II - CONCLUSIONS OF THE PEAT MARWICK STUDY

The U.S. electrical equipment sector is composed of a number of products and product groups. The products included in the electrical equipment study are circuit breakers, switches, fuses, connectors, transformers, rectifiers, insulated electrical conductors and lighting fixtures. In total, the product groups which are the focus of this study represented approximately $3.7 billion (U.S.) in U.S. imports in 1988.

U.S. shipments of electrical equipment, based on information provided by the USDOC, are a composite of U.S. shipments for power, distribution and specialty transformers ($3.0 billion [U.S.] in 1988); switchgear ($4.9 billion); motors and generators ($6.2 billion) and industrial controls ($5.2 billion) (all measured in 1982 U.S. constant dollars). The USDOC notes that 1988 industry shipments of lighting fixtures were $5.3 billion (measured in 1982 U.S. constant dollars). It is expected that the U.S. market for electrical equipment and lighting fixtures will not grow substantially.

Electrical equipment sales are affected by demand from the electrical utilities and residential and non-residential construction industries. It is expected that electrical utilities over the 1989-93 period are likely to reduce their installation of distribution substation banks and distribution line transformers. The value of switchgear industry shipments is likely to decrease due to a slow demand for nonresidential construction which in turn will result in lower sales of industrial and commercial power systems. Similarly, the value of industry shipments of motors and generators is likely to remain constant in the immediate future due to low demand for residential construction and severe import competition.

The industrial control market is expected to grow over the 1989-93 period largely due to a concomitant increase in investment in new plant and equipment. Nonresidential construction levels will affect the value of shipments of lighting fixtures, and investment in new commercial building has been reduced as a result of restrictions on real estate tax shelters. It is expected that the lighting fixtures segment will sustain growth over the 1989-93 period through investment in the replacement and modernization of existing structures and the requirement to install lighting suitable for use with information processing equipment.