INTERNATIONAL TRADE COMMISSION HEARING
On
Section 201 Safeguard Action
June 19, 2003

Prepared Prehearing Brief of Lawrence A. Denton
Dura Automotive Systems, Inc.

Commissioners of the International Trade Commission, I would like to thank you on behalf of Dura Automotive Systems, Inc. for the opportunity to present this prehearing brief. My name is Lawrence A. Denton, President and CEO of Dura Automotive Systems, Inc.

Headquartered in Rochester Hills, Michigan, Dura employees over 16,000 people at over 57 facilities in 14 countries and had 2002 revenues of $2.4 billion. Dura Automotive Systems, Inc. (NASDAQ – DRRA), the world's largest independent designer and manufacturer of driver control systems, and a leading supplier of seating control systems, engineered assemblies, structural door modules and integrated glass systems for the global automotive market. Dura is also a leading supplier of door and window systems, engineered components and gas appliances to the North American recreation vehicle and mass transit market. Dura sells its automotive products to all major North American, Japanese and European original equipment manufacturers (OEM) and many leading Tier 1 automotive suppliers.

Dura competes with suppliers not only based in the US but also in Europe, Asia, the Middle East and Africa. Dura prides itself in its ability to do what is necessary to be competitive in the markets it serves. For years, Dura has fought hard to maintain this advantage despite foreign exchange fluctuations, labor market changes, increased legislative requirements and the like. The onset of the 201 Safeguard action jolted Dura with a $10m steel price change on basic hot and cold rolled strip steel. While the affects of the steel price increases were abrupt and catastrophic, the malingering affects of steel shortages led Dura to the spot market where additional price increases were the rule rather than the exception. Further, the shortages in selected types of material on many occasions also drove Dura to lose control of their manufacturing processes. This fact forced steel consumers like Dura to accept lesser steel quality which, in turn, forced steel sorting operations inside Dura prior to customer shipments. The total cost borne by Dura beyond actual price increases will never be finitely known. Some plant-by-plant internal costs were as high as 100% of the price increases due to down time, sort costs, spot market additional costs and administration costs.

While to the casual observer, the above-mentioned numbers may seem high, the automotive supply industry has for years been driven to a lower cost structure by many manufacturing tools. One such tool is Just In Time Manufacturing. Dura has focused its plants on ordering raw material based on our customers' schedule. If, for example, a Dura customer orders 5,000 parts a day, Dura in turn orders just enough material required to make that order. Further that material is scheduled to arrive the day before the Dura plant must manufacture and ship the product. This process keeps unnecessary inventory of raw material, work in progress or finished goods at a bare minimum. Dura believe that any excess inventory is waste, therefore extra cost, in the system. Thus any significant disruption in supply upsets customer-scheduled shipments, staffing requirements, equipment usage and related scheduled activities. In each Dura plant, many Just In Time processes exist. In order to assure customer requirements are continually met, Dura has contracted with suppliers who are capable of understanding Just In Time Manufacturing, delivering quality products, on time at a competitive price. To ensure Dura has built such a process with our suppliers, we value each one and set up long term agreements (from one year to life of the product) to assure we have ongoing quality supply and the supplier has a contract that protects his investment.

Dura's steel suppliers broke the above-mentioned business case when the 201 Safeguard Action took place. Our steel contracts (one year in duration set from January to December) were broken in April with regard to pricing as well as delivery. Prices were raised an average of 30% on our products. In addition, delivery promises were not kept sending many of our buyers to the spot market to assure we protected our customers by finding steel and shipping on time. Dura is proud of the fact that during what we called "the steel crisis of 2002", we did not miss any customer's required shipments. To meet this timing, we were forced to expedite some shipments (send by a special method because we could not make the product to meet the normal shipping times).

Dura begins its budgeting process for the following year in September. In September 2001, Dura followed its regular business process. Purchasing provided new contract information as a base for supplier cost as it does every year. By that time supplier contracts were in place or we had a very good understanding of the final pricing. The 2002 budget went through the normal approvals including our Board of Directors. The affect of the 201 Steel Safeguard Actions went straight to our bottom line. Dura looked to its customers for relief but based on their market pressures, they provided absolutely no relief.

In addition, Dura looked into the possibility of obtaining some relief in the form of exclusions. We were unable to use the exclusion process because our steel types were and are available from the domestic steel market. Further, Dura attempted to ask our customers for relief either in price increases or through relief from requested annual price reductions. Both requests were denied. One customer further complicated the issue by telling us a portion of our jack business was being resourced to a Chinese firm based on our "uncompetativeness". As a matter of fact, Dura buys 100% of its steel from domestic suppliers. The bottom line is ...Dura became as you might say "the meat in the sandwich".

Looking back, the Dura affect of these actions on steel price alone was \$10m. The toll on the business relationships between Dura and its steel supply based has been damaged as well. The trust established over the years has been severely damaged.

When the tariffs did hit Dura's steel price, we expected a "ramp up" of the pricing. On the contrary, pricing almost over night went up an average of 30% while at almost the same time, availability decreased. Once the 201 Steel Safeguard Actions were announced, we expected steel prices to go up but not to the levels nor at the speed we have experienced. The total affect on Dura in 2002 was conservatively stated as \$10m in direct pricing actions, about an equal amount in disruption and efficiency loss but most importantly and a more long term affect is our customers' perception that those American manufacturers who buy steel domestically are not as competitive based on our current steel cost. They are now pushing us toward sourcing selected steel parts offshore in some of our major products such as jacks.

Across the board, the cost of manufactured goods has dropped significantly over the past few years. Auto suppliers in particular do not have access to "price recovery" and are under strict mandates to lower their own prices to their customers. Most customers expect two kinds of price reductions: productivity improvement sharing coming from operating efficiencies and through Value Engineering/Value Analysis (product design changes). Successful suppliers like Dura have processes in place to remove waste (such as Just In Time Manufacturing), provide ongoing suggested design changes and other cost reducing suggestions. Each year at budget time, Dura collects the ideas and plans established to make sure our customers' requirements on these issues are met. This process has been in place and expected for over 10 years in the automotive industry. Commodity products such as jacks have had price reductions of over 15% in that same 10-year time frame. Unless new technology is introduced, our commodity products' prices will continue to erode. Competitive market pressures force these dynamics. The steel tariffs are attempting to counteract these market forces. At Dura, this action is seen as counteracting our work to find ways to meet our customers' demands and requirements that we become more competitive in the global automotive market.

In summary, Dura believes in our ability to compete in the global automotive market. We have demonstrated this fact to our customers in spite of various market conditions. We believe that the 201 Steel Safeguard Actions have hurt Dura's competitive position as well as other steel consuming companies. Dura's prices can be labeled "the lowest in a decade". Dura also believes that the global market place will continue to demand that all manufacturers become more effective and efficient. No single industry can stop this dynamic. Dura believes strongly that the 201 Steel Safeguard has hurt all American industry's competitiveness and needs to be reviewed in light of the total effect on all of American industry. As we look ahead to 2004, 2005 & beyond, Dura is concerned that much of the competitive damage has already been done. If the 201 Steel Safeguard Actions aren't mitigated, further damage will erode manufacturers' ability to compete in the global economy and will drive manufacturing jobs elsewhere.