

**PUBLIC HEARING BEFORE THE
U.S. INTERNATIONAL TRADE COMMISSION**

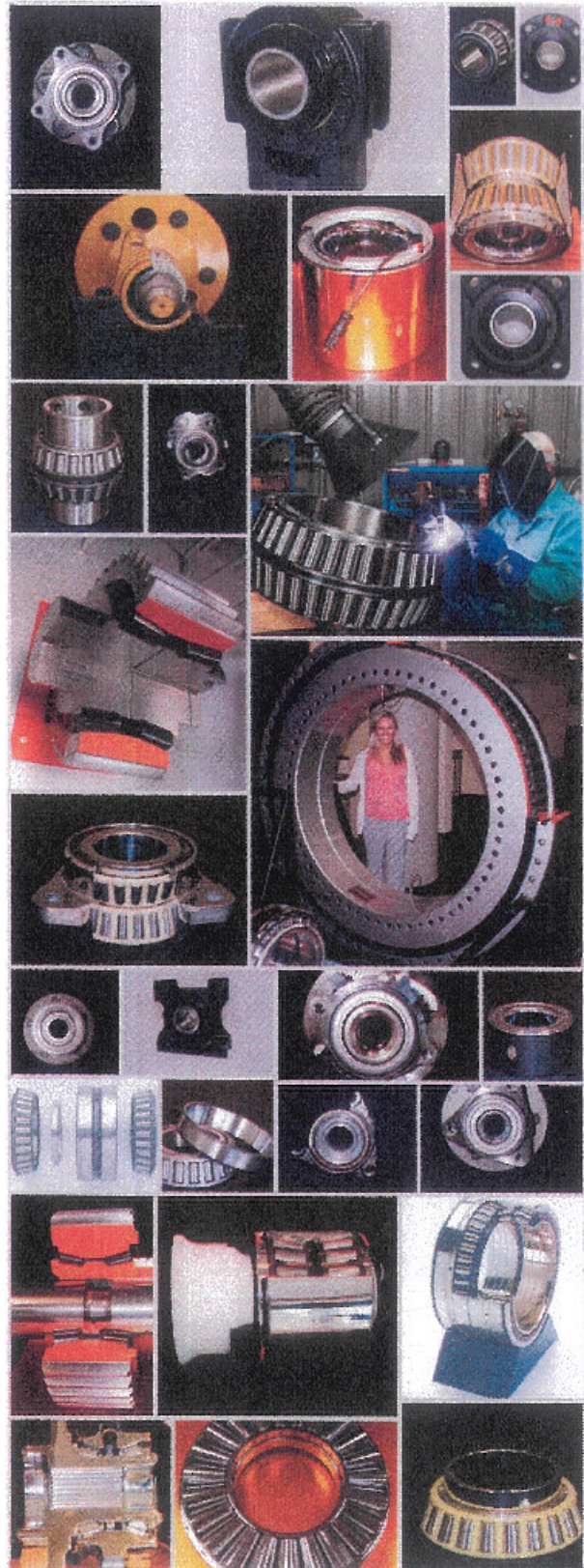
**TAPERED ROLLER BEARINGS FROM CHINA
INV. NO. 731-TA-344
(THIRD REVIEW)**

JUNE 19, 2012

**HEARING MATERIALS AND TESTIMONY
IN SUPPORT OF CONTINUATION OF THE
ANTIDUMPING DUTY ORDER**

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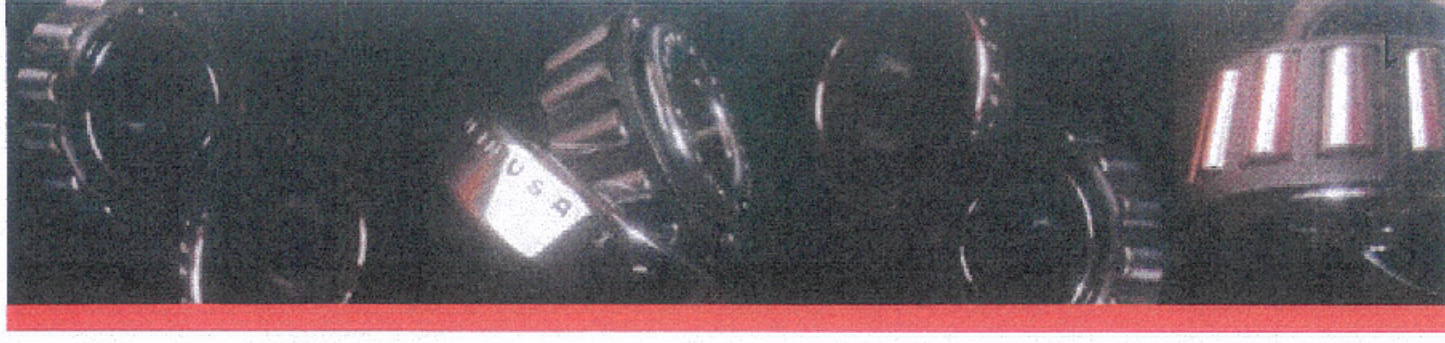
Tapered Roller Bearings from China

Investigation No. 731-TA-344 (Third Review)

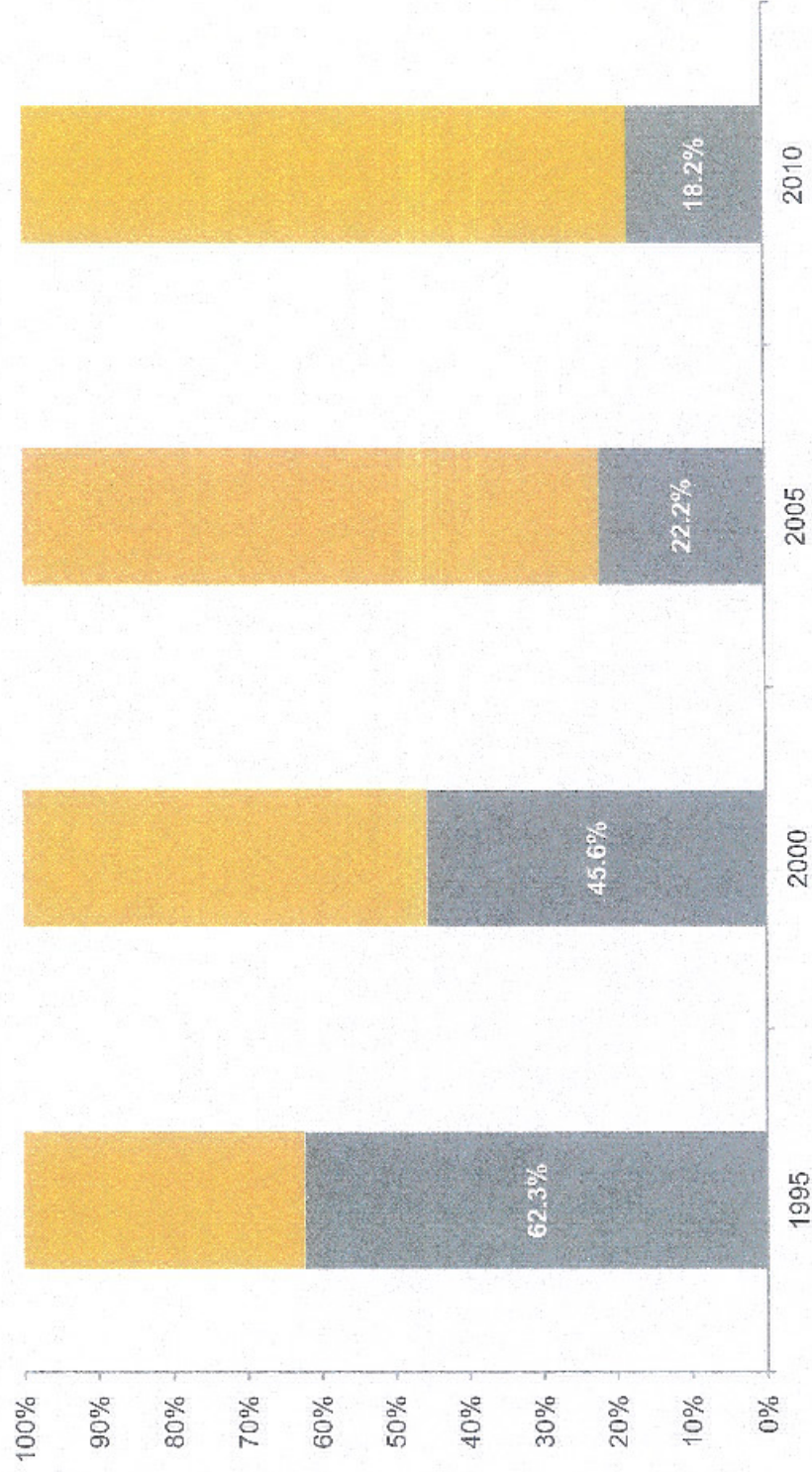
**Presentation of The Timken Company and
The USW in Support of Continuation of The
Antidumping Duty Order**

Public Hearing Before the U.S. International Trade Commission

June 19, 2012

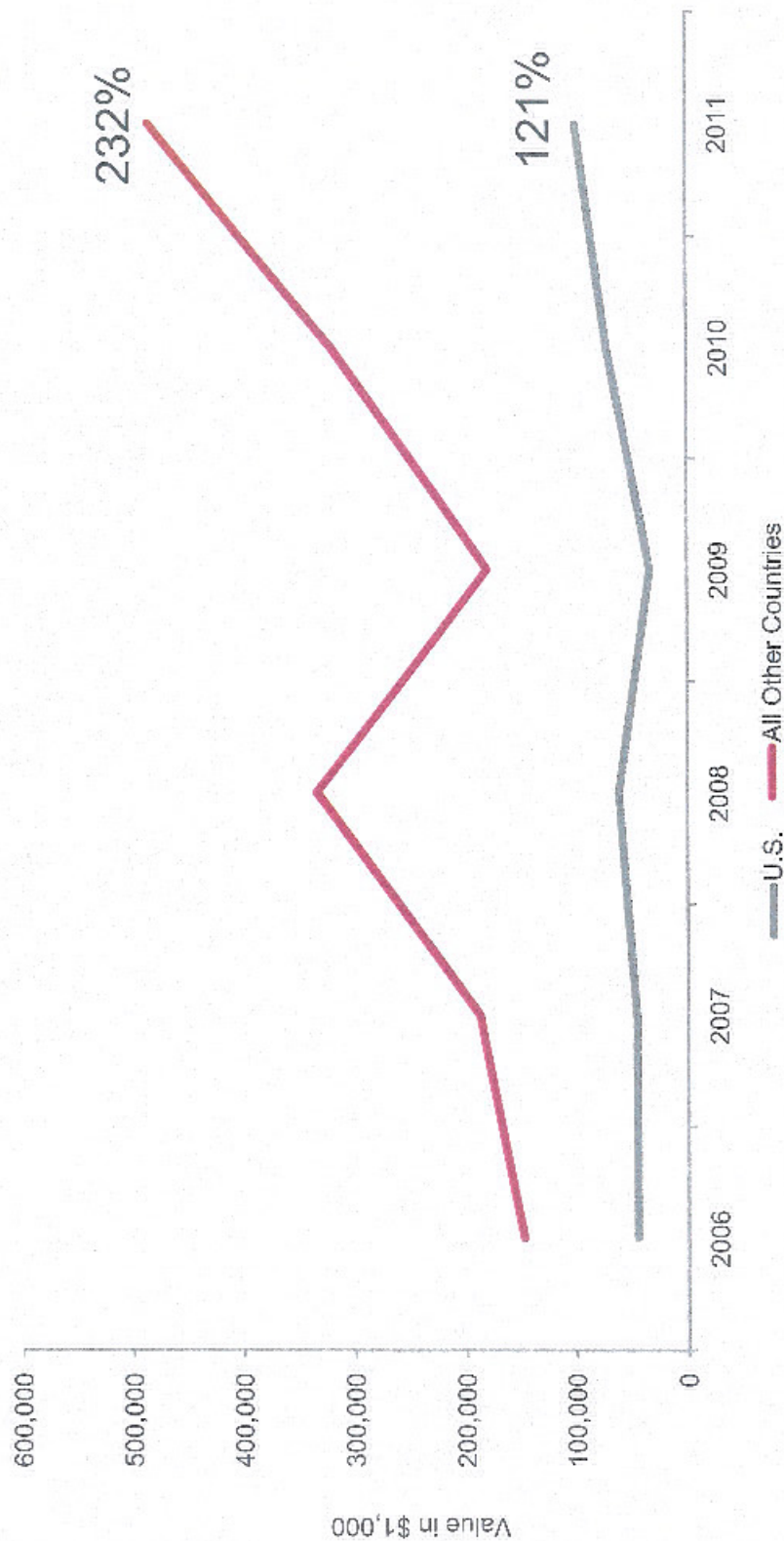


**Benefits of the Order:
DECREASE IN EXPORTS TO THE U.S. AS A
PERCENTAGE OF CHINESE EXPORTS**



Source: UN Comtrade for HTS 848220

**Benefits of the Order:
CHINESE EXPORTS TO THE U.S. GREW MORE
SLOWLY THAN TO THE REST OF THE WORLD**



Source: China Customs exports data for HTS 84822000



Benefits of the Order:

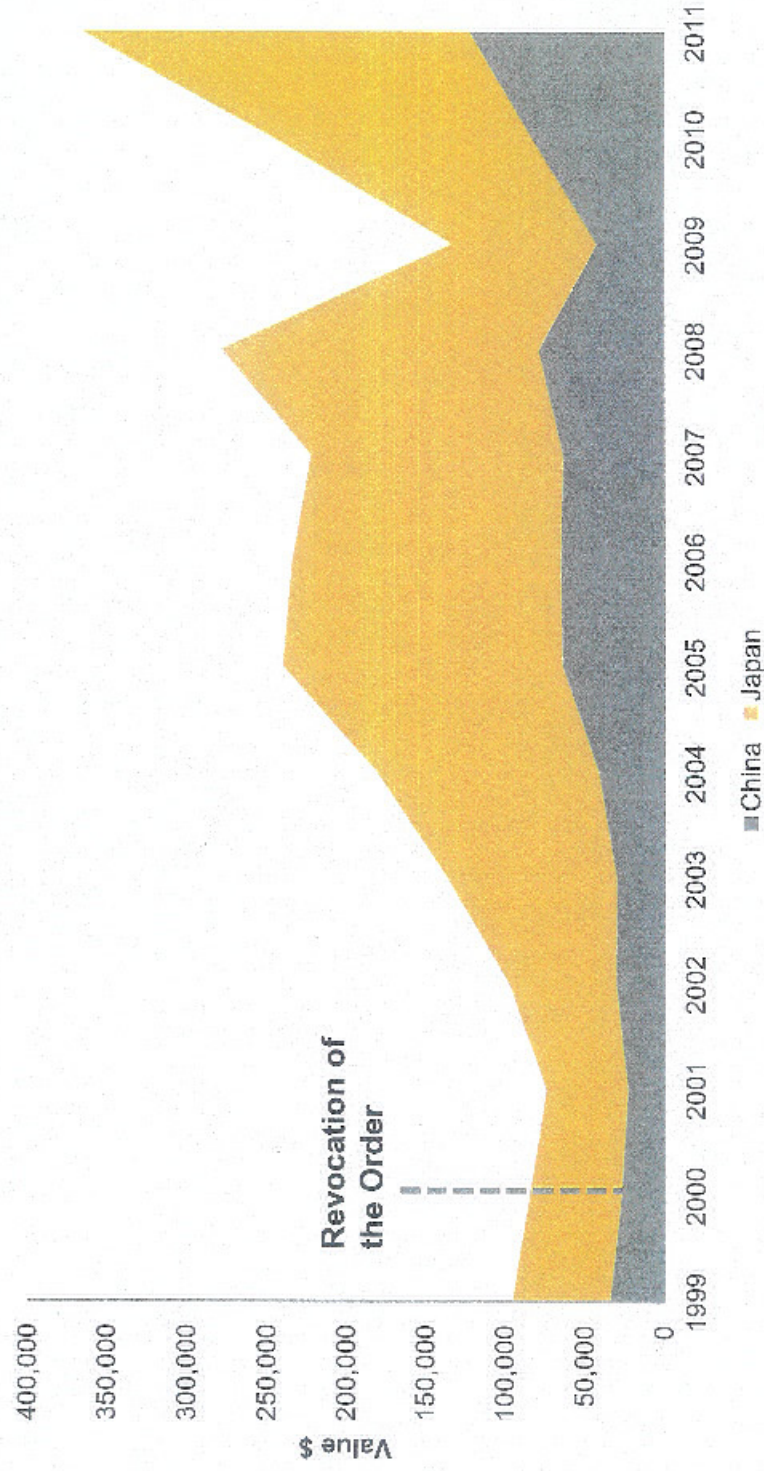
IN THE ABSENCE OF THE ORDER, IMPORTS SURGE

“When the order was lifted with respect to these Chinese companies, their exports to the United States soared.”

- *Second Review* at 20 (emphasis added).

**Benefits of the Order:
SLOWER INCREASE IN IMPORTS FROM CHINA
COMPARED TO IMPORTS FROM JAPAN FOLLOWING
REVOCATION OF THE ORDER ON JAPAN**

U.S. Imports of TRBs from Japan and China



Source: USITC Dataweb for HTS84822000, 8482910050, 8482991540, 8482991580, 8482994500, 8483204080, 8483208080

Likely Volume:
THE VOLUME OF CHINESE EXPORTS IS
SIGNIFICANT VIS-A-VIS U.S. SHIPMENTS AND
DOMESTIC CONSUMPTION

“TRB exports from China nearly tripled during
2006-11 to \$588.2 million (226.6 million units).”

- Third Review, ITC Prehearing Report at IV-14



Likely Volume:

**LARGE NUMBER OF TRB PRODUCERS IN CHINA
SUBJECT TO THE ORDER**

- More than 200 Chinese TRB producers.
- Multinational bearing producers have many TRB factories in China
 - SKF (4 factories)
 - Koyo (2 factories)
 - NTN (2 factories)
 - Schaeffler/FAG (1 factory)
 - NSK (1 factory)



Likely Volume:

INCREASE IN CHINESE BEARING PRODUCTION

↑ 150% for 2005-2010

↑ 87% for 2011-2015

- The 12th Five-Year Development Plan for the Chinese Bearing Industry

TRBs identified as a **key product** for development for 2005-2010, so TRB production growth was likely greater than 150%.

- The 11th Five-Year Development Plan for the Chinese Bearing Industry

**Likely Volume:
THE EU, CHINA'S LARGEST EXPORT MARKET, IS
CONTRACTING**

- Chinese exports to four EU countries identified in the Staff Report account for **19.2%** of the value of Chinese exports in 2011.

-Source: *Third Review, ITC Prehearing Report* at IV-15

- Chinese exports to EU27 account for **31.3%** of the value of Chinese exports in 2011.

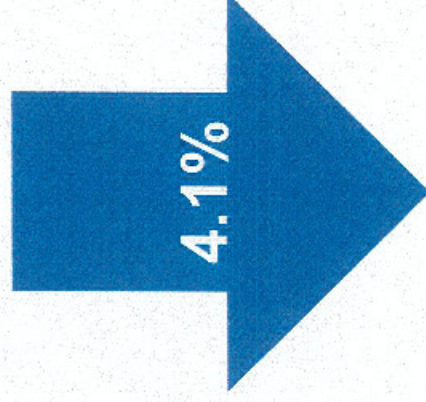
-Source: China Customs (Export Data for HTS8482.20)

	2010	2011	2012
Eurozone GDP Growth	1.9%	1.5%	-0.1%

Source: Eurozone GDP Growth: OECD Economic Outlook 91

Likely Volume:
**REDUCED GROWTH IN EU IN 2012 IS RESULTING IN
DECLINING IMPORTS FROM CHINA OF TRBS**

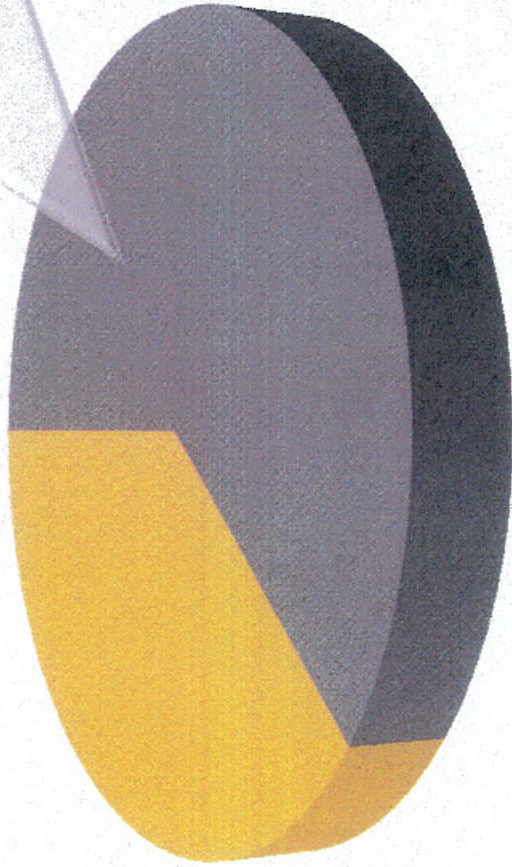
Chinese TRB exports to EU
January-April 2011/2012



Source: China Customs export data for HTS84822000, by value

Conditions of Competition:
DOMESTIC AND CHINESE TRBS ARE SUBSTITUTABLE

**61% = “always” or “frequently”
interchangeable.**



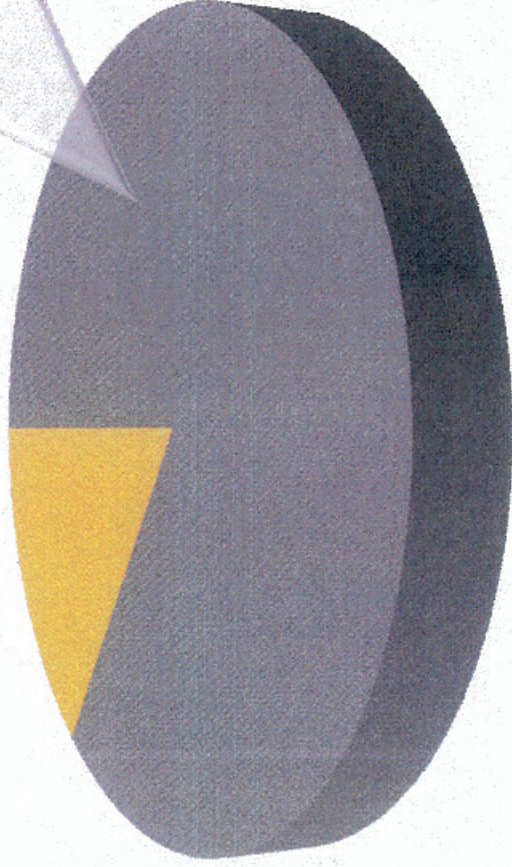
- *Third Review, ITC Prehearing Report at Table II-5*
(responses from company questionnaires)

Conditions of Competition:

PRICE IS AN IMPORTANT PURCHASING FACTOR

For purchasers:

80+ % = price one of three
most important factors



- Third Review, ITC Prehearing Report at II-8

**Conditions of Competition:
DEMAND DECLINING IN THE U.S.**

“U.S. demand decreased since 2006.”

- Third Review, ITC Prehearing Report at II-5



Likely Price Effects:

**UNDERSELLING HAS REMAINED STRONG DESPITE
THE ORDER**

Underselling:

95% of price comparisons

Average margin = **54.5%**

- Third Review, ITC Prehearing Report at V-4

Condition of the Industry:
TIMKEN'S EXPERIENCE DURING THE POR



**Likely Impact From Revocation:
TRB SECTORS AT IMMEDIATE RISK:
HIGH-VOLUME TRB PARTS**

- All or nearly all high-volume part numbers sold in the U.S. are produced by Chinese producers
 - Significant excess capacity in China
 - Likelihood of substantial underselling
 - Chinese export orientation
 - Higher prices in U.S. than China
- Matches for 70 percent of the volume produced at Timken's high-volume plants
- Many of these U.S. plants are currently operating at low capacity utilization rates

**Likely Impact From Revocation:
TRB SECTORS AT IMMEDIATE RISK:
RAILWAY TRBS**

- Three multinationals have facilities that produce TRB railway bearings
 - SKF
 - Schaeffler
 - NTN
- At least two certified by Association of American Railroad Quality Assurance Program
- One Chinese producer accounts for half of the railway bearings sold in China

**Likely Impact From Revocation:
TRB SECTORS AT IMMEDIATE RISK:
LARGE BORE TRBS, INCLUDING WIND**

- Multinational companies in China have significant unused capacity
- Slowdown in demand in certain sectors that use large bore TRBs, including wind energy
- Both multinationals and Chinese companies produce a wide array of large bore industrial TRBs in China
- Revocation would put sales to OEMs and to distributors at risk

Likely Impact From Revocation:
TRB SECTORS AT IMMEDIATE RISK:
TRB WHEEL HUB SOLUTIONS

- From single row TRBs to Gen III wheel hub assemblies, the full line of TRB wheel hub solutions is currently produced in China
- Pricing levels are currently very low
- Chinese producers already competing strongly in the aftermarket
- Following revocation both the aftermarket and OEM business would be at risk

**Likely Impact From Revocation:
ACCESS TO OEM ACCOUNTS WOULD HAPPEN QUICKLY**

- Multinational bearing companies have long and well-established relationships with U.S. purchasers from their U.S. and foreign operations
- Nearly all major U.S. OEM purchasers have manufacturing operations in China:
 - Existing working relationships with Chinese and multinational TRB vendors

Likely Impact:
CONSEQUENCES OF REVOCATION OF THE ORDER

Multinationals enter
U.S. market

Other Chinese producers
enter U.S. market

Price underselling intensifies

Domestic volume plummets

Factories close

Workers laid off

**INDUSTRY
COLLAPSES**

Like Product:
TRBS ARE A SINGLE LIKE PRODUCT

The Commission has thrice found a single like product, which has included housed and packaged bearings, such as wheel hub units.

- *Original Determination at 7*
- *First Review at 12-13*
- *Second Review at 8*

**Like Product:
TRBS ARE A SINGLE LIKE PRODUCT**

The Commission has viewed TRBs “in terms of a continuum.”

-Original Determination at 7 fn.14.

Continuum: “a continuous extent, succession, or whole, no part of which can be distinguished from neighboring parts except by arbitrary division.”

- www.thefreedictionary.com



**Like Product:
TRBS ARE A SINGLE LIKE PRODUCT**

Why a Continuum?

26,000 part numbers

Both housed and non-housed

Size range: one inch - > six feet

Price range: a few dollars - > \$100,000

Like Product:

TRBS ARE A SINGLE LIKE PRODUCT

The Commission has rejected similar arguments that ball bearing wheel hub units were a separate like product

- Wheel hub units are “not significantly different from other ball bearings, especially other housed and mounted bearings, in terms of functional characteristics and applications.”
- “As in Tapered Roller Bearings, we include wheel hub units in the like product category corresponding to the type of rolling element employed therein.”

- *Antifriction Bearings Investigation* (May 1989) at 21-22.

**Like Product:
TRBS ARE A SINGLE LIKE PRODUCT**

**THE TRB PRODUCT LINE:
A CLASSIC CONTINUUM**

