C-5, and C-6, follow the same pattern.

Table IV-1
Outboard engines: U.S. imports, apparent U.S. consumption,[1] and market shares, 2000-2002, January-September 2002, and January-September 2003

(Quantity=*units*; value=*1,000 dollars*)

Item	2000	2001	2002	J-S 2002	J-S 2003
U.S. consumption quantity: Amount	***	***	***	***	***
Producers' share[2]	***	***	***	***	***
Importers' share: Japan[2]	***	***	***	***	***
All other countries[2]	***	***	***	***	***
Total imports[2]	***	***	***	***	***
U.S. consumption value: Amount	***	***	***	***	***
Producers' share[2]	***	***	***	***	***
Importers' share: Japan[2]	***	***	***	***	***
All other countries[2]	***	***	***	***	***
Total imports[2]	***	***	***	***	***
U.S. imports from-- Japan:					
Quantity[3]	134,784	140,319	180,101	124,831	139,188
Share of total import quantity[2]	98.4	97.5	93.8	96.6	87.0
Value[4]	409,622	433,702	584,014	403,739	443,300
Share of total import value[2]	99.6	99.5	98.9	99.4	96.4
Average value per unit	$3,039	$3,091	$3,243	$3,234	$3,185
Share of U.S. production[2]	***	***	***	***	***
All other countries:					
Quantity	2,186	3,619	11,831	4,357	20,783
Share of total import quantity[2]	1.6	2.5	6.2	3.4	13.0
Value[4]	1,488	2,142	6,670	2,398	16,487
Share of total import value[2]	0.4	0.5	1.1	0.6	3.6
Average value per unit	$681	$592	$564	$550	$793
All countries:					
Quantity	136,970	143,938	191,932	129,188	159,971
Value[4]	411,110	435,844	590,684	406,137	459,787
Average value per unit	$3,001	$3,028	$3,078	$3,144	$2,874
Continued on next page.					

Item	2000	2001	2002	J-S 2002	J-S 2003
[1] U.S. producers' domestic shipments plus imports. [2] In *percent*. [3] Includes a small quantity of outboard engines that were re-exported by Mercury and Bombardier (*** units in 2000, *** units in 2001, *** units in 2002, *** units in January-September 2002, and *** units in January-September 2003). [4] Landed, duty-paid. Note.–Because of rounding, figures may not add to the totals shown. Source: Compiled from data submitted in response to Commission questionnaires.					

Table IV-2
Powerheads, separately sold: U.S. imports, apparent U.S. consumption,[1] and market shares, 2000-2002, January-September 2002, and January-September 2003

(Quantity=*units*; value=*1,000 dollars*)

Item	2000	2001	2002	J-S 2002	J-S 2003
U.S. consumption quantity:					
Amount	(2)	***	***	***	***
Producers' share[3]	(2)	***	***	***	***
Importers' share:					
Japan[3]	(2)	***	***	***	***
All other countries[3]	(2)	***	***	***	***
Total imports[3]	(2)	***	***	***	***
U.S. consumption value:					
Amount	(2)	***	***	***	***
Producers' share[3]	(2)	***	***	***	***
Importers' share:					
Japan[3]	(2)	***	***	***	***
All other countries[3]	(2)	***	***	***	***
Total imports[3]	(2)	***	***	***	***
U.S. imports from--					
Japan:					
Quantity	24,883	27,552	24,815	15,759	27,088
Share of total import quantity[3]	100.0	100.0	99.6	99.5	99.8
Value[4]	53,330	42,218	39,571	24,886	43,814
Share of total import value[3]	100.0	100.0	99.9	99.9	99.9
Average value per unit	$2,143	$1,532	$1,595	$1,579	$1,617
Share of U.S. production[3]	(2)	***	***	***	***
All other countries:					
Quantity	0	10	100	73	52
Share of total import quantity[3]	0.0	0.0	0.4	0.5	0.2
Value[4]	0	5	9	34	26

Item	2000	2001	2002	J-S 2002	J-S 2003
Share of total import value[3]	0.0	0.0	0.1	0.1	0.1
Average value per unit	$0	$500	$90	$466	$500
All countries:					
Quantity	24,883	27,562	24,915	15,832	27,140
Value[4]	53,330	42,223	39,580	24,920	43,840
Average value per unit	$2,143	$1,532	$1,589	$1,574	$1,615

[1] U.S. producers' domestic shipments plus imports.
[2] Not available.
[3] In *percent*.
[4] Landed, duty-paid.

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

Source: Compiled from data submitted in response to Commission questionnaires.

Table IV-3
Outboard engines and separately sold powerheads: the value of U.S. imports, apparent U.S. consumption,[1] and market shares, 2000-2002, January-September 2002, and January-September 2003

(Value=*1,000 dollars*)

Item	2000[2]	2001	2002	J-S 2002	J-S 2003
U.S. consumption value: Amount	***	***	***	***	***
Producers' share[3]	***	***	***	***	***
Importers' share: Japan[3]	***	***	***	***	***
All other countries[3]	***	***	***	***	***
Total imports[3]	***	***	***	***	***
U.S. imports from-- Japan:					
Value[4]	462,952	475,920	623,585	428,625	487,114
Share of total import value[3]	99.7	99.6	98.9	99.4	96.7
Share of U.S. domestic shipments value[3]	***	***	***	***	***
All other countries:					
Value[4]	1,488	2,147	6,679	2,432	16,513
Share of total import value[3]	0.3	0.4	1.1	0.6	3.3
All countries:					
Value[4]	464,440	478,067	630,264	431,057	503,627

Continued on next page.

Item	2000[2]	2001	2002	J-S 2002	J-S 2003

[1] U.S. producers' domestic shipments plus imports.
[2] Does not include OMC's commercial shipments and transfers of powerheads.
[3] In *percent*.
[4] Landed, duty-paid.

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

Source: Compiled from data submitted in response to Commission questionnaires.

Unlike U.S. shipments, shipments of imports were to a much larger proportion of dealers rather than OEMs; however, shipments of imports to OEMs increased steadily while shipments to dealers fluctuated, and the share of imports to OEMs increased noticeably throughout the period examined, as shown in the tabulation below (in units, for complete engines only):

	2000	2001	2002	J-S 2002	J-S 2003
To OEMs	32,109	45,602	76,011	55,487	62,175
Percent of total	24.3	33.0	43.6	42.5	44.8
To dealers	92,390	86,041	89,647	69,250	69,934
Percent of total	69.9	62.2	51.5	53.0	50.4
To others	7,637	6,678	8,510	5,969	6,574
Percent of total	5.8	4.8	4.9	4.6	4.7

A comparison of both U.S. producers' and importers' shipments of outboard engines to these market segments is shown in table IV-4. The data show that not only did imports from Japan gain an increasing share of both the OEM and dealer markets (from *** percent to *** percent and from *** percent to *** percent, respectively, in the period examined) but also that the OEM market grew significantly relative to others.

U.S. shipments of U.S.-produced and Japanese-produced outboard engines by basic engine type (2 stroke, 2 stroke DI, and 4 stroke) are shown in table IV-5. The data show that shipments of 2-stroke DI and 4-stroke engines increased markedly relative to 2-stroke engines, a declining market, but that U.S. producers' share of the 4-stroke market did not change appreciably from 2000 onward. While U.S. producers' share of the 4-stroke market remained about the same from 2000 onward, U.S. producers' share of the 2-stroke and 2-stroke DI markets increased.

Table IV-4
Outboard engines: U.S. shipments of U.S.- produced and Japanese-produced product to OEMs, dealers, and others, and market shares, 2000-2002, January-September 2002, and January-September 2003

(Quantity=*units*)

Item	2000	2001	2002	J-S 2002	J-S 2003
U.S. shipments to OEMs: U.S.-produced product[1]	***	***	***	***	***
Japanese-produced product	32,109	45,602	76,011	55,487	62,175
Total	***	***	***	***	***
U.S.-produced share[2]	***	***	***	***	***
Japanese-produced share[2]	***	***	***	***	***
U.S. shipments to dealers: U.S.-produced product[1]	***	***	***	***	***
Japanese-produced product	92,390	86,041	89,647	69,250	69,934
Total	***	***	***	***	***
U.S.-produced share[2]	***	***	***	***	***
Japanese-produced share[2]	***	***	***	***	***
U.S. shipments to others: U.S.-produced product[1]	***	***	***	***	***
Japanese-produced product	7,637	6,678	8,510	5,969	6,574
Total	***	***	***	***	***
U.S.-produced share[2]	***	***	***	***	***
Japanese-produced share[2]	***	***	***	***	***
Total U.S. shipments: Quantity	***	***	***	***	***
OEMs' share[2]	***	***	***	***	***
Dealers' share[2]	***	***	***	***	***
Others' share[2]	***	***	***	***	***

[1] Does not include transfer shipments by OMC in 2000 (***) and small quantities by Bombardier in 2001 and 2002.
[2] In *percent*.

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

Source: Compiled from data submitted in response to Commission questionnaires.

Table IV-5
Outboard engines: U.S. shipments of U.S.-produced and Japanese-produced product by type of engine,[1] and market shares, 2000-2002, January-September 2002, and January-September 2003

(Quantity=*units*)

Item	2000	2001	2002	J-S 2002	J-S 2003
U.S. 2-stroke engine shipments: U.S.-produced product	***	***	***	***	***
Japanese-produced product	***	***	***	***	***
Total	***	***	***	***	***
U.S.-produced share[2]	***	***	***	***	***
Japanese-produced share[2]	***	***	***	***	***
U.S. 2-stroke DI engine shipments: U.S.-produced product	***	***	***	***	***
Japanese-produced product	***	***	***	***	***
Total	***	***	***	***	***
U.S.-produced share[2]	***	***	***	***	***
Japanese-produced share[2]	***	***	***	***	***
U.S. 4-stroke engine shipments: U.S.-produced product[1]	***	***	***	***	***
Japanese-produced product	***	***	***	***	***
Total	***	***	***	***	***
U.S.-produced share[2]	***	***	***	***	***
Japanese-produced share[2]	***	***	***	***	***
Total U.S. shipments: Quantity	***	***	***	***	***
2-stroke engines' share[2]	63.9	54.8	46.8	47.8	39.9
2-stroke DI engines' share[2]	9.8	6.7	7.8	7.0	10.0
4-stroke engines' share[2]	26.2	38.5	45.5	45.2	50.0

[1] Does not include Mercury's jet outboards or Mercury's and Bombardier's shipments of Japanese-produced product.
[2] In *percent*.

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

Source: Compiled from data submitted in response to Commission questionnaires.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Raw materials and parts[1] made up about *** percent of the cost of goods sold for domestic producers of outboard engines in 2002. Petitioners indicate that there were no significant changes in input costs for Mercury over the period of investigation.[2]

Transportation Costs to the U.S. Market

Transportation costs for outboard engines from Japan to the United States in 2002 (excluding U.S. inland costs) are estimated to be approximately 1.3 percent of the total cost for outboard engines. These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value.

U.S. Inland Transportation Costs

U.S. inland transportation costs for outboard engines comprise a small portion of the cost of both the U.S. and imported product. Producers and importers report that transportation costs make up about 0.9 percent to 2.0 percent of the total cost of outboard engines on average.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the nominal and real values of the Japanese yen depreciated overall relative to the U.S. dollar from the first quarter of 2000 to the third quarter of 2003. Overall, the nominal value of the Japanese yen depreciated 8.9 percent relative to the U.S. dollar from first quarter of 2000 to third quarter of 2003 (figure V-1). The real value of the Japanese yen depreciated 19.3 percent vis-a-vis the U.S. dollar in that time period.

PRICING PRACTICES

Producers and importers reported using contracts (both short and long term) for multiple shipments, spot sales, or a combination of these methods. *** indicated they mostly sell outboard engines through short-term contracts, while *** reported mostly selling through spot sales. *** mostly sold using long-term contracts, while *** used long-term contracts for about 60 percent of its sales, and spot sales for most of the remaining sales.

Most responding producers and importers sell outboard engines on a f.o.b. basis, although *** reported selling on a delivered basis. All responding producers and importers indicated that the seller usually arranges for transportation. *** responding importers and *** responding producers indicated that most of their sales were from inventory, while the remaining *** indicated that most of its sales were produced to order. Producers reported lead times ranging from *** days from inventory, while importers

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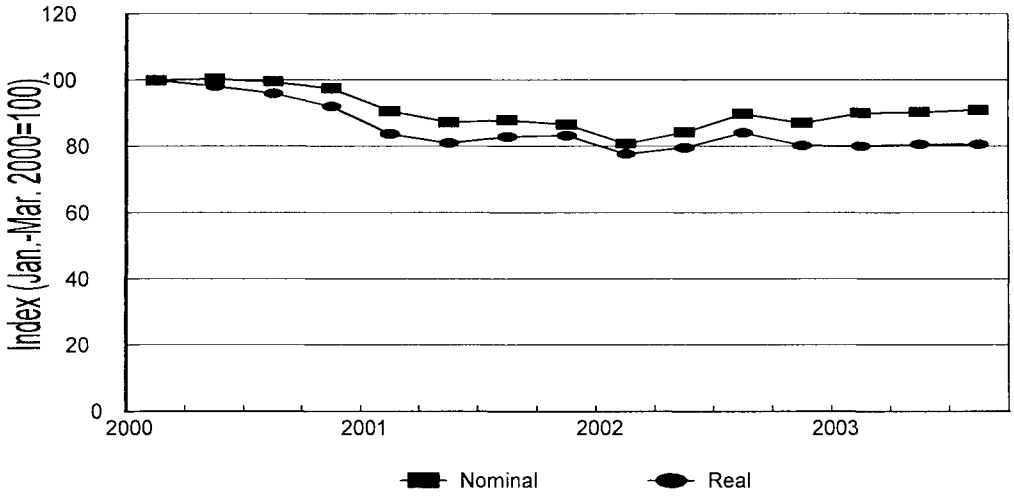
[1] U.S. producers were unable to estimate raw material costs separate from parts in their questionnaire responses.

[2] Post-conference brief of petitioner, p. A-9.

Figure V-1
Exchange rates: Indices of the nominal and real exchange rates between the Japanese yen and the U.S. dollar, by quarters, January 2000-September 2003



Source: International Monetary Fund, *International Financial Statistics*, November 2003.

reported lead times ranging from *** days from inventory. *** indicated lead times ranging from 4 to 5 months for engines produced to order.

Sales Terms and Discounts

All responding producers and importers reported offering discounts, rebates, incentives, and other promotional reductions from MSRP or list price. Typically sales are made at a percentage discount off of the list prices for a variety of engines. The percentage discount is typically the same for all engines and is higher for customers who purchase larger volumes of sales.[3] Other rebates and discounts reported by producers and importers include: early order discounts, seasonal stocking discounts, registration discounts and rebates, co-operative advertising reimbursements, retail bonuses, special promotion rebates and discounts, performance bonuses, cash in advance discounts, free freight, and discounts for prepaid freight.

PRICE DATA

The Commission requested U.S. producers and importers of outboard engines to provide quarterly data for the total quantity and value of outboard engines that were shipped to unrelated OEMs

[3] Dennis W. Sheller and Joseph H. Pomeroy, General Counsel, Mercury, conference transcript, p. 86, and Irwin Jacobs and Bob Deputy, Vice President, Godfrey Marine, conference transcript, p. 216.

and dealers in the U.S. market.[4] Data were requested for the period January 2000 to September 2003. The products for which pricing data were requested are as follows:[5]

> ***Product 1***.–Carbureted 2-stroke (not direct injection), 90 horsepower, 20" shaft length, electric start, steering connector kit, power trim, oil injection.
>
> ***Product 2***.–Direct fuel injection 2-stroke V-6, 150 horsepower, 20" shaft length, electric start, steering connector kit, power trim, oil injection.
>
> ***Product 3***.--4-stroke, 25 horsepower, propeller, remote fuel tank, electric start, steering connector kit, power trim.

Two U.S. producers and five importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. These prices are presented below (tables V-1 through V-6 and figures V-2 and V-3). Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' reported shipments of outboard engines and *** percent of U.S. shipments of subject imports from Japan in 2002.

Price trends for both U.S.-produced outboard engines and subject imported outboard engines from Japan were mixed, varying by product, country of origin, and channel of distribution. Weight-average sales prices of U.S.-produced products 1 and 3 were negatively correlated with the corresponding weighted-average sales prices of Japanese-produced products 1 and 3 for both sales to OEMs and dealers.[6]

The weighted-average sales prices of U.S.-produced product 1 fell by about *** percent for sales to OEMs and increased by *** percent for sales to dealers between the first quarter of 2000 and the third quarter of 2003, while the weighted-average sales price of subject Japanese product 1 fell by *** percent for sales to OEMs and *** percent for sales to dealers during the same period. The weighted-average sales prices of U.S.-produced product 1 for sales to dealers increased by *** percent between the first quarter of 2000 and the first quarter of 2001, and then increased by *** percent between the first quarter of 2001 and the third quarter of 2003, while the weighted-average sales prices of U.S.-produced product 1 for sales to OEMs increased by *** percent between the first quarter of 2000 and the first quarter of

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[4] The Commission requested U.S. producers and importers to provide total values that were net of all discounts, allowances, rebates, prepaid freight, and the value of all returned goods.

[5] Yamaha questions whether comparing average prices reflects the relative competitive position in the market of the various engine manufacturers because of volume discounts. They indicate that the relevant question is how prices of two companies' products compare for customers buying similar volumes. Post-conference brief of Yamaha, p. 39. They also indicate that pricing of individual models is not what is relevant, since boat builders obtain discounts on a entire model line and not for individual engines. Ibid, p. 40.

Yamaha also indicated in its post-conference brief that pricing products used by the Commission shed no light on the growth of 4-stroke engines, do not focus on large-volume engines where the Japanese have gained in the market, and may be distorted because of different offerings by manufacturers. Yamaha post-conference brief, p. 40. However, counsel for Yamaha did not provide alternative pricing products in response to repeated inquires by staff.

[6] Correlations between prices for domestic products 1, 2, and 3 and their corresponding subject Japanese pricing products were -0.32, 0.12, and -0.35, respectively, for sales to OEMs and -0.35, 0.04, and -0.14 for sales to dealers. These correlations do not necessarily imply causation and these price trends may track one another for reasons having nothing to do with each other's prices, such as macroeconomic trends or prices of other substitute or downstream goods.

Table V-1
Outboard engines: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 sold to OEMs, and margins of underselling/(overselling), by quarters, January 2000-September 2003

* * * * * * *

Table V-2
Outboard engines: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 sold to OEMs, and margins of underselling/(overselling), by quarters, January 2000-September 2003

* * * * * * *

Table V-3
Outboard engines: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 sold to OEMs, and margins of underselling/(overselling), by quarters, January 2000-September 2003

* * * * * * *

Table V-4
Outboard engines: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 sold to dealers, and margins of underselling/(overselling), by quarters, January 2000-September 2003

* * * * * * *

Table V-5
Outboard engines: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 sold to dealers, and margins of underselling/(overselling), by quarters, January 2000-September 2003

* * * * * * *

Table V-6
Outboard engines: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 sold to dealers, and margins of underselling/(overselling), by quarters, January 2000-September 2003

* * * * * * *

Figure V-2
Outboard engines: Weighted-average f.o.b. prices of domestic and imported products 1-3 sold to OEMs, by quarters, January 2000-September 2003

* * * * * * *

Figure V-3
Outboard engines: Weighted-average f.o.b. prices of domestic and imported products 1-3 sold to dealers, by quarters, January 2000-September 2003

* * * * * * *

2001, and then decreased by *** percent between the first quarter of 2001 and the third quarter of 2003. The weighted-average sales price of subject Japanese product 1 fell by *** percent for sales to OEMs and *** percent for sales to dealers between the first quarter of 2000 and the first quarter of 2001, and then fluctuated between the first quarter of 2001 and the third quarter of 2003, falling a further *** percent for sales to OEMs and *** percent for sales to dealers.

The weighted-average sales prices of U.S.-produced product 2 fell by *** percent for sales to OEMs and increased by *** percent for sales to dealers between the first quarter of 2000 and the third quarter of 2003, while the weighted-average sales price of subject Japanese product 2 increased by *** percent for sales to OEMs and dealers during the same period.[7] The weighted-average sales prices of U.S.-produced product 2 for sales to OEMs increased by *** percent between the first quarter of 2000 and the first quarter of 2001, and then fluctuated, falling by *** percent between the first quarter of 2001 and the third quarter of 2003, while the weighted-average sales prices of U.S.-produced product 2 for sales to dealers increased by *** percent between the first quarter of 2000 and the first quarter of 2001, and then fluctuated, falling by *** percent between the first quarter of 2001 and the third quarter of 2003. The weighted-average sales price of subject Japanese product 2 increased by *** percent for sales to OEMs between the first quarter of 2000 and the first quarter of 2001, and then increased by *** percent between the first quarter of 2001 and the third quarter of 2003, while the weighted-average sales price of subject Japanese product 2 fell by *** percent for sales to dealers between the second quarter of 2000 and the first quarter of 2001, and then increased by *** percent for between the first quarter of 2000 and the first quarter of 2001.

The weighted-average sales prices of U.S.-produced product 3 increased by *** percent for sales to OEMs and by *** percent for sales to dealers between the first quarter of 2000 and the third quarter of 2003, while the weighted-average sales price of subject Japanese product 3 fell by *** percent for sales to OEMs and by *** percent for sales to dealers during the same period. The weighted-average sales prices of U.S.-produced product 3 for sales to OEMs increased by *** percent between the first quarter of 2000 and the first quarter of 2001, and then increased by an additional *** percent between the first quarter of 2001 and the third quarter of 2003, while the weighted-average sales prices of U.S.-produced product 3 for sales to dealers increased by *** percent between the first quarter of 2000 and the first quarter of 2001, and then fluctuated, falling by *** percent between the first quarter of 2001 and the third quarter of 2003. The weighted-average sales price of subject Japanese product 3 increased by *** percent for sales to OEMs between the first quarter of 2000 and the first quarter of 2001, and then fell *** percent between the first quarter of 2001 and the third quarter of 2003, while the weighted-average sales price of subject Japanese product 3 fell by *** percent for sales to dealers between the second quarter of 2000 and the first quarter of 2001, and then increased by *** percent for between the first quarter of 2000 and the first quarter of 2001.

Price Comparisons

Overall there were 89 instances where prices for domestic outboard engines and imported subject Japanese outboard engines could be compared. Of these 89 comparisons, there were 55 instances (about 62 percent) where the subject imported product was priced below the domestic product. Margins of underselling averaged 7.7 percent, ranging from 0.6 percent to 18.1 percent. In the remaining 34

[7] Because of the unavailability of pricing data for the first quarter of 2000, the change in the weighted-average sales price of subject Japanese product for sales to dealers is based on data between the second quarter of 2000 and the third quarter of 2003.

instances, the subject imported product was priced above the comparable domestic product. Margins of overselling averaged 7.2 percent, ranging from 0.3 percent to 22.7 percent.

Of the 45 comparisons of prices for sales to OEMs, there were 27 instances where the subject imported product was priced below the domestic product. Margins of underselling averaged 7.4 percent, ranging from 0.6 percent to 12.9 percent. In the remaining 18 instances, the subject imported product was priced above the comparable domestic product. Margins of overselling averaged 5.7 percent, ranging from 0.3 percent to 22.7 percent.

Of the 44 comparisons of prices for sales to dealers, there were 28 instances where the subject imported product was priced below the domestic product. Margins of underselling averaged 8.0 percent, ranging from 1.0 percent to 18.1 percent. In the remaining 16 instances, the subject imported product was priced above the comparable domestic product. Margins of overselling averaged 8.7 percent, ranging from 1.6 percent to 22.2 percent.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of outboard engines to report any instances of lost sales or revenues they experienced due to competition from imports of outboard engines from Japan during January 2000 to September 2003. The only responding non-petitioning U.S. producer reported that ***. The *** usable lost sales allegations totaled $*** for *** engines.[8] Staff attempted to contact all purchasers named in these allegations and received responses from two purchasers; a summary of the information obtained follows (table V-7).

Table V-7
Outboard engines: U.S. producers' lost sales allegations

* * * * * * *

***.[9] ***.[10]

[8] ***.

[9] ***.

[10] ***.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Two firms[1] provided usable financial data on their U.S. operations producing outboard engines. These reported data are believed to represent approximately 100 percent of U.S. producers' outboard engine shipments in 2002. Bombardier produces outboard engines and their primary components as well as *** at plants in Wisconsin and North Carolina.[2] Mercury reported that it makes some other products in the same facilities in Wisconsin in which it produces outboard engines, powerheads, and certain parts for outboards; these other products are ***, which are completed in Mercury's other plant in Oklahoma.[3]

OPERATIONS ON OUTBOARD ENGINES

Results of U.S. firms' operations on outboard engines are presented separately for Bombardier and Mercury in tables VI-1 and VI-2, respectively. In table VI-1, 2000 data are for OMC's last year of operations (the firm closed and filed for bankruptcy in December 2000, and was liquidated in early 2001). While calendar year 2000 data represent a company in severe financial distress, data for Bombardier's operations in fiscal years 2001 and 2002 represent a company in a start-up phase, as evidenced by the ***.

Table VI-1
Outboard engines: Results of operations of Bombardier, 2000-2002, January-September 2002, and January-September 2003

* * * * * * *

Table VI-2
Outboard engines: Results of operations of Mercury, 2000-2002, January-September 2002, and January-September 2003

* * * * * * *

Table VI-3 presents the results of operations of both firms on powerheads for outboard engines.

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[1] These are Bombardier, which has a fiscal year that ends ***, and Mercury, which has a fiscal year that ends ***. *** reported internal consumption; *** reported transfers of engines to related parties. *** also reported commercial sales of powerheads for outboard engines. With its submission of February 5, 2004, ***. ***. Differences between the trade and the financial sections are due to timing differences, reporting of sales on a delivered basis by ***, as well as to difficulties ***.

[2] Bombardier's producer questionnaire response. As noted earlier in this report, Bombardier purchased certain assets of OMC, which went into bankruptcy (and ceased production of outboard engines) in December 2000. Bombardier, a Canadian company, purchased many of the assets of OMC from the bankruptcy estate in March 2001, and restarted commercial shipments of Bombardier-built outboard engines in October 2001. Bombardier incurred start-up costs as it initiated and ramped up outboard engine production at a new plant, as well as when it began the production of new types of outboard engines (start-up costs are discussed later). For a discussion of OMC's bankruptcy, see respondents' postconference brief on behalf of Yamaha, pp. 13-14.

[3] Mercury's producer questionnaire response.

Table VI-3
Powerheads for outboard engines: Results of commercial operations of Bombardier and Mercury, 2000-2002, January-September 2002, and January-September 2003

* * * * * * *

Table VI-4 presents data on the combined results of operations of both U.S. producers on outboard engines and commercial sales of powerheads.

Table VI-4
Outboard engines and powerheads for outboard engines: Combined results of operations of U.S. producers, 2000-2002, January-September 2002, and January-September 2003

* * * * * * *

The quantity and value of sales declined between 2000 and 2001, but increased from 2001 to 2002.[4] [5] Both sales quantity and value decreased between January-September 2002 and the same period in 2003. The average unit value of total net sales increased between each of the yearly periods as well as between January-September 2002 and the same period in 2003, offsetting somewhat the decreased sales volume between 2000 and 2001 and between the interim periods. The total value of cost of goods sold (COGS) of Bombardier and Mercury together fell between 2000 and 2001, but increased between 2001 and 2002; the total value of COGS decreased slightly between January-September 2002 and January-September 2003. Changes in the value of COGS were volume-related, and tended to rise with the increase in the unit value of COGS (which increased between each of the periods investigated). Because the increase in unit COGS generally was greater than the change in unit sales value, the ratio of COGS to total net sales increased between 2000 and 2001; the increase in unit COGS was less than the increase in unit sales value between 2001 and 2002 as well as between the two interim periods, and the ratio of COGS to sales declined ***. This increase generally reflected an increase in "raw materials and parts" and "other factory costs"[6] of both reporting U.S. firms. Gross profit fell *** between 2000 and 2001, and

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[4] According to petitioner, OMC's customers had purchased a "large quantity of OMC product right before" OMC filed for bankruptcy and had no need to increase inventory; also, OMC's bankruptcy and shutdown coincided with a general U.S. economic recession. *See* Mercury's postconference brief, pp. 24-25 regarding the bankruptcy and shutdown of OMC in 2000. Also, *see* postconference brief on behalf of Yamaha, pp. 10-11.

[5] Outboard engines are included within Brunswick's (the corporate parent of Mercury) "Marine Engine" segment for public reporting. According to the company's form 10-K for 2002, "weak U.S. market conditions, especially for small boats," and "efforts by dealers and boatbuilders to reduce inventory levels" caused a decline in engine sales (including outboard and sterndrive engines) between 2000 and 2001; however, exports increased due to more favorable economic conditions abroad and OMC's bankruptcy. Operating earnings for the unit fell as unit fixed costs rose (due to a decline in production and plant shutdowns), and the unit had an "unfavorable shift in sales mix from higher-margin sterndrive engines to lower-margin outboard engines, along with an increase in lower margin international sales." Mercury, 2002 Form 10-K, pp. 20-21 (as filed). Between 2001 and 2002, sales of the firm's segment increased, "due to an increase in unit shipments of sterndrive and outboard engines in the domestic market," attributable to changes in inventory levels at dealers and boatbuilders. As between 2000 and 2001, between 2001 and 2002 operating earnings and profit margins declined due to a change in the product mix "toward low-emission two-stroke and four-stroke outboard engines," as well as increased "variable compensation, and pension, and insurance costs." *See* Mercury, 2002 Form 10-K, pp. 20-21.

[6] Warranty expense is included in ***. Reportedly, OMC had many problems with its direct injection engines (the FICHT motor), and it may have been one of many reasons for the firm's bankruptcy. Representatives of U.S.

(continued...)

increased *** between 2001 and 2002, as well as between January-September 2002 and the same period in 2003. Selling, general, and administrative (SG&A) expenses changed with sales values. These reflect the ***; the ratio of SG&A expenses to total net sales exceeded *** percent in each period investigated. The operating *** of the two firms *** increased from 2000 to 2001, declined between 2001 and 2002, and declined again between the interim periods, following the decline in sales volume and increase in COGS and SG&A expenses. Changes in net income before taxes were similar to those of operating income, as were changes in cash flow.

No variance analysis for U.S. producers of outboard engines and/or powerheads is presented here. A variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. However, a variance analysis is sensitive to price, cost, and volume changes due to the product mix of subject merchandise, both within a company and between companies. In this investigation, subject merchandise consists of a multitude of different types of outboard engines. Each of these has a different pricing and cost structure. In addition, the product mix continues to change as the two producers increase the production and sales of 4-stroke and direct injection outboard engines to meet air quality requirements. Therefore, a variance analysis in this investigation may not accurately represent actual volume, cost, and price changes in the industry during the reporting period.

CAPITAL EXPENDITURES, RESEARCH AND DEVELOPMENT EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

The responding firms' data on capital expenditures, research and development ("R&D") expenses, and the value of their property, plant, and equipment used in the production of outboard engines are shown in table VI-5.

Table VI-5
Outboard engines and powerheads for outboard engines: Value of assets, capital expenditures, and R&D expenses of U.S. producers, 2000-2002, January-September 2002, and January-September 2003

* * * * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of outboard engines from Japan on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are as follows:

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[6] (...continued)
boat builders, and boat and equipment dealers noted this, and stated that OMC's market exit created a void for increased imports of engines from Japan, as did a general market trend toward increased consumption of 4-stroke engines. They also criticized the quality of OMC's 2-stroke DI engine, and stated that problems of quality and reliability of Mercury's Optimax (a 2-stroke DI engine) and Bombardier's engines have not been completely resolved. See conference transcript, pp. 135-137 (Jacobs); p. 150 (Deputy); p. 165 (Haddon); and pp. 170-171 (Valot).

Actual Negative Effects

Bombardier

***

Mercury Marine

***

Anticipated Negative Effects

Bombardier

***

Mercury Marine

***

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE JAPANESE INDUSTRY

As noted previously, the Japanese outboard engine industry consists of Yamaha, Honda, Suzuki, and Tohatsu. Their combined data for outboard engines are shown in table VII-1. Japanese capacity, like that in the United States, is generally confined to the production of the subject products and is currently about *** percent larger than that in the United States. However, there are no plans for any increases. Except for 2001, production levels have generally increased and relatively high capacity utilization rates have been maintained. The industry is definitely export oriented, with less than *** percent of shipments going to the home market in each of the periods examined, and declining. Japan exports the subject products throughout the world. At least some of Tohatsu Marine's shipments to Mercury Marine Japan, shown separately in table VII-1, were exported to the United States, but the exact quantities are unknown. (Mercury's U.S. imports from both Yamaha and Tohatsu were about *** of the quantities shown for Mercury Marine Japan for each period.) Due to serious discrepancies in the data reported for separately sold powerheads, separate data for these products are not presented; however, the vast majority of separately sold powerheads made in Japan are made by ***.

REMEDIES IN THIRD-COUNTRY MARKETS

In addition to the United States, Japan has exported the subject products to Asia, Europe, Oceana, Australia, South America, and Canada; however, such exports are not known to be subject to any antidumping orders or any other trade remedies to date.

U.S. INVENTORIES OF IMPORTED PRODUCT

U.S. importers' aggregate end-of-period inventory data for imports of outboard engines from Japan are shown below:

	2000	2001	2002	J-S 2002	J-S 2003
Inventories (*units*)	30,401	28,466	26,508	19,269	22,424
Ratio of inventories to imports (*percent*)	24.3	21.5	15.9	11.5	12.7

The data show a decline in inventories, in terms of both volume and as a share of U.S. imports, until January-September 2003.

Table VII-1
Outboard engines: Japan's production capacity, production, shipments, and inventories, 2000-2002, January-September 2002, January-September 2003, and projections for 2003 and 2004

Item	Calendar year			January-September		Projected	
	2000	2001	2002	2002	2003	2003	2004
	Quantity (*units*)						
Capacity	506,065	563,118	554,622	413,434	412,759	552,310	551,781
Production	***	***	***	***	***	***	***
End-of-period inventories	54,346	31,256	32,697	27,780	31,098	35,937	31,657
Shipments:							
Internal consumption/ intercompany transfers	466	446	318	287	536	595	126
Home market	26,926	22,540	23,955	18,998	16,037	20,308	19,698
Mercury Marine Japan[1]	***	***	***	***	***	***	***
Exports to--							
United States	126,127	122,953	166,422	117,164	118,928	166,679	172,306
All other markets	250,692	248,491	271,790	205,604	218,774	289,426	280,571
Total exports	376,819	371,444	438,212	322,768	337,702	456,105	452,877
Total shipments	***	***	***	***	***	***	***
	Ratios and shares (*percent*)						
Capacity utilization	***	***	***	***	***	***	***
Inventories/production	***	***	***	***	***	***	***
Inventories/shipments	***	***	***	***	***	***	***
Share of total shipments:							
Internal consumption/ intercompany transfers	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Mercury Marine Japan[1]	***	***	***	***	***	***	***
Exports to--							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***

[1] Mercury Marine Japan, as noted previously, is Mercury's exporter of the outboard engines it purchases from TMC under a joint agreement with Tohatsu. The actual quantity of these engines exported to the United States (vs. other destinations) is unknown; however, Mercury's imports from both TMC and Yamaha were about *** of the quantities shown for each period.

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX A

FEDERAL REGISTER NOTICES

• Thursday, February 19, 2004, 7–9 p.m. in Reno, Nevada.

Written comments on the scope of alternatives and impacts to be considered should be sent to Reclamation at the address below by March 22, 2004.

ADDRESSES: The scoping meetings will be held at:

• Battle Mountain, Nevada, at the Battle Mountain Civic Center at 6255 Broad Street.

• Reno, Nevada, at the Washoe County Bartley Ranch Park at 6000 Bartley Ranch Road.

Written comments on the scope of the proposed action should be sent to Caryn Huntt DeCarlo, Bureau of Reclamation, Lahontan Basin Area Office, 705 N Plaza, Room 320, Carson City, NV 89701; or by telephone at (775) 884–8352; or faxed to (775) 882–7592 (TDD 775–487–5933).

FOR FURTHER INFORMATION CONTACT: Caryn Huntt DeCarlo, Bureau of Reclamation, at the above address and telephone number.

SUPPLEMENTARY INFORMATION: The Humboldt Project (Project) is located along the Humboldt River in northwestern Nevada. Project features include Battle Mountain Community Pasture, Rye Patch Dam and Reservoir, and the Humboldt Sink. Reclamation is preparing a DEIS to analyze the action of conveying title of the Humboldt Project and associated lands to several entities. The conveyance is authorized under Title VIII of Public Law 107–282.

Our practice is to make comments, including names and home addresses of respondents, available for public review. Individual respondents may request that we withhold their home address from public disclosure, which we will honor to the extent allowable by law. There may also be circumstances in which we would withhold a respondent's identity from public disclosure, as allowable by law. If you wish us to withhold your name and/or address, you must state this prominently at the beginning of your comment. We will make all submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, available for public disclosure in their entirety.

Dated: December 17, 2003.

Frank Michny,

Regional Environmental Officer, Mid-Pacific Region.

[FR Doc. 04–778 Filed 1–13–04; 8:45 am]

BILLING CODE 4310–MN–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1069 (Preliminary)]

Outboard Engines From Japan

AGENCY: International Trade Commission.

ACTION: Institution of antidumping investigation and scheduling of a preliminary phase investigation.

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigation No. 731–TA–1069 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Japan of outboard engines, provided for in subheading 8407.21.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by February 23, 2004. The Commission's views are due at Commerce within five business days thereafter, or by March 1, 2004.

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

EFFECTIVE DATE: January 8, 2004.

FOR FURTHER INFORMATION CONTACT: Larry Reavis (202–205–3185), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on January 8, 2004, by Mercury Marine, a division of Brunswick Corp., Fond du Lac, WS.

Participation in the Investigation and Public Service List

Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register.** Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

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

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigation under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register.** A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on January 29, 2004, at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC. Parties wishing to participate in the conference should contact Larry Reavis (202–205–3185) not later than January 27 to list their appearance and witnesses (if any). Parties in support of the imposition of

antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before February 3, 2004, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

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

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: January 9, 2004.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04–809 Filed 1–13–04; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–449]

Market Conditions for Certain Wool Articles in 2002–04

AGENCY: International Trade Commission.

ACTION: Notice of second report, scheduling of public hearing, and request for public comments.

EFFECTIVE DATE: December 19, 2003.

SUMMARY: The Commission has announced the schedule for its second (and final) report on investigation No. 332–449, U.S. Market Conditions for Certain Wool Articles in 2002–04, instituted under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on January 24, 2003, at the request of the United States Trade Representative (USTR).

FOR FURTHER INFORMATION CONTACT: For general information, contact Jackie W. Jones (202–205–3466; *jones@usitc.gov*) of the Office of Industries; for information on legal aspects, contact William Gearhart (202–205–3091; *wgearhart@usitc.gov*) of the Office of the General Counsel. The media should contact Margaret O'Laughlin, Public Affairs Officer (202–205–1819). Hearing impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information about the Commission may be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*.

Background: As requested by the USTR, the Commission will provide information for 2003 and year-to-date 2003–04 on U.S. market conditions, including domestic demand, domestic supply, and domestic production for men's and boys' worsted wool suits, suit-type jackets, and trousers; worsted wool fabrics and yarn used in the manufacture of such clothing; and wool fibers used in the manufacture of such fabrics and yarn. Also, as requested by the USTR, the Commission will provide, to the extent possible, data on:

(1) Increases or decreases in sales and production of the subject domestically-produced worsted wool fabrics;

(2) Increases or decreases in domestic production and consumption of the subject apparel items;

(3) The ability of domestic producers of the subject worsted wool fabrics to meet the needs of domestic manufacturers of the subject apparel items in terms of quantity and ability to meet market demands for the apparel items;

(4) Sales of the subject worsted wool fabrics lost by domestic manufacturers to imports benefiting from the temporary duty reductions on certain worsted wool fabrics under the tariff-rate quotas (TRQs) provided for in headings 9902.51.11 and 9902.51.12 of the Harmonized Tariff Schedule of the United States (HTS);

(5) Loss of sales by domestic manufacturers of the subject apparel items related to the inability to purchase adequate supplies of the subject worsted wool fabrics on a cost competitive basis; and

(6) The price per square meter of imports and domestic sales of the subject worsted wool fabrics.

The USTR requested that the Commission submit the information in a confidential report by September 15, 2004. The USTR requested that the Commission issue a public version of the report as soon as possible thereafter, with any confidential business information deleted. The Commission's first report on this investigation was submitted to the USTR in October 2003.

Public Hearing: A public hearing in connection with the investigation will be held at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC, beginning at 9:30 a.m. on March 25, 2004. Requests to appear at the public hearing should be filed with the Secretary, no later than 5:15 p.m., March 9, 2004, in accordance with the requirements in the "Submissions" section below. In the event that, as of the close of business on March 9, 2004, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or non-participant may call the Secretary (202–205–2000) after March 9, 2004, to determine whether the hearing will be held.

Statements and Briefs: In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements or briefs concerning the investigation in accordance with the requirements in the "Submissions" section below. Any prehearing briefs or statements should be filed not later than 5:15 p.m., March 11, 2004; the deadline for filing post-hearing briefs or statements is 5:15 p.m., April 11, 2004. To be assured of consideration by the Commission, written statements relating to the Commission's second report on this investigation should be submitted to the Commission at the earliest practical date and should be received no later than the close of business on April 11, 2004.

Written Submissions: All written submissions including requests to appear at the hearing, statements, and briefs should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. All written

A copy of the application and accompanying exhibits will be available during this time for public inspection at the Office of the Foreign-Trade Zones Board's Executive Secretary at address Number 1 listed above, and Port of Galveston, 123 Rosenberg Avenue, 8th Floor, Galveston, Texas 77550.

Dated: January 26, 2004.

Dennis Puccinelli,

Executive Secretary.

[FR Doc. 04–2276 Filed 2–3–04; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

Bureau of Industry and Security

Report of Requests for Restrictive Trade Practice or Boycott— Single or Multiple Transactions

ACTION: Notice and request for comments.

SUMMARY: The Department of Commerce, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104–13 (44 U.S.C. 3506(c)(2)(A)).

DATES: Written comments must be submitted on or before April 5, 2004.

ADDRESSES: Direct all written comments to Diana Hynek, DOC Paperwork Clearance Officer, Room 6025, 14th and Constitution Avenue, NW, Washington DC 20230.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the information collection instrument(s) and instructions should be directed to Marna Dove, ICB Liaison for BIS, Department of Commerce, Room 6622, 14th & Constitution Avenue, NW, Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

I. Abstract

The information obtained from this collection authorization is used to carefully and accurately monitor requests for participation in foreign boycotts against countries friendly to the U.S. which are received by U.S. persons. The information is also used to identify trends in such boycott activity and to assist in carrying out U.S. policy of opposition to such boycotts.

II. Method of Collection

Submitted on forms.

III. Data

OMB Number: 0694–0012.

Form Number: BIS 621–P, BXA 621–P, BIS 6051–P, BXA 6051–P, BIS–6051 P–a, BXA–6051 P–a.

Type of Review: Regular submission for extension of a currently approved collection.

Affected Public: Individuals, businesses or other for-profit and not-for-profit institutions.

Estimated Number of Respondents: 1,243.

Estimated Time Per Response: 1 to 1.5 hours per response.

Estimated Total Annual Burden Hours: 1,371.

Estimated Total Annual Cost: No start-up capital expenditures.

IV. Request for Comments

Comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden (including hours and cost) of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology.

Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval of this information collection; they will also become a matter of public record.

Dated: January 30, 2004.

Madeleine Clayton,

Management Analyst, Office of the Chief Information Officer.

[FR Doc. 04–2282 Filed 2–3–04; 8:45 am]

BILLING CODE 3510–DT–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-588–865]

Notice of Initiation of Antidumping Duty Investigation: Outboard Engines from Japan

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

ACTION: Initiation of Antidumping Duty Investigation.

EFFECTIVE DATE: February 4, 2004.

FOR FURTHER INFORMATION CONTACT: James Kemp at (202) 482–5346 or Salim Bhabhrawala at (202) 482–1784, AD/CVD Enforcement Office 5, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

INITIATION OF INVESTIGATION:

The Petition

On January 8, 2004, the U.S. Department of Commerce (the Department) received a petition filed in proper form by Mercury Marine, a division of Brunswick Corporation (the petitioner). The Department received supplemental information from the petitioner on

January 20, and January 22, 2004.

In accordance with section 732(b)(1) of the Tariff Act of 1930, as amended (the Act), the petitioner alleges that imports of outboard engines from Japan are, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that imports from Japan are materially injuring, or are threatening to materially injure, an industry in the United States.

The Department finds that the petitioner filed the petition on behalf of the domestic industry because the petitioner is an interested party as defined in section 771(9)(C) of the Act and the petitioner demonstrated sufficient industry support with respect to the antidumping investigation that the petitioner is requesting the Department to initiate. *See infra*, "Determination of Industry Support for the Petition."

Period of Investigation

The period of investigation (POI) is January 1, 2003, through December 31, 2003.

Scope of Investigation

For the purpose of this investigation, the products covered are outboard engines (also referred to as outboard motors), whether assembled or unassembled; and powerheads, whether assembled or unassembled. The subject engines are gasoline-powered spark-ignition, internal combustion engines designed and used principally for marine propulsion for all types of light recreational and commercial boats, including, but not limited to, canoes, rafts, inflatable, sail and pontoon boats. Specifically included in this scope are two-stroke, direct injection two-stroke, and four-stroke outboard engines.

Outboard engines are comprised of (1) a powerhead assembly, or an internal combustion engine, (2) a midsection

assembly, by which the outboard engine is attached to the vehicle it propels, and (3) a gearcase assembly, which typically includes a transmission and propeller shaft, and may or may not include a propeller. To the extent that these components are imported together, but unassembled, they collectively are covered within the scope of this investigation. An "unassembled" outboard engine consists of a powerhead as defined below, and any other parts imported with the powerhead that may be used in the assembly of an outboard engine.

Powerheads are comprised of, at a minimum, (1) a cylinder block, (2) pistons, (3) connecting rods, and (4) a crankshaft. Importation of these four components together, whether assembled or unassembled, and whether or not accompanied by additional components, constitute a powerhead for purposes of this investigation. An "unassembled" powerhead consists of, at a minimum, the four powerhead components listed above, and any other parts imported with it that may be used in the assembly of a powerhead.

The scope does not include parts or components (other than powerheads) imported separately.

The outboard engines and powerheads subject to this investigation are typically classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheadings 8407.21.0040 and 8407.21.0080. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Product Coverage

During our review of the petition, we discussed the scope with the petitioner to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. As discussed in the preamble to the Department's regulations (*Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for parties to raise issues regarding product coverage. The Department encourages all parties to submit such comments within 20 calendar days of publication of this notice. Comments should be addressed to Import Administration's Central Records Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, following the filing requirements outlined in section 351.303 of the Department's regulations. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of a preliminary determination.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that the Department's industry support determination, which is to be made before the initiation of the investigation, be based on whether a minimum percentage of the relevant industry supports the petition. A petition satisfies this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall either poll the industry or rely on other information in order to determine if there is support for the petition.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The U.S. International Trade Commission (ITC), which is responsible for determining whether the domestic industry has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law.[1]

Section 771(10) of the Act defines the domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

In this case, the petition covers a single class or kind of merchandise, outboard engines, as defined in the "Scope of Investigation" section, above. The petitioner does not offer a definition of the domestic like product distinct from the scope of the investigation. Further, based on our analysis of the information presented to the Department by the petitioner, we have determined that there is a single domestic like product which is consistent with the definition of the "Scope of the Investigation" section above and have analyzed industry support in terms of this domestic like product.

The Department has determined that the petitioner has established industry support representing over 50 percent of total production of the domestic like product, requiring no further action by the Department pursuant to section 732(c)(4)(D) of the Act. In addition, the Department received no opposition to the petition from domestic producers of the like product. Therefore, the domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) of the Act are met. Furthermore, the domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for or opposition to the petition. Thus, the requirements of section 732(c)(4)(A)(ii) of the Act also are met.

Accordingly, we determine that the petition is filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. See Office 5 AD/CVD Enforcement, Initiation Checklist: Outboard Engines from Japan (January 28, 2004) (Initiation Checklist) at Attachment I, on file in the Central Records Unit, Room B-099 of the Department of Commerce.

[1] *See USEC, Inc., v. United States*, 132 F. Supp. 2d 1,8 (CIT 2001), citing *Algoma Steel Corp. Ltd., v. United States*, 688 F. Supp. 639, 642-44 (CIT 1988). *See also High Information Content Flat Panel Displays and Display Glass from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32380-81 (July 16, 1991).

Constructed Export Price and Normal Value

The following are descriptions of the allegations of sales at less than fair value upon which the Department based its decision to initiate this investigation. The sources of data for the deductions and adjustments relating to U.S. and home market prices are discussed in greater detail in the Initiation Checklist. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determination, we may re-examine the information and revise the margin calculations, if appropriate.

Constructed Export Price

The petitioner based constructed export price (CEP) on U.S. dealer list prices issued by Japanese companies during the POI. The petitioner determined that CEP was appropriate because sales were made in the United States through affiliated resellers. Starting with base prices from the dealer lists, the petitioner made adjustments for various discounts and rebates, foreign inland freight, ocean freight (including insurance), and indirect selling expenses incurred in the United States. The petitioner made no adjustment to CEP for U.S. inland freight charges because this information was not readily available.

Normal Value

With respect to normal value (NV), the petitioner also started with Japanese dealer list prices issued during the POI by Japanese producers of outboard engines. The petitioner stated the prices in yen, their original currency, and converted them to U.S. dollars, using a single average exchange rate for the POI derived from monthly average exchange rates published by the Board of Governors of the Federal Reserve Board, after making adjustments for discounts and inland freight.

Although the petitioner provided margins based on a price-to-price comparisons, the petitioner also provided information demonstrating reasonable grounds to believe or suspect that sales of outboard engines in the home market were made at prices below the fully absorbed cost of production (COP), within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales-below-cost investigation. *See* "Initiation of Cost Investigation" section *infra* for further discussion.

The estimated dumping margins for subject merchandise from Japan, based on a comparison of CEP and NV, ranged from 11.80 percent to 41.50 percent.

Fair Value Comparisons

Based on the data provided by the petitioner, there is reason to believe that imports of outboard engines from Japan are being, or are likely to be, sold at less than fair value in the United States.

Initiation of Cost Investigation

As noted above, pursuant to section 773(b) of the Act, the petitioner provided information demonstrating reasonable grounds to believe or suspect that sales in the home market were made at prices below the fully absorbed COP and, accordingly, requested that the Department conduct a country-wide sales-below-COP investigation in connection with the requested antidumping investigation. Pursuant to section 773(b)(3) of the Act, COP consists of cost of manufacture (COM), selling, general, and administrative (SG&A) expenses, and packing expenses. The petitioner based its cost buildup on an outboard engine model produced by Yamaha Motor Co., Ltd. (Yamaha). However, the petitioner was unable to obtain Yamaha's manufacturing costs and, instead, calculated COM based on the experience of a U.S. producer of outboard engines, adjusted for known differences between costs incurred to manufacture outboard engines in the United States and Japan. *See* Petition at Exhibit I-10-A and Initiation Checklist at 9. To calculate the depreciation, SG&A, and financial expenses, which were also included in the cost buildup, the petitioner used information from Yamaha's 2003 financial statements.

The Statement of Administrative Action (SAA), submitted to the U.S. Congress in connection with the interpretation and application of the Uruguay Round Agreement Action, states that an allegation of sales below COP need not be specific to individual exporters or producers. SAA, H.R. Doc. No. 103–316 at 833 (1994). The SAA states that "Commerce will consider allegations of below-cost sales in the aggregate for a foreign country, just as Commerce currently considers allegations of sales at less than fair value on a country-wide basis for purposes of initiating an antidumping investigation." *Id.*

Further, the SAA provides that "new section 773(b)(2)(A) retains the current requirement that Commerce have 'reasonable grounds to believe or suspect' that below cost sales have occurred before initiating such an investigation. 'Reasonable grounds' ... exist when an interested party provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices." *Id.*

Based upon a comparison of the price of the foreign like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country-wide cost investigation.

Allegations and Evidence of Material Injury and Causation

The petitioner alleges that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise from Japan and sold at less than NV.

The petitioner contends that the industry's injured condition is evident in the declining trends in operating profits, net sales volumes, domestic prices, revenue, production employment, capacity utilization, and domestic market share. The allegation of injury and causation is supported by relevant evidence including U.S. import data, lost sales, and pricing information.

The Department has assessed the allegation and supporting evidence regarding material injury and causation and determined that this allegation is properly supported by adequate evidence and meets the statutory requirements for initiation. *See* the Initiation Checklist at Attachment II.

Initiation of Antidumping Investigation

Based upon our examination of the petition, we have found that it meets the requirements of section 732 of the Act. *See* the Initiation Checklist. Therefore, we are initiating an antidumping duty investigation to determine whether imports of outboard engines from Japan are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended, we will make our preliminary determination no later than 140 days after the date of this initiation.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representative of the government of Japan. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition, as provided for under 19 CFR 351.203(c)(2).

ITC Notification

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

Preliminary Determination by the ITC

The ITC will determine no later than February 23, 2004, whether there is a reasonable indication that imports of outboard engines from Japan are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: January 28, 2004.

James Jochum,

Assistant Secretary for Import Administration.

[FR Doc. 04–2277 Filed 2–3–04; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

International Trade Administration

[C–533–829]

Notice of Countervailing Duty Order: Prestressed Concrete Steel Wire Strand From India

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

EFFECTIVE DATE: February 4, 2004.

FOR FURTHER INFORMATION CONTACT: Robert Copyak at (202) 482–2209 or Alicia Kinsey at (202) 482–4793, Office of AD/CVD Enforcement VI, Group II, Import Administration, International Trade Administration, U.S. Department of Commerce, Room 4012, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Scope of Order

The merchandise subject to this order is prestressed concrete steel wire (PC strand), which is steel strand produced from wire of non-stainless, non-galvanized steel, which is suitable for use in prestressed concrete (both pre-tensioned and post-tensioned) applications. The product definition encompasses covered and uncovered strand and all types, grades, and diameters of PC strand.

The merchandise under this order is currently classifiable under subheadings 7312.10.3010 and 7312.10.3012 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Countervailing Duty Order

In accordance with section 705(d) of the Tariff Act of 1930, as amended (the Act), on December 8, 2003, the Department published its final determination in the countervailing duty investigation of prestressed concrete steel wire strand from India. *See Notice of Final Affirmative Countervailing Duty Determination: Prestressed Concrete Steel Wire Strand From India,* 68 FR 68356 (December 8, 2003). On January 21, 2003, the United States International Trade Commission (USITC) notified the Department of its final determination, pursuant to section 705(b)(1)(A)(i) of the Act, that an industry in the United States suffered material injury as a result of subsidized imports of prestressed concrete steel wire strand from India.

Therefore, countervailing duties will be assessed on all unliquidated entries of prestressed concrete steel wire strand from India entered, or withdrawn from warehouse, for consumption on or after July 8, 2003, the date on which the Department published its preliminary affirmative countervailing duty determination in the **Federal Register,** and before November 5, 2003, the date the Department instructed the U.S. Customs and Border Protection (CBP) to discontinue the suspension of liquidation in accordance with section 703(d) of the Act, and on all entries of subject merchandise made on or after the date of publication of the USITC's final injury determination in the **Federal Register.** Section 703(d) of the Act states that the suspension of liquidation pursuant to a preliminary determination may not remain in effect for more than four months. Entries of prestressed concrete steel wire strand made on or after November 5, 2003, and prior to the date of publication of the USITC's final injury determination in the **Federal Register** are not liable for the assessment of countervailing duties due to the Department's discontinuation, effective November 5, 2003, of the suspensions of liquidation.

In accordance with section 706 of the Act, the Department will direct the CBP to reinstitute the suspension of liquidation for prestressed concrete steel wire strand from India effective the date of the USITC's final injury determination in the **Federal Register** and to assess, upon further advice by the Department pursuant to section 706(a)(1) of the Act, countervailing duties for each entry of the subject merchandise in an amount based on the net countervailable subsidy rate for the subject merchandise.

On or after the date of publication of the USITC's final injury determination in the **Federal Register,** the CBP must require, at the same time as importers would normally deposit estimated duties on this merchandise, a cash deposit equal to the rate noted below. The cash deposit rate is as follows:

Producer/exporter	Cash deposit rate
All Producers/Exporters.	62.92 percent *ad valorem*

This notice constitutes the countervailing duty order with respect to prestressed concrete steel wire strand from India, pursuant to section 706(a) of the Act. Interested parties may contact the Central Records Unit of the Main Commerce Building for copies of an updated list of countervailing duty orders currently in effect.

This countervailing duty order is issued and published in accordance with sections 706(a) and 705 of the Act and 19 CFR 351.211 and 351.224.

Dated: January 29, 2004.

James J. Jochum,

Assistant Secretary for Import Administration.

[FR Doc. 04–2278 Filed 2–3–04; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[I.D. 123103B]

Endangered Species; Permit No. 1190

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Scientific research permit modification.

SUMMARY: Notice is hereby given that a request for modification of scientific research permit no. 1190 submitted by the NMFS Pacific Islands Region, 1601 Kapiolani Blvd., Ste. 1110, Honolulu, HI 96814 has been granted.

ADDRESSES: The amendment and related documents are available for review upon written request or by appointment in the following offices: Permits, Conservation and Education Division, Office of Protected Resources, NMFS, 1315 East-West Highway, Room 13705, Silver Spring, MD 20910; phone (301) 713–2289, fax (301) 713–0376; and Pacific Islands Region, NMFS, 1601

APPENDIX B

CALENDAR OF THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

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

Subject:	Outboard Engines from Japan
Inv. No.:	731-TA-1069 (Preliminary)
Date and Time:	January 29, 2004 - 9:30 a.m.

Sessions were held in the Main Hearing Room (room 101), 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties

Dewey Ballantine LLP
Washington, DC
on behalf of

Mercury Marine, a division of Brunswick Corp.

Dennis W. Sheller, Vice President of Marine Strategy
Rick Davis, Vice President of Engine Development and Chief Technology Officer
Joseph H. Pomeroy, General Counsel
William A. Noellert, Economist, Dewey Ballantine

Alan Wolff – OF COUNSEL
Kevin Dempsey

In Opposition to the Imposition of Antidumping Duties

Willkie Farr & Gallagher
Washington, DC
on behalf of

Yamaha Motor Co., Ltd., and Yamaha Motor Corp., USA

Phillip Dyskow, President, Marine Group, Yamaha Motor Corp., USA
Ben Speciale, General Manager, Operations and Planning, Marine Group
Russell D. Jura, Senior Vice President and General Counsel, Yamaha Motor Corp., USA

U.S. boat builders:

Irwin Jacobs, Chairman, Genmar Holdings
Bob Deputy, Vice President, Godfrey Marine
Scott Deal, President, Maverick Boat Comapny
Doug Gomes, Vice President for Sales and Marketing, Grady White Boats, Inc.

U.S. boat and marine equipment dealers:

John Haddon, Sea Witch Marine
Jeff Kalibat, K&K Outboard
Brian Valot, Attwood Lake Boats
Jack Mudgett, Action Marine

William H. Barringer – OF COUNSEL
Christopher A. Dunn
Jocelyn C. Flynn
Rebecca Griffin

Gibson, Dunn & Crutcher LLP
Washington, DC
on behalf of

Honda Motor Co., Ltd., and American Honda Motor Co., Inc.

Wade Terry, Vice President, Power Equipment Division, American Honda Motor Co.
Tom Riggle, Senior Manager, Honda Marine Group, American Honda Motor Co.

Donald Harrison – OF COUNSEL
Chris Wood
Greg Gerdes

Buchanan Ingersoll
Washington, DC
on behalf of

Suzuki Motor Corp. and American Suzuki Motor Corp.

Larry Vandiver, Marketing Director, American Suzuki Motor Corp.

John H. Korns – OF COUNSEL

Adduci, Mastriani & Schaumberg LLP
Washington, DC
on behalf of

Tohatsu Corp., Tohatsu Marine Corp., Tohatsu America Corp., and Nissan Marine Co., Ltd.

Jim Morgenthaler, General Manager, Tohatsu America Corp.
Seth Kaplan, Charles River Associates

Tom M. Schaumberg – OF COUNSEL
Barbara Murphy
Scott A. Stempel (Morgan, Lewis & Bockius LLP)
Michael S. Kelly (Morgan, Lewis & Bockius LLP)

APPENDIX C

SUMMARY DATA

Table C-1
Outboard engines: Summary data concerning the U.S. market, 2000-2002, January-September 2002, and January-September 2003

(Quantity=units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
				January-September					Jan.-Sept.
	2000	2001	2002	2002	2003	2000-2002	2000-2001	2001-2002	2002-2003
U.S. consumption quantity:									
Amount									
Producers' share (1)									
Importers' share (1):									
Japan									
All other sources									
Total imports									
U.S. consumption value:	*		*	*	*	*	*	*	
Amount									
Producers' share (1)									
Importers' share (1):									
Japan									
All other sources									
Total imports									
U.S. imports from:									
Japan:									
Quantity	134,784	140,319	180,101	124,831	139,188	33.6	4.1	28.4	11.5
Value	409,622	433,702	584,014	403,739	443,300	42.6	5.9	34.7	9.8
Unit value	$3,039.10	$3,090.83	$3,242.70	$3,234.28	$3,184.90	6.7	1.7	4.9	-1.5
Ending inventory quantity	30,401	28,466	26,508	19,269	22,424	-12.8	-6.4	-6.9	16.4
All other sources:									
Quantity	2,186	3,619	11,831	4,357	20,783	441.2	65.6	226.9	377.0
Value	1,488	2,142	6,670	2,398	16,487	348.3	44.0	211.4	587.5
Unit value	$680.70	$591.88	$563.77	$550.38	$793.29	-17.2	-13.0	-4.7	44.1
Ending inventory quantity	16	149	1,928	172	1,269	11950.0	831.3	1194.0	637.8
All sources:									
Quantity	136,970	143,938	191,932	129,188	159,971	40.1	5.1	33.3	23.8
Value	411,110	435,844	590,684	406,137	459,787	43.7	6.0	35.5	13.2
Unit value	$3,001.46	$3,028.00	$3,077.57	$3,143.77	$2,874.19	2.5	0.9	1.6	-8.6
Ending inventory quantity	30,417	28,615	28,436	19,441	23,693	-6.5	-5.9	-0.6	21.9
U.S. producers':									
Average capacity quantity									
Production quantity									
Capacity utilization (1)									
U.S. shipments:									
Quantity									
Value									
Unit value									
Export shipments:									
Quantity									
Value									
Unit value									
Ending inventory quantity									
Inventories/total shipments (1)									
Production workers	*		*	*	*	*	*	*	
Hours worked (1,000s)									
Wages paid ($1,000s)									
Hourly wages									
Productivity (units/1,000 hours)									
Unit labor costs									
Net sales:									
Quantity									
Value									
Unit value									
Cost of goods sold (COGS)									
Gross (loss)									
SG&A expenses									
Operating (loss)									
Capital expenditures									
Unit COGS									
Unit SG&A expenses									
Unit operating (loss)									
COGS/sales (1)									
Operating (loss)/ sales (1)									

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not available. Data on employment and capital expenditures are shown combined with powerheads in table C-3.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-2
Separately sold powerheads: Summary data concerning the U.S. market, 2000-2002, January-September 2002, and January-September 2003

(Quantity=units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
				January-September					Jan.-Sept.
	2000	2001	2002	2002	2003	2000-2002	2000-2001	2001-2002	2002-2003
U.S. consumption quantity:									
Amount									
Producers' share (1)									
Importers' share (1):									
Japan									
All other sources									
Total imports									
U.S. consumption value:	*		*	*	*	*	*		*
Amount									
Producers' share (1)									
Importers' share (1):									
Japan									
All other sources									
Total imports									
U.S. imports from:									
Japan:									
Quantity	24,883	27,552	24,815	15,759	27,088	-0.3	10.7	-9.9	71.9
Value	53,330	42,218	39,571	24,886	43,814	-25.8	-20.8	-6.3	76.1
Unit value	$2,143.23	$1,532.30	$1,594.64	$1,579.16	$1,617.47	-25.6	-28.5	4.1	2.4
Ending inventory quantity	17,281	19,779	16,099	14,786	20,456	-6.8	14.5	-18.6	38.3
All other sources:									
Quantity	0	10	100	73	52	(2)	(2)	900.0	-28.8
Value	0	5	9	34	26	(2)	(2)	80.0	-23.5
Unit value	(2)	$500.00	$90.00	$465.75	$500.00	(2)	(2)	-82.0	7.4
Ending inventory quantity	7	2	11	51	18	57.1	-71.4	450.0	-64.7
All sources:									
Quantity	24,883	27,562	24,915	15,832	27,140	0.1	10.8	-9.6	71.4
Value	53,330	42,223	39,580	24,920	43,840	-25.8	-20.8	-6.3	75.9
Unit value	$2,143.23	$1,531.93	$1,588.60	$1,574.03	$1,615.33	-25.9	-28.5	3.7	2.6
Ending inventory quantity	17,288	19,781	16,110	14,837	20,474	-6.8	14.4	-18.6	38.0
U.S. producers':									
Average capacity quantity									
Production quantity									
Capacity utilization (1)									
U.S. shipments:									
Quantity									
Value									
Unit value									
Export shipments:									
Quantity									
Value									
Unit value									
Ending inventory quantity									
Inventories/total shipments (1)									
Production workers	*		*	*	*	*	*		*
Hours worked (1,000s)									
Wages paid ($1,000s)									
Hourly wages									
Productivity (units/1,000 hours)									
Unit labor costs									
Net sales:									
Quantity									
Value									
Unit value									
Cost of goods sold (COGS)									
Gross (loss) (3)									
SG&A expenses									
Operating (loss)									
Capital expenditures									
Unit COGS									
Unit SG&A expenses									
Unit operating (loss)									
COGS/sales (1)									
Operating (loss)/ sales (1)									

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not available; data on employment and capital expenditures for powerheads are shown combined with outboard engines in table C-3.
(3) Cost data was reported by Mercury only, although the quantity and value of sales reflects the data reported by both Bombardier and Mercury. ***

Note.–Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-3
Outboard engines and separately sold powerheads: Summary data concerning the U.S. market, 2000-2002, January-September 2002, and January-September 2003

(Value=1,000 dollars, and period changes=percent)

Item	Reported data			January-September		Period changes			
	2000	2001	2002	2002	2003	2000-2002	2000-2001	2001-2002	Jan.-Sept. 2002-2003
U.S. consumption value:									
Amount									
Producers' share (1)									
Importers' share (1):									
Japan	*		*	*	*	*	*	*	*
All other sources									
Total imports									
U.S. imports value from:									
Japan	462,952	475,920	623,585	428,625	487,114	34.7	2.8	31.0	13.6
All other sources	1,488	2,147	6,679	2,432	16,513	348.9	44.3	211.1	579.0
All sources	464,440	478,067	630,264	431,057	503,627	35.7	2.9	31.8	16.8
U.S. producers':									
U.S. commercial shipment value									
U.S. transfer to related firms value									
Export shipments value									
Total shipments value									
Production workers									
Hours worked (1,000 hours)	*		*	*	*	*	*	*	*
Wages paid ($1,000 dollars)									
Hourly wages									
Net sales value									
Cost of goods sold (COGS)									
Gross (loss)									
SG&A expenses									
Operating (loss)									
Capital expenditures									

(1) "Reported data" are in percent and "period changes" are in percentage points.

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

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-4
Outboard engines: Summary data concerning the U.S. market (consumption based on shipments of imports), 2000-2002, January-September 2002, and January-September 2003

(Quantity=units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
				January-September					Jan.-Sept.
	2000	2001	2002	2002	2003	2000-2002	2000-2001	2001-2002	2002-2003
U.S. consumption quantity:									
Amount									
Producers' share (1)									
Importers' share (1):									
Japan									
All other sources									
Total imports									
U.S. consumption value:	*		*	*	*	*	*	*	*
Amount									
Producers' share (1)									
Importers' share (1):									
Japan									
All other sources									
Total imports									
U.S. shipments of imports from:									
Japan:									
Quantity	132,617	138,979	174,863	131,183	139,115	31.9	4.8	25.8	6.0
Value	542,692	580,080	792,301	582,998	613,131	46.0	6.9	36.6	5.2
Unit value	$4,092.18	$4,173.87	$4,530.98	$4,444.16	$4,407.37	10.7	2.0	8.6	-0.8
Ending inventory quantity	30,401	28,466	26,508	19,269	22,424	-12.8	-6.4	-6.9	16.4
All other sources:									
Quantity	2,728	3,105	8,234	3,680	10,930	201.8	13.8	165.2	197.0
Value	2,751	3,178	8,057	3,182	9,964	192.9	15.5	153.5	213.1
Unit value	$1,008.43	$1,023.51	$978.50	$864.67	$911.62	-3.0	1.5	-4.4	5.4
Ending inventory quantity	16	149	1,928	172	1,269	11950.0	831.3	1194.0	637.8
All sources:									
Quantity	135,345	142,084	183,097	134,863	150,045	35.3	5.0	28.9	11.3
Value	545,443	583,258	800,358	586,180	623,095	46.7	6.9	37.2	6.3
Unit value	$4,030.02	$4,105.02	$4,371.22	$4,346.48	$4,152.72	8.5	1.9	6.5	-4.5
Ending inventory quantity	30,417	28,615	28,436	19,441	23,693	-6.5	-5.9	-0.6	21.9
U.S. producers':									
Average capacity quantity									
Production quantity									
Capacity utilization (1)									
U.S. shipments:									
Quantity									
Value									
Unit value									
Export shipments:									
Quantity									
Value									
Unit value									
Ending inventory quantity									
Inventories/total shipments (1)									
Production workers	*		*	*	*	*	*	*	*
Hours worked (1,000s)									
Wages paid ($1,000s)									
Hourly wages									
Productivity (units/1,000 hours)									
Unit labor costs									
Net sales:									
Quantity									
Value									
Unit value									
Cost of goods sold (COGS)									
Gross (loss)									
SG&A expenses									
Operating (loss)									
Capital expenditures									
Unit COGS									
Unit SG&A expenses									
Unit operating (loss)									
COGS/sales (1)									
Operating (loss)/ sales (1)									

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not available. Data on employment and capital expenditures are shown combined with powerheads in table C-6.

Note.–Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-5
Separately sold powerheads: Summary data concerning the U.S. market (consumption based on shipments of imports), 2000-2002, January-September 2002, and January-September 2003

(Quantity=units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
				January-September					Jan.-Sept.
	2000	2001	2002	2002	2003	2000-2002	2000-2001	2001-2002	2002-2003
U.S. consumption quantity:									
Amount									
Producers' share (1)									
Importers' share (1):									
Japan									
All other sources									
Total imports									
U.S. consumption value:	*		*	*	*	*	*	*	*
Amount									
Producers' share (1)									
Importers' share (1):									
Japan									
All other sources									
Total imports									
U.S. shipments of imports from:									
Japan:									
Quantity	10,696	24,870	28,131	20,548	22,452	163.0	132.5	13.1	9.3
Value	24,556	42,977	48,579	35,575	37,554	97.8	75.0	13.0	5.6
Unit value	$2,295.81	$1,728.07	$1,726.88	$1,731.31	$1,672.63	-24.8	-24.7	-0.1	-3.4
Ending inventory quantity	17,281	19,779	16,099	14,786	20,456	-6.8	14.5	-18.6	38.3
All other sources:									
Quantity	3	7	69	9	25	2200.0	133.3	885.7	177.8
Value	1	4	7	4	11	600.0	300.0	75.0	175.0
Unit value	$333.33	$571.43	$101.45	$444.44	$440.00	-69.6	71.4	-82.2	-1.0
Ending inventory quantity	7	2	11	51	18	57.1	-71.4	450.0	-64.7
All sources:									
Quantity	10,699	24,877	28,200	20,557	22,477	163.6	132.5	13.4	9.3
Value	24,557	42,981	48,586	35,579	37,565	97.8	75.0	13.0	5.6
Unit value	$2,295.26	$1,727.74	$1,722.91	$1,730.75	$1,671.26	-24.9	-24.7	-0.3	-3.4
Ending inventory quantity	17,288	19,781	16,110	14,837	20,474	-6.8	14.4	-18.6	38.0
U.S. producers':									
Average capacity quantity									
Production quantity									
Capacity utilization (1)									
U.S. shipments:									
Quantity									
Value									
Unit value									
Export shipments:									
Quantity									
Value									
Unit value									
Ending inventory quantity									
Inventories/total shipments (1)									
Production workers	*		*	*	*	*	*	*	*
Hours worked (1,000s)									
Wages paid ($1,000s)									
Hourly wages									
Productivity (units/1,000 hours)									
Unit labor costs									
Net sales:									
Quantity									
Value									
Unit value									
Cost of goods sold (COGS)									
Gross (loss) (3)									
SG&A expenses									
Operating (loss)									
Capital expenditures									
Unit COGS									
Unit SG&A expenses									
Unit operating (loss)									
COGS/sales (1)									
Operating (loss)/ sales (1)									

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not available; data on employment and capital expenditures for powerheads areshown combined with outboard engines in table C-6.
(3) Cost data was reported by Mercury only, although the quantity and value of sales reflects the data reported by both Bombardier and Mercury. ***

Note.–Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-6
Outboard engines and separately sold powerheads: Summary data concerning the U.S. market (consumption based on shipments of imports), 2000-2002, January-September 2002, and January-September 2003

(Value=1,000 dollars, and period changes=percent)

Item	Reported data			January-September		Period changes			
	2000	2001	2002	2002	2003	2000-2002	2000-2001	2001-2002	Jan.-Sept. 2002-2003
U.S. consumption value:									
Amount									
Producers' share (1)									
Importers' share (1):									
Japan	*		*	*	*	*	*	*	*
All other sources									
Total imports									
U.S. shipments of imports value from:									
Japan	567,248	623,057	840,880	618,573	650,685	48.2	9.8	35.0	5.2
All other sources	2,752	3,182	8,064	3,186	9,975	193.0	15.6	153.4	213.1
All sources	570,000	626,239	848,944	621,759	660,660	48.9	9.9	35.6	6.3
U.S. producers':									
U.S. commercial shipment value									
U.S. transfer to related firms value									
Export shipments value									
Total shipments value									
Production workers									
Hours worked (1,000 hours)	*		*	*	*	*	*	*	*
Wages paid ($1,000 dollars)									
Hourly wages									
Net sales value									
Cost of goods sold (COGS)									
Gross (loss)									
SG&A expenses									
Operating (loss)									
Capital expenditures									

(1) "Reported data" are in percent and "period changes" are in percentage points.

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

Source: Compiled from data submitted in response to Commission questionnaires.