CANADIAN INTERNATIONAL TRADE TRIBUNAL
TRIBUNAL CANADIEN DU COMMERCE EXTÉRIEUR

Ottawa, Thursday, June 30, 1994

Review No.: RR-93-004

IN THE MATTER OF a review, under subsection 76(2) of the *Special Import Measures Act*, of the findings of material injury made by the Anti-dumping Tribunal on April 15, 1983, in Inquiry No. ADT-8R-78, and by the Canadian Import Tribunal on October 11, 1985, in Inquiry No. CIT-6-85, continued with certain amendments by the Canadian International Trade Tribunal on October 10, 1990, in Review No. RR-89-013, concerning:

CERTAIN INTEGRAL HORSEPOWER INDUCTION MOTORS, ONE HORSEPOWER (1 HP) TO TWO HUNDRED HORSEPOWER (200 HP) INCLUSIVE, WITH EXCEPTIONS, ORIGINATING IN OR EXPORTED FROM THE UNITED STATES OF AMERICA;

AND

POLYPHASE INDUCTION MOTORS, ONE HORSEPOWER (1 HP) TO TWO HUNDRED HORSEPOWER (200 HP) INCLUSIVE, ORIGINATING IN OR EXPORTED FROM BRAZIL, JAPAN, POLAND, TAIWAN AND THE UNITED KINGDOM

O R D E R

The Canadian International Trade Tribunal, under the provisions of subsection 76(2) of the *Special Import Measures Act*, has conducted a review of the findings of material injury made by the Anti-dumping Tribunal on April 15, 1983, in Inquiry No. ADT-8R-78, and by the Canadian Import Tribunal on October 11, 1985, in Inquiry No. CIT-6-85, continued with certain amendments by the Canadian International Trade Tribunal on October 10, 1990, in Review No. RR-89-013.

Pursuant to subsection 76(4) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby rescinds:

- the finding dated April 15, 1983, in respect of the subject goods originating in or exported from the United States of America; and

- the finding dated October 11, 1985, in respect of the subject goods originating in or exported from Brazil, Japan, Poland, Taiwan and the United Kingdom.

Arthur B. Trudeau
Arthur B. Trudeau
Presiding Member

Charles A. Gracey
Charles A. Gracey
Member

Robert C. Coates, Q.C.
Robert C. Coates, Q.C.
Member

Michel P. Granger
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Special Import Measures Act - Whether to rescind or continue, with or without amendment, the findings of material injury made by the Anti-dumping Tribunal on April 15, 1983, in Inquiry No. ADT-8R-78, and by the Canadian Import Tribunal on October 11, 1985, in Inquiry No. CIT-6-85, continued with certain amendments by the Canadian International Trade Tribunal on October 10, 1990, in Review RR-89-013.

Place of Hearing by Way of Written Submissions:	Ottawa, Ontario
Date of Hearing:	May 27, 1994
Date of Order and Reasons:	June 30, 1994
Tribunal Members:	Arthur B. Trudeau, Presiding Member Charles A. Gracey, Member Robert C. Coates, Q.C., Member
Director of Research:	Marcel J.W. Brazeau
Research Manager:	W. Douglas Kemp
Statistical Officer:	Robert Larose
Counsel for the Tribunal:	David M. Attwater
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Participants:		Peter Clark Chris Hines
	for	V.J. Pamensky Canada Inc. WEG Motores S.A.
		(Importer/Exporter)

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CANADIAN INTERNATIONAL TRADE TRIBUNAL
TRIBUNAL CANADIEN DU COMMERCE EXTÉRIEUR

Ottawa, Thursday, June 30, 1994

Review No.: RR-93-004

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CERTAIN INTEGRAL HORSEPOWER INDUCTION MOTORS, ONE HORSEPOWER (1 HP) TO TWO HUNDRED HORSEPOWER (200 HP) INCLUSIVE, WITH EXCEPTIONS, ORIGINATING IN OR EXPORTED FROM THE UNITED STATES OF AMERICA;

AND

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TRIBUNAL: ARTHUR B. TRUDEAU, Presiding Member
CHARLES A. GRACEY, Member
ROBERT C. COATES, Q.C., Member

STATEMENT OF REASONS

BACKGROUND

The Canadian International Trade Tribunal (the Tribunal) has conducted a review, under subsection 76(2) of the *Special Import Measures Act*[1] (SIMA): of the finding of material injury made by the Anti-dumping Tribunal on April 15, 1983, in Inquiry No. ADT-8R-78, continued with amendment by the Tribunal on October 10, 1990, in Review No. RR-89-013, concerning certain dumped integral horsepower induction motors, one horsepower (1 HP) to two hundred horsepower (200 HP) inclusive, with exceptions, originating in or exported from the United States of America; and of the finding of material injury made by the Canadian Import Tribunal on October 11, 1985, in Inquiry No. CIT-6-85, continued by the Tribunal on October 10, 1990, in Review No. RR-89-013, concerning dumped polyphase induction motors, one horsepower (1 HP) to two hundred horsepower (200 HP) inclusive, originating in or exported from Brazil, Japan, Poland, Taiwan and the United Kingdom, and the subsidized subject goods originating in or exported from Brazil. The Canadian Import Tribunal's finding, in Inquiry No. CIT-6-85, concerning the dumped subject goods originating in or exported from Mexico, was rescinded by the Tribunal in Review No. RR-89-013.

1. R.S.C. 1985, c. S-15.

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Pursuant to subsection 76(2) of SIMA, the Tribunal initiated a review of the findings and issued a notice of review[2] on February 11, 1994. This notice was forwarded to all known interested parties.

The Tribunal did not schedule a public hearing for this review. It indicated in the notice of review that, if a public hearing were required, interested parties would be notified and given the opportunity to participate and make further submissions.

All interested parties wishing to participate in the review proceedings were requested to file a notice of appearance with the Secretary no later than March 11, 1994. Counsel who intended to represent a party in the proceedings were required to file a notice of appearance, as well as a declaration and undertaking, with the Secretary no later than March 11, 1994.

The Tribunal sent questionnaires to known producers and major importers of the subject goods. From responses to these questionnaires and other sources, the Tribunal's research staff prepared public and protected pre-hearing staff reports.

As part of its activities, the Tribunal's research staff met with several domestic producers. Also, Tribunal members visited the premises of General Electric Canada Inc. (GE Canada), Westinghouse Motor Company Canada Ltd. (Westinghouse Canada) and Brook Hansen (Canada) Inc. (Brook Hansen) to view their production processes.

The record of this review consists of all relevant documents, including the findings, the notice of review, the public and confidential parts of responses to questionnaires and the staff reports prepared for the review. All public exhibits were made available to interested parties. Protected exhibits were made available only to independent counsel who had given undertakings respecting the non-disclosure of confidential information.

PRODUCT

The motors that are the subject of this review are described as follows:

- certain dumped integral horsepower induction motors, one horsepower (1 HP) to two hundred horsepower (200 HP) inclusive, excluding vertical-shaft pump motors generally referred to as vertical P-base or vertical P-flange motors, single-phase motors, submersible pump motors for use in oil and water wells, arbor saw motors and integral induction motors for use as replacement parts in absorption cold generator pumps manufactured by The Trane Company, Centravac chillers manufactured by The Trane Company and semi-hermetic compressors and hermetic compressors manufactured by The Trane Company, originating in or exported from the United States of America, as described in Inquiry No. ADT-8R-78; and

2. Canada Gazette Part I, Vol. 128, No. 7, February 12, 1994, at 943-44.

- dumped polyphase induction motors, one horsepower (1 HP) to two hundred horsepower (200 HP) inclusive, originating in or exported from Brazil, Japan, Poland, Taiwan and the United Kingdom, and the subsidized subject goods originating in or exported from Brazil, as described in Inquiry No. CIT-6-85.

All the subject motors are polyphase motors constructed in three-digit frames. Polyphase induction motors are multiphase alternating-current (AC) motors (as distinguished from direct-current (DC) motors and single-phase motors). They provide mechanical torque to move solids, liquids and gases. Some typical uses for these motors are in fans, blowers, pumps, compressors, conveyors and machine tools.

Within the 1-HP-to-200-HP range, there is an extensive variety of models of induction motors depending on the motor's application. Some characteristics that may vary in any such motor are: horsepower rating, voltage, cycle, rotations per minute, insulation, frame size and type. In the 1-HP-to-200-HP range, these motors are normally sold in three enclosure types: totally enclosed fan-cooled, open drip-proof and totally enclosed explosion-proof.

All polyphase induction motors have two main components: the stator, or stationary component, and the rotor, or rotating component. Together, these components transform electrical energy into mechanical energy. When electric current is applied to the stator and rotor, it creates opposing magnetic fields that produce the force necessary to turn the rotor in a single direction. In AC motors, the opposing fields are reversed at the same frequency as the alternating current.

Generally, motor producers construct induction motors using similar processes. Depending on the frame size, laminations are either stamped from coil steel or purchased complete. To form the stator, the laminations are stacked, insulated, wound, dipped in varnish and tested. The stator is then assembled in a cast frame machined from raw castings. The shaft is purchased cut-to-length and machined. The shaft and cast rotor are assembled and turned, and balanced bearings are added, followed by final assembly. The motor is then tested, painted and packed for delivery.

In Canada, some motors are still produced using the integrated manufacturing process, whereby most of the motor's component parts are produced on site or sourced domestically. However, there is a significant and growing trend amongst producers/assemblers to import motors in kit form. These kits may contain bare motor components or motor subassemblies, requiring varying degrees of final assembly in Canada. Most domestic producers now rely heavily on imported finished motors to round out their respective product lines.

High-to-Premium-Efficiency Motors

Since the latter part of the 1980s, high-to-premium-efficiency induction motors have substantially increased their share of a market that was traditionally serviced by standard-efficiency induction motors. High-efficiency induction motors produce the same shaft output power (horsepower), using less electrical input power (kilowatts) than standard-efficiency induction motors. According to the Hydro-Electric Power Commission of Ontario (Ontario Hydro), high-efficiency motors can be from 2 to 12 percent more

efficient than equivalent standard-efficiency motors.[3] By decreasing energy consumption, high-efficiency motors reduce electricity costs, maintenance costs, equipment failures and loading on transformers, and extend motor life.

Initial estimates suggested that high-efficiency motors accounted for about 5 percent of the AC polyphase motors sold in Canada in 1986.[4] By the late 1980s, most of the provinces had introduced programs to encourage the use of high-efficiency motors by offering rebates to purchasers. The rationale for the rebate programs was that increased energy efficiency would reduce an industry's operating costs, thereby increasing profitability and total competitiveness. Also, by decreasing aggregate energy consumption, the utilities were potentially able to defer the need to build additional generating capacity.

Thus, at the meeting of the Co-ordinated Utilities Motor Manufacturers on December 1 and 2, 1993, a conference bringing together a group of provincial utilities and domestic motor producers, it was estimated that the share of the induction motor market held by high-to-premium-efficiency motors had grown from 5 percent estimated in 1986 to 60 percent in 1993.[5]

The various utilities gradually reduced the value of the rebates that they were offering during the 1990-94 period, and, by 1995, most rebate programs are expected to be discontinued. They will be replaced with an upgraded Canadian Standards Association standard that will require certain minimum-efficiency levels for motors sold on the domestic market.

DOMESTIC INDUSTRY

The domestic induction motor manufacturing industry has undergone significant changes since the initial inquiry in 1979. The structure of the industry has been significantly altered, and the processes used to manufacture the final product have evolved to include a considerable volume of subassemblies and imported parts in the manufacturing process.

In the 1979 inquiry, the Electrical and Electronic Manufacturers Association of Canada (EEMAC) acted on behalf of six member companies. In 1985, it represented four companies. In addition, two other companies responded to the manufacturer's questionnaire. When the Tribunal reviewed the two findings in 1990, only Westinghouse Canada, Leroy-Somer Canada Limited/Leroy-Somer Motors Canada Limited (Leroy-Somer) and GE Canada remained as fully integrated producers. Replacing the companies that had left the industry, several former importers had commenced assembling the subject motors from imported and domestically sourced parts.

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3. Ontario Hydro, High Efficiency Motors Program, effective January 1, 1994.
4. Marbek Resource Consultants Ltd., Energy Efficient Motors in Canada: Technologies, Market Factors and Penetration Rates, Final Report, prepared for the Energy Conservation Branch of the Department of Energy, Mines and Resources, November 1987.
5. 1993 Co-ordinated Utilities Motor Manufacturers Meeting, December 1-2, 1993, Toronto, Ontario.

Since 1990, the industry has continued to downsize. GE Canada remains the major fully integrated producer, but it is also a significant importer of whole motors. Westinghouse Canada continues to manufacture some motors in Canada, but, to a large extent, it is assembling motors from kits that it imports from offshore. Like GE Canada, Westinghouse Canada also depends heavily on imported motors to supply the Canadian market. Leroy-Somer exited the industry in 1992, after being purchased by U.S. Electrical Motors (USEM) Division of Emerson Electric Canada Ltd. USEM also stopped assembling motors in Canada and has become a major importer. This has left Brook Hansen as the major domestic assembler of 1-HP-to-200-HP induction motors, using imported subassemblies and parts. Leeson Canada Inc. (Leeson) and Madison Industrial Equipment Ltd. (Madison) also assemble a smaller number of motors in Ontario and British Columbia, respectively.

GE Canada

GE Canada is a wholly owned subsidiary of General Electric Company of Fairfield, Connecticut. GE Canada's head office is located in Mississauga, Ontario, and it manufactures the subject goods at its plant in Peterborough, Ontario. The firm introduced to the Canadian market three-phase induction motors, ranging from 1 HP to 150 HP in May 1895. Since then, production has expanded to encompass motors ranging from fractional horsepower to synchronous and induction motors of 40,000 HP and more. Currently, the company produces vertical and horizontal induction motors in a full range of frame sizes, enclosures and efficiencies.

GE Canada's domestic motor business serves all segments of the market, i.e. distributors, original equipment manufacturers (OEMs) and users, as well as all geographic regions of Canada. GE Canada's domestic market base has changed in recent years. GE Canada submits that the rationalization and restructuring of much of the Canadian industry has led to the contraction of the OEM segment, in particular, as many U.S.-owned subsidiaries operating in Canada have either closed or lost production to larger-scale U.S. facilities. The recession has also had a major impact on the resource sector, significantly reducing the market within the user segment.

In 1990, GE Canada was in the midst of a major investment program that, it expected, would permit it to become a low-cost, high-volume producer. At the time, GE Canada was competing for a corporate mandate to produce large volumes of the subject motors in Canada. This mandate did not materialize and GE Canada's priorities shifted toward the production of other AC and DC motors, which are not the subject of this review.

To participate in the price-sensitive distributor and OEM segments of the 1-HP-to-50-HP market, which are heavily influenced by low-cost imports, GE Canada has complemented its manufactured product line of the subject motors with motors originating in the Republic of Korea.

Westinghouse Canada

Westinghouse Canada is a subsidiary of Westinghouse Motor Company (Westinghouse U.S.) of Round Rock, Texas. The shareholders of Westinghouse U.S. are Westinghouse Electric Corporation of the United States (75 percent) and TECO Electric

and Machinery and Electric Co. (TECO) of Taiwan (25 percent). Westinghouse Canada manufactures the subject motors at its plant in Hamilton, Ontario.

Westinghouse Canada has manufactured and sold motors in Canada since the early 1900s. Before 1986, Westinghouse U.S. also manufactured the subject goods and exported some of these motors to Canada. Similarly, Westinghouse Canada exported some motors to the United States. In 1986, Westinghouse U.S. stopped manufacturing 1-HP-to-200-HP induction motors. However, Westinghouse Canada continued to sell certain special and replacement motors through Westinghouse U.S.

In 1991, Westinghouse Canada formed its own sales force with offices established in key areas across Canada. Through this sales network, it sells the subject motors to Wesco Sales and Service Co. (WESCO), a separate but related company, large distributors, OEMs and motor repair shops.

From 1991 to 1994, the product mix of Westinghouse Canada's production of the subject goods gravitated toward the high-efficiency end of the motor spectrum, as Westinghouse Canada began importing components, subassemblies and complete motors from TECO in Malaysia. As well, it imports a line of standard-efficiency motors from the People's Republic of China for the OEM export market. Westinghouse Canada continues to produce its LifeLine Plus standard-efficiency motors to meet special and stock motor requirements.

USEM

USEM is a wholly owned subsidiary of Emerson Electric Co. (Emerson) of St. Louis, Missouri. It has maintained offices in Canada for about 30 years to market 1/4-HP-to-2,500-HP horizontal and vertical motors in both standard and premium efficiencies. In 1990, Emerson acquired Leroy-Somer, a large producer and exporter of the smaller subject motors. USEM also had existing facilities to produce the subject motors in Markham, Ontario.

USEM closed the Leroy-Somer plant in Granby, Quebec, in 1992 and, in early 1993, ceased all manufacturing activities in Canada when it stopped assembling motors at its Markham facility. It now supplies the Canadian market with imports from Mexico and the United States. The firm has sales offices in major cities across Canada, from which it sells its motors directly to OEMs and to an established network of Canadian distributors, Electrical Apparatus Service Association (EASA) shops and power transmission houses.

Brook Hansen

On March 1, 1994, Brook Crompton (Canada) Inc. became Brook Hansen (Canada) Inc., a wholly owned subsidiary of BTR Dunlop Holdings Inc. (40 percent) and BTR Dunlop Holdings (Delaware) Inc. (60 percent), both of which are U.S. companies. Before this date, the company was 100-percent owned by Brook Motors Ltd. of Huddersfield, England. It commenced domestic production/assembly of induction motors in 1987 and now assembles the entire 1-HP-to-200-HP range of motors at its Toronto, Ontario, plant from parts imported from the United Kingdom. It continues to import motors outside this range from the United Kingdom. Before 1991, the firm produced only standard-efficiency motors in Canada. Currently, high-efficiency motors represent 27 percent of its totally enclosed fan-cooled volume.

The company maintains sales offices in Toronto, Ontario; Montréal, Quebec; and Surrey, British Columbia. Elsewhere, it is represented by producers' representatives and non-exclusive stocking distributors.

Leeson

Leeson, a subsidiary of Leeson Electric Corporation of Grafton, Wisconsin, has been supplying the Canadian market with AC and DC electric motors since 1977. It assembles some of the subject motors at a plant in Hanover, Ontario, and imports whole motors from its U.S. parent. Leeson sells throughout Canada to OEMs and independent distributors.

Madison

Madison is located in Vancouver, British Columbia. It has been assembling motor kits imported from Taiwan since 1985 and, lately, from Malaysia. It commenced importing whole motors from Malaysia in mid-1992. This considerably reduced the volume of motors assembled by the firm in Canada.

SUMMARY OF THE FINDINGS AND REVIEW

Summary of the 1979 Finding

On October 10, 1978, the Deputy Minister of National Revenue for Customs and Excise (the Deputy Minister) made a preliminary determination of dumping respecting certain integral horsepower induction motors, one horsepower (1 HP) to two hundred horsepower (200 HP) inclusive, with exceptions, originating in or exported from the United States.

Market statistics showed that imports from the United States increased substantially between 1975 and 1978, surpassing domestic production by 1976. The industry provided additional evidence that employment and capacity utilization from 1976 to 1978 remained below 1975 levels. The industry submitted that, despite a modest improvement in prices in 1978, dumped imports had suppressed the price increases necessary for the industry to meet rising costs. As a result, the industry suffered a significant decline in profitability.

On January 9, 1979, the Anti-dumping Tribunal found that imports of these dumped integral horsepower induction motors, one horsepower (1 HP) to two hundred horsepower (200 HP) inclusive, with exceptions, from the United States, were materially injuring domestic production. On application for judicial review to the Federal Court of Appeal, the matter was referred back to the Tribunal for rehearing. On April 15, 1983, the Anti-dumping Tribunal again found the U.S. imports to be materially injurious to domestic production.

Summary of the 1985 Finding

In 1985, in response to a complaint filed by EEMAC, the Deputy Minister initiated an investigation into polyphase induction motors, 1 HP to 200 HP inclusive, originating in or exported from Brazil, Japan, Mexico, Poland, Taiwan and the United Kingdom. On June 14, 1985, the Deputy Minister made a preliminary determination of dumping on motors originating in or exported from the above countries and a preliminary determination of subsidizing respecting the subject motors originating in or exported from Brazil.

The evidence adduced during the inquiry revealed that the industry's share of the market had eroded since 1981, while the share held by imports from the named countries had grown correspondingly. At the same time, the prices of these imports were shown to have suppressed and eroded domestic market prices, resulting in substantial financial losses for the industry.

On October 11, 1985, the Canadian Import Tribunal found that these dumped and subsidized imports were materially injurious to the production in Canada of like goods.

Summary of the 1990 Review

In 1990, the Tribunal reviewed and continued with amendment both findings, except for the rescission of the finding, in Inquiry No. CIT-6-85, with respect to the subject goods from Mexico. The evidence adduced during the review revealed that, while the industry's financial performance had improved somewhat since the findings were issued, it was not overly strong. While Westinghouse Canada had regained some lost share and had become marginally profitable, GE Canada had experienced declining output, decreased market share and substantial losses. The Tribunal attributed much of GE Canada's poor performance to penetration of the end-user market by motors from the United States, Brazil and Taiwan.

The Tribunal recognized that the domestic industry was in the midst of reorganization and rationalization aimed at meeting the competitive challenge. In particular, it noted that GE Canada was negotiating a major investment program that it expected would lead to a North American mandate for the production of the subject induction motors. The Tribunal felt that, in light of GE Canada's large outlays and its protracted loss position, GE Canada was particularly vulnerable to a resumption of dumping. The Tribunal also expected that GE Canada would likely have problems in obtaining approval from its parent company for this investment program, if the findings were rescinded.

Based on this evidence, the Tribunal concluded that a resumption of dumping was likely to cause material injury to the industry in the form of lower prices, smaller market shares, marginal or negative profit margins and a reduced ability to invest the necessary capital to remain competitive. The Tribunal's order with respect to U.S. exports was subsequently reviewed by a Binational Panel pursuant to Article 1904 of the *Canada-United States Free Trade Agreement*.[6] On September 11, 1991, the Binational Panel affirmed the Tribunal's decision to continue the finding.

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6. Canada Treaty series, 1989, No. 3 (C.T.S.), signed on January 2, 1988.

Current Events

During the 1991-93 period, the Tribunal received a number of requests for a review of the findings, alleging that the domestic producers were increasing their dependence on imports to supply the market in lieu of domestically produced motors. The requests also noted that many OEMs using these motors to manufacture their respective products were being forced to source lower-cost motors offshore.

On the strength of this additional information and under subsection 76(2) of SIMA, the Tribunal initiated a review of the findings and issued a notice of review on February 11, 1994. The notice indicated that, based on available information, the Tribunal was of the opinion that a review of the findings was warranted due to a reasonable indication of a change in circumstances affecting the market for the subject induction motors.

POSITION OF PARTIES

Several parties responded to the notice of review and made submissions or indicated that they wished to participate in the review proceedings. Most producers/assemblers and major importers made their positions known in their responses to the Tribunal's questionnaires.

In their responses to the questionnaires, Westinghouse Canada, Brook Hansen and Leeson requested that the Tribunal continue the findings. None of the producers made submissions or indicated that they wished to attend a public hearing. Except for a letter from Brook Hansen in England, all the formal submissions received were from importers and exporters submitting that the findings should be rescinded. None of these submissions requested that there be a hearing, although many supplied the Tribunal with a notice of appearance, indicating their desire to participate should the Tribunal decide to hold a hearing.

Industry

In its response to the manufacturer's questionnaire, GE Canada submitted that the findings had been successful in stemming dumping in the user segment of the Canadian market. GE Canada said that the rapid globalization of the motor industry had led, naturally, to an increase in imports of low-cost motors from countries not covered by the findings. This, in turn, led to a movement away from integrated production in favour of assembling motors from kits exported from both the subject and non-subject countries. GE Canada submitted that this practice allowed some domestic producers to regularly undercut prevailing price levels by up to 20 percent.

For these reasons, GE Canada concluded that the findings no longer provided it with effective protection. It noted that, at the Tribunal's hearing in 1990, it requested continued protection for an additional three years. That period having elapsed, GE Canada is of the view that the findings should be rescinded.

USEM, once the major producer of 1-HP-to-50-HP motors in Canada, stated in its questionnaire response that it no longer manufactured induction motors in Canada. In 1992, it ceased manufacturing at its Granby location (previously operated by Leroy-Somer) and, in early 1993, it ceased manufacturing at its Markham facility. According to its submission, the extra costs incurred by its Canadian winding and assembly operations lessened its ability to compete with the subject goods imported by other members of

the industry from low-wage countries. USEM submitted that there is no other substantial production of 1-HP-to-200-HP motors in Canada today and, on these grounds, requested that the Tribunal rescind the findings.

Westinghouse Canada submitted in its questionnaire response that the findings had to be continued to protect Canadian producers from a dramatic price reduction of the subject goods in the market. It expected that, since most of the provincial electrical utilities will be removing their high-efficiency motor rebate programs soon, cheaper standard-efficiency imports would re-establish a base in Canada and that to rescind the findings would only worsen this situation.

Westinghouse Canada submitted that, since the Canadian government will be legislating new minimum-efficiency levels in 1996, it would be more appropriate to rescind the findings at that time. Westinghouse Canada suggested that the domestic producers have not been able to maintain adequate profits nor invest in new technologies since 1990. Poor financial performance and reduced domestic demand have created extremely unfavourable conditions for Canadian producers. Westinghouse Canada submitted that a continuation of the findings would enable it to maintain its market share in a depressed market that is under increasing pricing pressure from non-subject offshore sources. However, if the Tribunal rescinds the findings before 1995, this action will have dramatic effects on Westinghouse Canada's ability to finance the upgrades necessary to maintain and increase its production to meet increasing Canadian and global demand.

In its questionnaire response, Brook Hansen submitted that the findings should be continued. Since 1990, the findings have protected domestic pricing to some extent and have allowed Brook Hansen to increase its productivity. This has favourably affected the firm's financial results, and it anticipates that its production volumes will continue to grow if the findings are continued.

Brook Hansen submitted that, since 1990, utility rebates have stimulated market demand for high-efficiency motors, while demand for standard-efficiency motors has fallen. Reacting to this change, Brook Hansen introduced a line of high-efficiency motors, which now represent 27 percent of its production of the subject motors. It alleged, however, that low-priced imports from non-subject countries have tended to reduce market prices for its high-efficiency product.

Brook Hansen's supplier in England also requested that the findings be continued to ensure a strong manufacturing base for the sales and distribution of Brook Hansen's electric motors in Canada. Brook Hansen submitted that this investment ensures a high Canadian content to its sales. To preserve this investment and to secure the employment of its workforce, Brook Hansen requested that the findings be continued.

In its questionnaire response, Leeson requested that the Tribunal rescind the findings with respect to 1-HP-to-15-HP motors from the United States because domestic production of standard motors below 20 HP has ceased to exist. Leeson is against rescinding the findings for sizes larger than 15 HP, because, in its view, that would result in a resumption of dumping, creating a threatening situation for the companies that continue to manufacture induction motors in Canada.

Leeson submitted that, from 1990 to 1992, there was no change in the pricing activities of firms importing motors from the subject countries, particularly Brazil and Taiwan. Leeson's

position is that this had a negative impact on its financial performance. Recently, these same importers turned to non-subject countries, and this has resulted in continued dumping and further damage to the domestic production. However, Leeson submitted that, in general, the findings have benefited it by slowing the entry of dumped induction motors into the marketplace.

Importers/Exporters

Several large importers/foreign exporters of 1-HP-to-200-HP induction motors, including Toshiba International Corporation (Toshiba), V.J. Pamensky Canada Inc. (V.J. Pamensky), WEG Motores S.A., Siemens Electric Limited (Siemens), Reliance Electric Industrial Company, Dryden Agencies Ltd., Lincoln Electric Company of Canada Limited and a number of other importers and OEMs, made preliminary submissions requesting that the Tribunal rescind the findings.

The preliminary submissions depicted the current electric-motor market as one which is becoming increasingly global in nature. Still, while the global rationalization has accelerated, the direction of this rationalization has not favoured production of the subject goods in Canada.

Final submissions were received from Toshiba, Siemens, V.J. Pamensky and CML Northern Blower Inc. after their counsel had an opportunity to review the staff reports. The submissions noted that, since GE Canada and Westinghouse Canada had abandoned or scaled down their plans to increase production in general and integrated production in particular, the original basis for the findings was no longer valid, since these plans were what convinced the Tribunal to extend the findings in 1990. Further, the final submissions supported the position of the OEMs, recognizing that the findings have impaired their competitiveness while not providing the protection envisioned by the two findings. Finally, the submissions noted that the named countries had no propensity to dump, pointing out the rapid growth of imports by the domestic industry of low-cost motors from non-subject countries.

In summary, the submissions portray a domestic 1-HP-to-200-HP motor industry that has undergone significant changes since 1990. Effectively, they suggest that the Canadian induction motor industry has grown continuously smaller over the last 16 years and that, today, the findings are protecting very few Canadian workers. The submissions allege that, since 1990, several major events have completely altered the structure and conduct of domestic motor producers. Key among these events were:

1. the provincial awareness programs promoting the use of high-efficiency motors;

2. the replacement of much of the domestic integrated production of motors with:
   a) assembled motors from imported kits, and
   b) the importation, by domestic producers, of significant volumes of whole high-efficiency motors and standard-efficiency motors from non-subject countries;
3. the replacement of small AC motor production at GE Canada's plant in Peterborough with non-subject motors. It is alleged that this changeover is directly related to the fact that GE Canada's Peterborough plant did not receive an expected corporate mandate to produce 1-HP-to-200-HP induction motors;

4. the closure of Leroy-Somer (USEM) as a domestic producer;

5. USEM beginning to import most of its requirements from the United States and Mexico.

According to the submissions, some major consequences of these events are that imports, both subject and non-subject, are dominating the marketplace, and prices are being driven, to a large extent, by low-priced imports from non-subject countries. As a result, companies with ties to large motor producers in the subject countries are being placed at a competitive disadvantage with imports from these new low-priced sources.

Further, Canadian industries using imported motors and OEMs that are forced to source offshore due to the inability of the domestic industry to supply their requirements are discovering that they are disadvantaged by the findings. Many OEMs also find that they are suffering in the export market because they are required to pay inflated prices based on normal values for their imports. Normal values, it is alleged, increase the cost of motors incorporated in equipment manufactured by the OEMs, making it difficult to compete with lower-cost goods produced by their offshore competitors.

A common thread in the many submissions was that the domestic industry has received protection for many years because Canadian producers needed time to rationalize or fine tune their operations to compete on a level basis with U.S. and other offshore motors. The importers submitted that the domestic industry has had ample time to make the necessary adjustments to its production and marketing operations, yet it has failed to do so. In lieu of making the necessary adjustments, the domestic industry phased out domestic production and replaced it with imports from non-subject countries, with the result that imports from many new sources are being protected from imports from the subject countries.

ECONOMIC INDICATORS

From 1990 to 1993, the market remained relatively stable despite a dramatic drop in production volumes following the departure of Leroy-Somer as a domestic producer, largely due to the fact that a major proportion of Leroy-Somer's production was for the export market. In this stable market, the relative shares held by the industry and both subject and non-subject imports changed significantly. Sales from domestic production fell sharply, losing 22 points of market share when certain producers cut back on production, and Leroy-Somer ceased manufacturing entirely.

Sales of imports from non-subject countries grew by 17 percentage points and accounted for much of the industry's loss of market share. On the other hand, sales from imports from the subject countries were cyclical during the period, but, by 1993, had risen to a level which was 6 points above that held in 1990 (Table 1).

Table 1

MARKET AND MARKET SHARES
1-HP-to-200-HP Motors
(units)

	1990	1991	1992	1993

Apparent Market	151,476	143,157	145,285	147,255
% Increase (decrease)		(5)	1	1
Market Share (%)				
1. Domestic Producers	37	33	24	15
2. Subject Imports	57	60	53	63
a) Producers	8	9	8	14
b) Importers	50	51	45	49
3. Other Imports	6	7	23	23
a) Producers	2	3	3	8
b) Importers	4	4	20	15

Numbers may not add up due to rounding.
Source: Responses to Questionnaires and Statistics Canada.

From 1990 to 1993, domestic production of 1-HP-to-200-HP induction motors plummeted by over 70 percent. Much of this major loss was due to the cessation of production by Leroy-Somer. Overall, imports rose significantly during the period. The substantial growth of imports from non-subject countries, mostly at the expense of domestic production, accounted for most of the growth in imports (Table 2).

Only GE Canada, Westinghouse Canada, Leeson and Brook Hansen provided financial information for the period between 1990 and 1993. Even without the considerable impact that Leroy-Somer's withdrawal had on net sales, the remaining industry's unit sales dropped by over 20 percent and their value was nearly cut in half. Although the industry's financial performance strengthened somewhat at the gross profit level, general selling and administrative expenses rose relatively to net sales, and the industry's net profits fell.

Available price data point to falling prices between 1991 and 1993. EEMAC market data and the Tribunal market data show that prices were generally off in 1993 as opposed to 1992. Also, during that period, the disparity between the price of the domestic product and that of the imported product became much less distinct.

Closely related to the dramatic reduction in volumes of production and in sales of 1-HP-to-200-HP motors in the domestic economy, levels of employment dropped by over 40 percent, reflecting the movement to assembly operations that require much less manpower than integrated production.

Finally, total dumping and countervailing duties collected on imports, shown as a proportion of the value for duty of imported motors, declined steadily from 3.7 percent in 1990 to 1.9 percent in 1993. In the first quarter of 1994, this ratio fell to 1.0 percent, which suggests that the downward trend in dumping and countervailing duties collected is continuing.

Table 2

ECONOMIC INDICATORS
1-HP-to-200-HP Motors

	1990	1991	1992	1993
Production (units)	125,119	104,364	56,284	35,335
Imports (units)	99,018	93,237	115,742	135,840
Subject Countries	89,975	82,370	77,966	96,650
Other Countries	9,043	10,867	37,776	39,190
Industry Sales[1] (units)	26,048	22,414	27,603	20,333
Industry Sales ($000)	27,566	24,462	22,627	15,451
Industry Net Income (%)	(3)	(13)	1	(14)
Number of Employees	349	314	255	207
Capacity (units)	66,328	66,328	66,328	66,328
Utilization (%)	63	51	56	51
Anti-dumping Duties vs Import Price (%)	3.7	2.1	2.1	1.9

1. Data include sales by GE Canada, Westinghouse Canada, Brook Hansen and Leeson.
Source: Responses to Questionnaires and Statistics Canada.

The value of the apparent market fell by 18 percent from 1990 to 1993. In this declining market, the share held by the domestic producers dropped 31 percentage points, from a 51-percent share to a 20-percent share. The share held by imports from the subject countries increased from 44 percent to 60 percent, and imports from other countries increased from 5 percent to 20 percent. While importers gained 10 of the 16 points of market share taken by imports from the subject countries, producers gained 12 of

the 15 points of market share taken by imports from non-subject countries (Table 3).

Table 3

MARKET VALUE AND SHARES
1-HP-to-200-HP Motors
($000)

	1990	1991	1992	1993
Apparent Market	106,810	100,605	82,943	87,840
% Increase (decrease)		(6)	(18)	6
Market Share (%)				
1. Domestic Producers	51	49	35	20
2. Subject Imports	44	46	53	60
a) Producers	5	5	8	11
b) Importers	39	41	45	49
3. Other Imports	5	6	13	20
a) Producers	1	2	6	14
b) Importers	4	3	7	6

Numbers may not add up due to rounding.
Source: Responses to Questionnaires and Statistics Canada.

In terms of volume, motors in the 1-HP-to-20-HP range represent a large and growing segment of the market. During the period from 1990 to 1993, this segment steadily increased its share of the market from 84 percent to 88 percent. Motors in the 21-HP-to-100-HP range accounted for most of the residual volume, although their share dropped somewhat as the smaller motors gained volume. Motors over 100 HP captured a constant 1-percent share throughout the period (Table 4).

On average, motors in the 1-HP-to-20-HP range accounted for 49 percent of the total value of the subject motors sold in the market. Motors in the 21-HP-to-100-HP range represented an average 39 percent of sales, and motors over 100 HP accounted for about 12 percent of the value of sales.

Table 4

MARKET VOLUMES AND VALUES BY SEGMENT
1-HP-to-200-HP Motors

	1990	1991	1992	1993	Average
Volume of Sales - % Share					
1 HP to 20 HP	84	85	88	88	86
21 HP to 100 HP	15	14	11	12	13
101 HP to 200 HP	1	1	1	1	1
Value of Sales - % Share					
1 HP to 20 HP	47	47	50	52	49
21 HP to 100 HP	41	42	38	37	39
101 HP to 200 HP	12	11	12	10	12

Numbers may not add up due to rounding.
Source: Responses to Questionnaires and Statistics Canada.

REASONS FOR DECISION

Subsection 76(2) of SIMA provides in part that, at any time after the making of an order or finding described in sections 3 to 6, the Tribunal may, on its own initiative, review the order or finding. To decide whether an order or finding should be continued, the Tribunal must first satisfy itself that there is a likelihood of resumed dumping upon rescission of the findings. In addition, the Tribunal must be able to conclude that a resumption of dumping is likely to cause material injury to the production in Canada of like goods.

In the present review, every aspect of the 1-HP-to-200-HP induction motor market has undergone major changes since the 1990 review. Demand for high-efficiency motors has grown to account for more than 50 percent of the market. Integrated production is declining rapidly in favour of assembling motors from kits. Domestic production volumes have fallen dramatically as the number of producers has decreased. Furthermore, low-cost imports from non-subject countries, a large proportion of which have gone to domestic producers, have increased significantly. It is in this context that the Tribunal must assess the likelihood that injurious dumping will resume and, if so, whether such dumping is likely to cause material injury to the domestic production of 1-HP-to-200-HP induction motors.

LIKELIHOOD OF DUMPING

In addressing the question of a likelihood of dumping, the Tribunal examined data relating to the dumping and subsidizing (in the case of Brazil) behaviour of the subject countries. It also considered activities in these countries that might be seen as conducive to dumping and examined the changing international patterns of supply and demand for the subject motors.

In 1990, the Tribunal found that the margin of dumping of the subject goods remained high for most of the subject countries. It also found considerable evidence illustrating the subject countries' dumping practices in other countries. The Tribunal, therefore, found that dumping was likely to resume from most of the subject countries upon rescission of the findings and, given the softening market that existed at that time, the dumping would be injurious.

Data obtained from the Department of National Revenue (Revenue Canada) illustrate that, since 1990, there has been a steady decline in the dumping and countervailing duties collected on imports of the subject motors in relation to the landed value of these motors. Although Revenue Canada's data do not indicate the actual magnitude of the margins of dumping or subsidizing, the Tribunal observes that, in general, the incidence of dumping or subsidizing of imports from each subject country has fallen to very low levels.

Today, market participants, producers and importers alike speak of a global market that has been depressed for several years and which, only recently, has exhibited some evidence of recovery. Production facilities have been built or expanded in several countries, and low-cost imports from these new plants have led to falling international price levels. Meanwhile, in Canada, capacity levels have remained steady, but utilization rates in integrated plants have fallen considerably as producers and former producers have resorted to importing some or all of their requirements from these non-subject countries to avail themselves of beneficial pricing. The Tribunal notes that non-subject-country imports more than tripled their share of the market since 1991 and that domestic motor producers themselves accounted for half these imports.

In a homogeneous market driven largely by price, the continual quest for lower costs has led to an increasingly global market. In this context, the Canadian industry has been unable to adjust to the demands of the marketplace, especially in the high-efficiency segment of the market, and particularly in the 1-HP-to-20-HP sector which, in the last four years, has represented well over 80 percent of market volume. Although some Canadian producers can and do manufacture some of the subject motors in both standard- and high-efficiency models, they have generally been unable to compete effectively with mass production in the new low-cost countries or even with large producers in Brazil and the United States, which still account for more than 50 percent of the Canadian market for 1-HP-to-200-HP motors. Therefore, in order to continue to participate in this market, the industry has had to substantially increase its dependency on imports, notably from low-cost sources such as the Republic of Korea, Malaysia, the People's Republic of China and Mexico. The industry has also dramatically increased its practice of assembling motors from kits, at the expense of integrated production.

Market data obtained by the Tribunal show that domestic sales from domestic production have plummeted by more than 60 percent since 1990. At the same time, sales from imports from the subject countries increased by 6 percent, while imports from non-subject countries more than tripled, replacing an important part of the lost sales from domestic production. During this period, the domestic producers were responsible for much of the growth in total imports. To a large extent, much of this growth is attributable to the increasing demand for high-efficiency motors that cannot be supplied from domestic production, particularly in the 1-HP-to-20-HP range.

The Tribunal observes that, as the motor market has evolved into a truly global market, price differences between imports and domestically produced motors have tended to narrow. The Tribunal expects that, in the short to medium term, low-priced motors from non-subject countries and motors produced from components and subassemblies imported in kit form will be the major factors of price competition in the motor market. The Tribunal is also of the view that the prices of motors from low-cost countries are likely to be lower than those from the subject countries, even without anti-dumping and countervailing duties. In that case, there will be little incentive for domestic producers in particular to return to domestic production or for importers to return to sources in the subject countries.

However, some importers and OEMs, in their responses to questionnaires and submissions, made particularly revealing comments regarding competition in the motor market. They suggested that, despite the availability of low-cost motors from an increasing number of non-subject countries, there remains a certain large volume of imports that will likely continue to be sourced from the subject countries, particularly from the United States, which continues to supply almost half the market demand, notwithstanding the finding against that country. This leads the Tribunal to believe that, in certain cases, factors other than price, such as intercorporate buying patterns and requirements for timely supply, are at play and a major proportion of motor imports will likely continue to be sourced from the subject countries in the foreseeable future regardless of whether or not the findings remain in place. That is not to say, however, that, in the absence of the findings, the price of motors from the subject countries would not fall in reaction to international price pressures generated by imports from an increasing number of low-cost non-subject countries. By the same token, lower prices do not necessarily mean dumping.

In the absence of anti-dumping and countervailing duties, the Tribunal realizes that prices will likely gravitate to the lowest level. While normal values in the subject countries may also drop because of the same competition, this does not guarantee that exporters in these countries will not resort to some dumping, simply due to the necessity of meeting global-price competition. Nevertheless, the Tribunal is of the opinion that any dumping will likely be at prices no lower than currently available from a large and growing number of low-cost non-subject sources.

LIKELIHOOD OF MATERIAL INJURY

Having examined the evolution and performance of the domestic industry since the 1990 review and the question of the likelihood of dumping, the Tribunal must now turn to the issue of the vulnerability of the industry or, more precisely, whether or not dumping, if it occurs, is likely to cause material injury to the production in Canada of like goods.

In the 1990 review, the fully integrated producers, GE Canada, Westinghouse Canada and Leroy-Somer, sought a continuation of the findings on the grounds that they were in the midst of reorganization and rationalization. In particular, GE Canada was involved in a major investment program that was expected to transform it into a world class, high-volume, low-cost producer. Leroy-Somer was by far the largest producer, but its production, much of which was exported, was largely concentrated in small motors. GE Canada and Westinghouse Canada were relatively stronger in the larger HP-ranges. None of these three producers nor any of the four assemblers (Leeson, Brook Hansen, USEM and Madison) manufactured high-efficiency motors which, at that time, accounted for about 5 percent of the market.

Since then, much has happened. Demand for high-efficiency motors has shot up to an estimated 60 percent of the market. This alone created much consternation within the industry, and a scramble ensued among suppliers to capture the market. At the international level, a process of globalization and rationalization has been in progress for some years and continues to this day, with new production facilities being built in low-cost countries and rationalization occurring in major supplying countries.

In early 1992, Leroy-Somer was purchased by Leeson, the parent of USEM, and its Granby plant was subsequently closed. Later, in 1993, USEM also closed its assembly plant in Markham. It now services the Canadian market with imports from related companies in the United States and Mexico. GE Canada did not obtain the mandate that it was seeking and is now concentrating its efforts in other areas of motor production at its Peterborough plant. Although GE Canada has curtailed its production, much of which is exported, it still remains the largest domestic producer of the subject motors. GE Canada supplements its production and rounds out its product line with imports from the Republic of Korea. Westinghouse Canada has severely curtailed its domestic production and, although it still manufactures a line of the subject motors in Canada, it has opted for the assembly of motor kits from a related company in Malaysia at its Hamilton plant. Westinghouse Canada also imports significant quantities of the subject motors from Malaysia and China.

Brook Hansen is now the second largest Canadian supplier of motors made in Canada. These are assembled at a plant in Toronto from parts imported from England. Brook Hansen is the only company to produce significant volumes of high-efficiency motors in Canada. It supplements its assembly operations with imports from a related company in the United Kingdom. Leeson assembles some motors in Canada, but is also a large importer of small motors, mostly from its parent company in the United States. Madison, the only other known assembler in Canada, has curtailed its assembly operations and is now importing significant volumes of complete motors from Malaysia.

An examination of the market revealed that demand for the subject motors has remained fairly stable during the last four years, largely because of steady demand for motors in the 1-HP-to-20-HP range. Demand for larger motors, above 20 HP, where the domestic producers were relatively much stronger, has declined significantly. In the 1-HP-to-20-HP range, which accounts for well over 80 percent of the total market in volume and about 50 percent in value, the loss in market share by the industry has been due to the growth in imports from non-subject countries, largely by industry members and, to a lesser extent, by present and former producers through imports from the subject

countries. In other size ranges, the activities of present and former industry members also appear to have caused much of the industry's decline in share of market from domestic production.

An analysis of the market in terms of source of supply reveals that, of the subject countries, the United States followed by Brazil as a steady but distant second remain the major suppliers. Other subject countries are no longer significant players in the Canadian marketplace. Were it not for the activities of present and former members of the industry, imports from the United States would not have gained market share since 1990. The Tribunal also notes that imports from non-subject countries have acquired 17 of the 22 points of market share lost by the industry since 1990 and that much of this growth in non-subject-country imports is due to the activities of the industry itself. For example, imports from Mexico jumped from less than 1,000 units in 1993 to more than 8,000 units in 1994. Those from Malaysia went from nil in 1992 to almost 9,000 units in 1994, while imports from China almost tripled from 1990 to 1993.

Available data also reveal that the fully integrated producers of 1990 are no longer the major players in the Canadian marketplace. They have been replaced by Brook Hansen and Leeson as assemblers and importers and by USEM, which is now strictly an importer. The conditions that gave rise to the continuation of the findings in 1990 are, therefore, no longer present, as both GE Canada and Westinghouse Canada rely heavily on imports to satisfy Canadian market requirements. The Tribunal also notes that the financial performance of the industry has deteriorated since 1990 in terms of both sales and profitability, that employment has continuously declined and is much less intensive in assembly operations, that no significant investments in motor production facilities have been made, except by GE Canada, and that none are projected for the current year, except by Brook Hansen. The Tribunal notes that the degree of assembly varies from product to product and from company to company. Relative to integrated production, these assembly operations are not significant in terms of employment. Lastly, pricing data on file indicate that, on average, prices fell in both 1992 and 1993. Only in the 100-HP-to-200-HP range did prices rise, but with a considerable reduction in volume.

Finally, the Tribunal carefully examined the relative positions taken by the participants in this review. The Tribunal is not persuaded by the arguments advanced by Westinghouse Canada, Brook Hansen and Leeson in their responses to questionnaires that a continuation of the findings is justifiable. Furthermore, the Tribunal notes that none of these firms filed separate submissions in support of their respective positions, nor did they request a hearing. Moreover, the Tribunal is of the view that, if the domestic industry does suffer injury, it is not likely to be caused by a resumption of dumping from the subject countries.

In light of the reasons for continuation of the findings in 1990 and of the fundamental changes that have since occurred in the structure of the industry, particularly as it relates to the activities of present and former producers, the Tribunal, on the basis of its examination of the responses to questionnaires and submissions, concludes that a further continuation of the findings made in 1983 and 1985 is no longer justified.

While dumping may occur in the foreseeable future, the Tribunal is of the opinion that it is not likely to cause material injury to the production in Canada of like goods, which production has been severely curtailed since 1990. In the view of the Tribunal, the availability and pricing of the subject motors imported from non-subject countries and the activities of present and former members of the domestic industry in the marketplace are likely to be the key competitive factors in the foreseeable future.

For these reasons, the Tribunal rescinds the said findings.

Arthur B. Trudeau
Arthur B. Trudeau
Presiding Member

Charles A. Gracey
Charles A. Gracey
Member

Robert C. Coates, Q.C.
Robert C. Coates, Q.C.
Member