

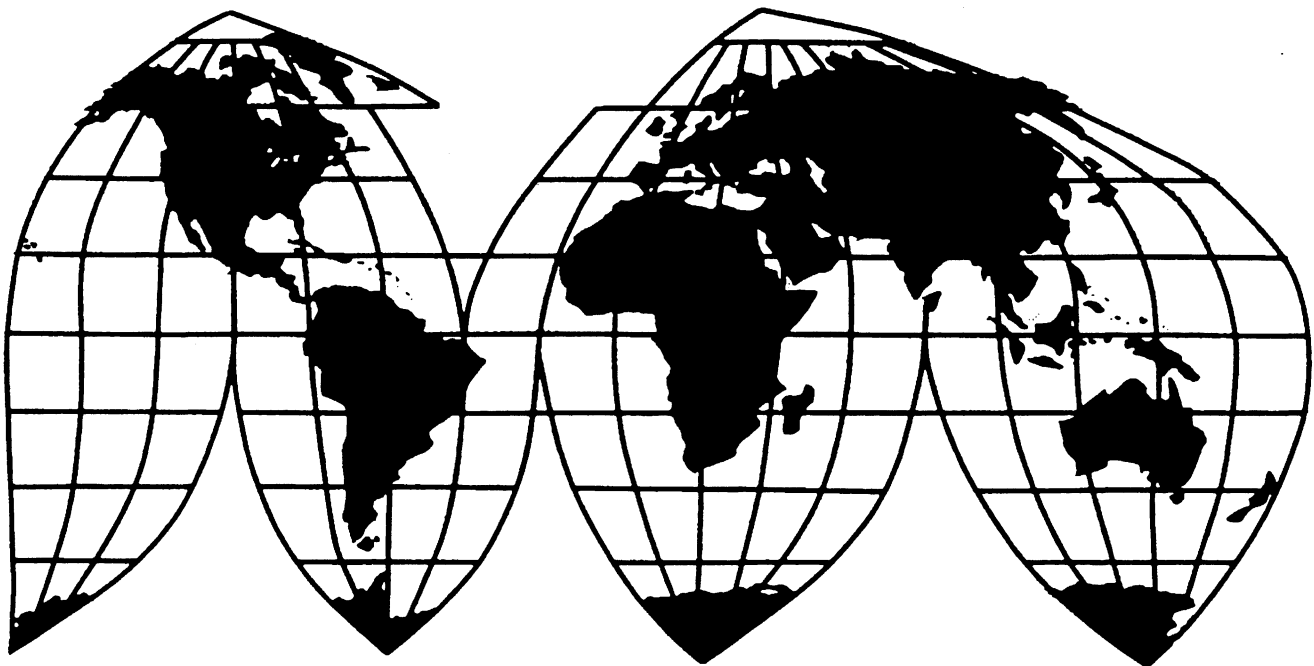
# Brake Rotors From China

Investigation No. 731-TA-744 (Review)

Publication 3528

July 2002

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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## GLOSSARY

AlliedSignal .....	AlliedSignal Automotive
Autospecialty .....	Autospecialty Co.
Brake Parts .....	Brake Parts, Inc.
COGS .....	Cost of goods sold
China North Vehicle .....	China North Vehicle Corp.
Coalition .....	Coalition for the Preservation of American Brake Drum and Rotor Aftermarket Manufacturers
Commerce .....	U.S. Department of Commerce
Commission/USITC .....	U.S. International Trade Commission
Customs .....	U.S. Customs Service
Dana .....	Dana Corp., Brake and Chassis Division
Echlin .....	Echlin, Inc.
FR .....	<i>Federal Register</i>
FY .....	Fiscal year
Federal Mogul .....	Federal Mogul Corp.
HTS .....	Harmonized Tariff Schedule of the United States
Honeywell .....	Honeywell, Inc./Honeywell International, Inc.
Hundai .....	Hundai Mobis Co.
ITT Automotive .....	ITT Automotive, Inc.
Iroquois .....	Iroquois Tool Systems, Inc.
Kinetic .....	Kinetic Parts Manufacturing, Inc.
LTFV .....	Less than fair value
Lucas .....	Lucas Industries Group/LucasVarity plc
OEM .....	Original equipment manufacturer
Overseas .....	Overseas Auto Parts, Inc.
PDGs .....	Programmed distribution groups
<i>Response</i> .....	Response to the Commission's Notice of Institution
TR .....	Transcript
TRW .....	TRW Aftermarket/TRW Automotive/TRW Group
UN .....	United Nations
Universal .....	Universal Automotive Industries, Inc.
Wagner .....	Wagner Brake Corp./Moog
Waupaca .....	Waupaca Foundry, Inc.
Wanxiang .....	Wanxiang America Corp.

Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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-744 (Review)

**BRAKE ROTORS FROM CHINA**

**DETERMINATION**

On the basis of the record<sup>1</sup> developed in the subject five-year review, the United States International Trade Commission determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)), that revocation of the antidumping duty order on brake rotors from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

**BACKGROUND**

The Commission instituted this review on March 1, 2002 (67 FR 9462) and determined on June 4, 2002 that it would conduct an expedited review (67 FR 40964, June 14, 2002). The Commission transmitted its determination in this review to the Secretary of Commerce on July 29, 2002.

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<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 C.F.R. § 207.2(f)).





## VIEWS OF THE COMMISSION

Based on the record in this five-year review, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Act”), that revocation of the antidumping duty order concerning brake rotors from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

### I. BACKGROUND

In April 1997, the Commission determined that an industry in the United States was materially injured by reason of imports of aftermarket brake rotors from China that the Department of Commerce (“Commerce”) determined to be sold at less than fair value (“LTFV”).<sup>1</sup> On March 1, 2002, the Commission instituted a review pursuant to section 751(c) of the Act to determine whether revocation of the antidumping duty order on brake rotors from China would likely lead to continuation or recurrence of material injury within a reasonably foreseeable time.<sup>2</sup>

In five-year reviews, the Commission initially determines whether to conduct a full review (which would include a public hearing, the issuance of questionnaires, and other procedures) or an expedited review. In order to make this decision, the Commission first determines whether individual responses to the notice of institution are adequate. Next, based on those responses deemed individually adequate, the Commission determines whether the collective responses submitted by two groups of interested parties—domestic interested parties (such as producers, unions, trade associations, or worker groups) and respondent interested parties (such as importers, exporters, foreign producers, trade associations, or subject country governments)—demonstrate a sufficient willingness among each group to participate and provide information requested in a full review. If the Commission finds the responses from both groups of interested parties to be adequate, or if other circumstances warrant, it will determine to conduct a full review.<sup>3</sup>

The Commission received one response to its notice of institution. This response was made by an unincorporated association of three domestic producers of the domestic like product that identified itself as the Coalition for the Preservation of American Brake Drum and Rotor Aftermarket Manufacturers (“the Coalition”).<sup>4</sup> The Coalition is estimated to account for \*\*\* percent of total domestic production of aftermarket brake rotors in 2001.<sup>5</sup> The Coalition filed no comments on adequacy.

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<sup>1</sup> Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 (Apr. 1997) at 1 (“Original Determination”).

<sup>2</sup> 67 Fed. Reg. 9462 (Mar. 1, 2002).

<sup>3</sup> See 19 C.F.R. § 207.62(a); 63 Fed. Reg. 30599, 30602-05 (June 5, 1998).

<sup>4</sup> The current members of the Coalition are Dana Corporation, Brake and Chassis Division (“Dana”); Federal Mogul Corporation (“Federal Mogul”); and Waupaca Foundry, Inc. (“Waupaca”). April 22, 2002, response of the domestic interested parties (“Initial Response”) at 2-3.

<sup>5</sup> Confidential Report (“CR”) at I-3, n. 2, Public Report (“PR”) at I-3, n. 2. This range was calculated as the quantity of reported aggregate production (\*\*\* pieces) divided by the range of total domestic production estimated by the members of the Coalition (between \*\*\* pieces and \*\*\* pieces). Based on a comparison of this range with U.S. industry data collected in the Commission’s original investigation, the actual coverage figure is believed to be toward the upper end of the coverage range estimated by the Coalition members. Id.

On June 4, 2002, the Commission found that the domestic interested party group response was adequate. The Commission also found that the respondent interested party group response was inadequate. Pursuant to 19 U.S.C. § 1675(c)(3)(B), the Commission expedited review of this matter.<sup>6</sup>

## II. DOMESTIC LIKE PRODUCT AND INDUSTRY

### A. Domestic Like Product

In making its determination under section 751(c), the Commission defines the “domestic like product” and the “industry.”<sup>7</sup> 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 subtitle.”<sup>8</sup>

In its final five-year review determination, Commerce defined the imported product covered by the existing antidumping duty order as

brake rotors made of gray cast iron, whether finished, semifinished, or unfinished, ranging in diameter from 8 to 16 inches (20.32 to 40.64 centimeters) and in weight from 8 to 45 pounds (3.63 to 20.41 kilograms). The size parameters (weight and dimension) of brake rotors limit their use to the following types of motor vehicles: automobiles, all-terrain vehicles, vans and recreational vehicles under “one ton and a half”, and light trucks designated as “one ton and a half.” Finished brake rotors are those that are ready for sale and installation without any further operations. Semi-finished rotors are those on which the surface is not entirely smooth, and have undergone some grinding or turning. These brake rotors are for motor vehicles, and do not contain in the casting a logo of an original equipment manufacturer (“OEM”) which produces vehicles sold in the United States (e.g., General Motors, Ford, Chrysler, Honda, Toyota, Volvo). Brake rotors covered in this order are not certified by OEM producers of vehicles sold in the United States. The scope also includes composite brake rotors that are made of gray cast iron, which contain a steel plate, but otherwise meet the above criteria. Excluded from the scope of this order are brake rotors made of gray cast iron, whether finished, semi-finished, or unfinished, with a diameter less than 8 inches or greater than 16 inches (less than 20.32 centimeters or greater than 40.64 centimeters) and a weight less than 8 pounds or greater than 45 pounds (less than 3.63 kilograms or greater than 20.42 kilograms). Brake rotors are classifiable under subheading 8708.39.5010 of the Harmonized Tariff Schedule of the United States (“HTSUS”).<sup>9</sup>

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<sup>6</sup> 67 Fed. Reg. 40964 (June 14, 2002).

<sup>7</sup> 19 U.S.C. § 1677(4)(A).

<sup>8</sup> 19 U.S.C. § 1677(10). See Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996); Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int’l Trade 1990), aff’d 938 F.2d 1278 (Fed. Cir. 1991). See also S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess. 90-91 (1979).

<sup>9</sup> 67 Fed. Reg. 45458, 45459 (July 9, 2002).

Brake rotors are part of disc brake assemblies, commonly used on front-wheel-drive vehicles, in which braking action is created by a hydraulic caliper that presses two brake pads against a rotating disc, or rotor, that is attached to the wheel hub. The braking unit is not enclosed, allowing disc brakes to transfer efficiently the heat generated by braking action. Brake rotors generally are produced from gray iron because this metal is highly resistant to wear, possesses a high coefficient of friction, absorbs vibrations, can be easily and inexpensively cast into complex shapes, and has excellent machinability. Brake rotors also may be manufactured from aluminum because of that material's light weight.<sup>10</sup>

The starting point of the Commission's like product analysis in a five-year review is the like product determination in the Commission's original investigation.<sup>11</sup> In the original investigation, the Commission had to determine (1) whether brake rotors and brake drums were distinct domestic like products and (2) whether the domestic like product(s) should be limited to aftermarket (i.e., non-OEM) products -- the products within the scope of the investigation -- or should encompass OEM products as well. The Commission determined that brake rotors and brake drums were separate domestic like products, based on different physical characteristics and lack of interchangeability. The Commission also determined that OEM brake rotors and drums and aftermarket brake rotors and drums, although physically similar, were different products made by different manufacturers for different markets. The Commission therefore found two domestic like products consisting of aftermarket brake rotors and aftermarket brake drums.<sup>12</sup> The Commission also found that these domestic like products included "unfinished" and "semi-finished" rotors and drums as well as finished rotors and drums.<sup>13</sup> The Commission made an affirmative determination only with respect to aftermarket brake rotors.<sup>14</sup>

In its response to the Commission's notice of institution, the Coalition stated that it agrees with the Commission's original definition of the domestic like product.<sup>15</sup> No new facts have been presented in this review to warrant a conclusion different from that reached by the Commission in the original investigation. We therefore define, based on the available information, a single domestic like product consisting of all aftermarket brake rotors, coextensive with Commerce's scope in this review.

## **B. Domestic Industry**

Section 771(4)(A) of the Act defines the relevant 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."<sup>16</sup> In the original investigation, the

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<sup>10</sup> CR at I-6-I-7, PR at I-6-I-7.

<sup>11</sup> In its like product determination, the Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes, and production employees; (5) customer or producer perceptions; and, where appropriate, (6) price. *See Timken*, 913 F. Supp. at 584. No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation. The Commission looks for clear dividing lines among possible like products, and disregards minor variations. *See, e.g.*, S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess. 90-91 (1979); *Torrington*, 747 F. Supp. at 748-49.

<sup>12</sup> *Original Determination* at 4-9.

<sup>13</sup> *Original Determination* at 9, n. 43.

<sup>14</sup> *Original Determination* at 1.

<sup>15</sup> Initial Response at 21.

<sup>16</sup> 19 U.S.C. § 1677(4)(A). In defining the domestic industry, the Commission's general practice has been to

(continued...)

Commission defined the domestic aftermarket brake rotor industry as all producers of aftermarket brake rotors except AlliedSignal Automotive (“AlliedSignal”), which it excluded pursuant to the related parties provision.<sup>17</sup> The Commission found that AlliedSignal had imported aftermarket brake rotors from China during the period of investigation and that this importation dwarfed its domestic production of such brake rotors. The Commission thus determined that AlliedSignal was a related party and that appropriate circumstances existed to exclude AlliedSignal from the domestic industry. The Commission also found that two other domestic producers of aftermarket brake rotors, Kinetic Parts Manufacturing, Inc. (“Kinetic”) and ITT Automotive, Inc. (“ITT”), were related parties because the former had imported subject brake rotors from China during the period of investigation while the latter had \*\*\*. However, the Commission did not find appropriate circumstances to exclude either producer from the domestic industry because both maintained significant domestic production of aftermarket brake rotors and their importation activities did not improve the financial performance of their domestic production relative to that of domestic producers that did not import the subject brake rotors from China.<sup>18</sup>

In this review, the only domestic producers for which the Commission has current data are the members of the Coalition. In its response to the Commission’s request for clarification of its initial response to the notice of institution, the Coalition asserted that none of its members currently is importing the subject merchandise or otherwise is related to an exporter or importer thereof.<sup>19</sup> There is no information in the record that indicates that appropriate circumstances exist to exclude any producer from the domestic industry.<sup>20</sup> We find, therefore, that the domestic industry consists of all domestic producers of aftermarket brake rotors.

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<sup>16</sup> (...continued)

include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States. See United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int’l Trade 1994), aff’d 96 F.3d 1352 (Fed. Cir. 1996).

<sup>17</sup> Original Determination at 9. The related parties provision, 19 U.S.C. § 1677(4)(B), allows for the exclusion of certain domestic producers from the domestic industry for purposes of an injury determination. Applying the provision involves two steps. First, the Commission must determine whether a domestic producer meets the definition of a related party. Second, if a producer is a related party, the Commission may exclude such a producer from the domestic industry if “appropriate circumstances” exist.

<sup>18</sup> Original Determination at 10-11.

<sup>19</sup> May 2, 2002, clarification of initial response of domestic interested parties (“Clarification”) at 2.

<sup>20</sup> The record indicates that domestic producer Universal Automotive Industries, Inc. (“Universal”) purchases brake rotors from China that appear to be subject to the antidumping duty order, but it is not the importer of record. CR at I-14, n. 44, PR at I-11, n. 44. Universal did not respond to the notice of institution and is not included in the data provided in the Commission Report. The successor firms to AlliedSignal and Kinetic also did not respond to the Commission’s notice of institution and the record contains no information concerning these companies that could form the basis for a Commission determination that they are related parties. Moreover, the nature of the operations formerly conducted by AlliedSignal has changed since the original investigation. AlliedSignal merged with Honeywell, Inc./Honeywell International, Inc. (“Honeywell”) in 1999; the new Honeywell now manufactures both OEM and aftermarket brake rotors sold under the Honeywell name, and Honeywell is described by aftermarket brake rotor competitors as one of the “Big Three” domestic brake producers. CR at I-14, PR at I-11.

### III. REVOCATION OF THE ORDER ON BRAKE ROTORS FROM CHINA IS LIKELY TO LEAD TO CONTINUATION OR RECURRENCE OF MATERIAL INJURY WITHIN A REASONABLY FORESEEABLE TIME

#### A. Legal Standard

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping duty order or finding unless it makes a determination that dumping is likely to continue or recur and the Commission makes a determination that material injury would be likely to continue or recur if the order or finding is revoked, as described in section 752(a).

Section 752(a) of the Act states that in a five-year review “the Commission shall determine whether revocation of an order [or finding], or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”<sup>21</sup> The Uruguay Round Agreements Act (“URAA”) Statement of Administrative Action (“SAA”) indicates that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo—the revocation [of the order or finding] . . . and the elimination of its restraining effects on volumes and prices of imports.”<sup>22</sup> Thus, the likelihood standard is prospective in nature.<sup>23</sup> The statute states that “the Commission shall consider that the effects of revocation . . . may not be imminent, but may manifest themselves only over a longer period of time.”<sup>24</sup> According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ time frame applicable in a threat of injury analysis [in antidumping and countervailing duty determinations].”<sup>25</sup>

Although the standard in five-year reviews is not the same as the standard applied in original antidumping or countervailing duty investigations, it contains some of the same elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked.” It directs the Commission to take into account its prior injury determinations, whether any improvement in the state of the industry is related to the order under review, and whether the industry is vulnerable to material injury if the order is revoked.<sup>26 27</sup>

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<sup>21</sup> 19 U.S.C. § 1675a(a).

<sup>22</sup> URAA SAA, H.R. Rep. No. 316, 103d Cong., 2d Sess., vol. I at 883-84 (1994).

<sup>23</sup> While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued prices for the domestic like product in the U.S. market in making its determinations of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

<sup>24</sup> 19 U.S.C. § 1675a(a)(5).

<sup>25</sup> SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

<sup>26</sup> 19 U.S.C. § 1675a(a)(1). The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is

(continued...)

Section 751(c)(3) of the Act and the Commission's regulations provide that in an expedited five-year review the Commission may issue a final determination "based on the facts available, in accordance with section 776."<sup>28</sup> We have relied on the facts available in this review, which consist primarily of the record in the original investigation and information submitted by the Coalition.

For the reasons stated below, we determine that revocation of the antidumping duty order on brake rotors from China would likely lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

## **B. Conditions of Competition**

In evaluating the likely impact of the subject imports on the domestic industry if the order is revoked, the statute directs the Commission to evaluate all relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."<sup>29</sup> Conditions of competition relevant to the aftermarket brake rotor industry are discussed below.

In the original investigation, the Commission found that U.S. demand for aftermarket brake rotors had increased during the period of investigation and was likely to continue increasing due to the growing number of vehicles on the road, the greater proportion of new cars with disc brakes on all four wheels, and the decreased life span of OEM rotors. It also found that apparent U.S. consumption of aftermarket brake rotors, when measured by quantity, had increased 40.6 percent from 1993 to 1995, while apparent consumption measured by value had increased 25.3 percent during this same period.<sup>30</sup>

Based on the facts available, Commission staff estimate that apparent U.S. consumption of aftermarket brake rotors increased \*\*\* percent between 1995 and 2001.<sup>31</sup> The Coalition agrees that apparent U.S. consumption has increased since the time of the original investigation. It has supplied market research data showing that U.S. demand for aftermarket brake rotors should continue to increase annually through 2005.<sup>32</sup>

The composition of the domestic industry has changed and become more consolidated since the original investigation. In 1995, there were eight domestic producers of finished aftermarket brake rotors:

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<sup>26</sup> (...continued)

necessarily dispositive. SAA at 886.

<sup>27</sup> Section 752(a)(1)(D) of the Act directs the Commission to take into account in five-year reviews involving antidumping proceedings "the findings of the administrative authority regarding duty absorption." 19 U.S.C. § 1675a(a)(1)(D). Commerce made no duty absorption findings in its five-year review determination. 67 Fed. Reg. 45458 (July 9, 2002).

<sup>28</sup> 19 U.S.C. § 1675(c)(3)(B); 19 C.F.R. § 207.62(e). Section 776 of the Act, in turn, authorizes the Commission to "use the facts otherwise available" in reaching a determination when: (1) necessary information is not available on the record or (2) an interested party or any other person withholds information requested by the agency, fails to provide such information in the time or in the form or manner requested, significantly impedes a proceeding, or provides information that cannot be verified pursuant to section 782(i) of the Act. 19 U.S.C. § 1677e(a).

<sup>29</sup> 19 U.S.C. § 1675a(a)(4).

<sup>30</sup> Original Determination at 11-12.

<sup>31</sup> CR at I-27, PR at I-20, CR/PR at Table I-4. This estimate is based on an assumption that current Coalition members accounted for the same proportion of domestic production in 2001 that they did in 1995. CR/PR at Table I-4, n. 1.

<sup>32</sup> CR at I-27, PR at I-20; Initial Response at 11, Exhibit E. The market research data the Coalition has submitted consolidate data for aftermarket brake rotors and drums.

AlliedSignal, Brake Parts, Inc. (“Brake Parts”), Excel, Iroquois Tool Systems, Inc. (“Iroquois”), ITT, Kinetic, Overseas Auto Parts, Inc. (“Overseas”), and Wagner Brake Corp./Moog (“Wagner”). Currently there are known to be five: Dana (the successor to Brake Parts and Iroquois), Federal Mogul (the successor to Wagner), Honeywell (the successor to AlliedSignal), TRW Aftermarket/TRW Automotive/TRW Group (the successor to Kinetic), and Universal (which appears to be a relatively recent entrant to the industry).<sup>33</sup> As previously stated, the only producers from which the Commission has received data in this five-year review are Coalition members Dana and Federal Mogul, as well as Waupaca, a Coalition member that produces unfinished rotors.

In the original investigation, the Commission found that the subject brake rotors competed with domestically produced brake rotors on the basis of price, and price was critical in many purchasing decisions.<sup>34</sup> Price competition within the U.S. market for aftermarket brake rotors has remained intense since the original investigation.<sup>35</sup> Furthermore, the Commission noted in the original investigation that all domestic producers and importers who responded to Commission questionnaires indicated that the subject imports and the domestic like product were interchangeable, and that a substantial percentage of importers and purchasers perceived them to be of comparable quality.<sup>36</sup> Information in the record of the original investigation indicated that the subject brake rotors and domestically produced brake rotors are used in the same or similar motor vehicles.<sup>37</sup> Available information indicates that this is still true.<sup>38</sup>

Based on the record evidence, we find that these conditions of competition in the U.S. market for aftermarket brake rotors are not likely to change significantly in the reasonably foreseeable future. Accordingly, we find that the foregoing conditions of competition provide the basis upon which we assess the likely effects of revocation within a reasonably foreseeable time.

### C. Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if the order under review is revoked, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.<sup>39</sup> In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.<sup>40</sup>

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<sup>33</sup> CR at I-12-14, PR at I-10-I-11. Excel ceased production in early 1996. CR at I-13, n. 40, PR at I-10, n. 40. There is no record information regarding the current status of Overseas, and the current status of ITT is unclear. CR/PR at Table I-1 and accompanying note.

<sup>34</sup> Original Determination at 16-17.

<sup>35</sup> CR at I-12, PR at I-9.

<sup>36</sup> Original Determination at 17; CR at I-8-I-9, PR at I-7-I-8.

<sup>37</sup> CR at I-8, PR at I-7.

<sup>38</sup> Initial Response at Exhibit E.

<sup>39</sup> 19 U.S.C. § 1675a(a)(2).

<sup>40</sup> 19 U.S.C. § 1675a(a)(2)(A-D).

The record in this expedited review contains no data on the current volume of subject imports and only limited data on the market share of the domestic industry since the original investigation.<sup>41</sup> Therefore, our conclusions with respect to the likely effects that revocation of the antidumping duty order will have on subject import volumes must be based on the facts available,<sup>42</sup> which we derive largely from the record in the original investigation and the information submitted by the Coalition in this review. As noted above, no respondent interested parties responded to the Commission's notice of institution.

In the original investigation, the Commission found that the volume of subject brake rotor imports, as measured by quantity and by value, increased by 221.5 percent and 237.5 percent, respectively, from 1993 to 1995. It also found that subject import market penetration, measured by quantity, increased from 8.0 percent in 1993 to 18.3 percent in 1995, even as the domestic producers' market share, measured by quantity, declined from 40.5 percent in 1993 to 35.0 percent in 1995.<sup>43</sup> The Chinese aftermarket brake rotor industry's production and production capacity approximately doubled during the same period, and its capacity utilization declined from 93.0 percent in 1993 to 85.4 percent in 1995. Its export shipments increased during each year of the period investigated, both in absolute terms and as a percentage of total shipments, and the United States was the Chinese industry's primary export market.<sup>44</sup> Finally, the Commission Report in the original investigation identified the Chinese aftermarket brake rotor industry as one of China's fastest-growing industries, with expansion expected to continue through the next decade.<sup>45</sup>

Current data on the volume of aftermarket brake rotors imported from China indicate that total imports have nearly tripled since 1995, increasing from 6.4 million units in 1995 to 18.9 million units in 2001, but these totals, as previously noted, include imports from both producers that are subject to the antidumping duty order and producers that are not subject to the order.<sup>46</sup> The combined market share of current Coalition members Dana and Federal Mogul, which accounted for \*\*\* percent of total U.S. production in 1995, and which are believed to account for a comparable share of U.S. production in 2001,<sup>47</sup> fell from \*\*\* percent in 1995 to \*\*\* percent in 2001.<sup>48</sup> The market share for brake rotors imported from China, including both subject and non-subject imports, increased from \*\*\* percent in 1995 to \*\*\* percent in 2001.<sup>49</sup> In contrast, the market share of imports of brake rotors from sources other than China declined from \*\*\* percent in 1995 to \*\*\* percent in 2001.<sup>50</sup> The imposition of the antidumping duty order in April 1997 therefore does not appear to have appreciably slowed the increase

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<sup>41</sup> In this review, the available volume data on U.S. imports from China are based on official Commerce statistics for basket HTS statistical reporting number 8708.39.5010 (OEM and aftermarket brake drums and rotors (discs) of vehicles). The great majority of U.S. imports from China under this provision are believed to be aftermarket brake rotors, but there is no clean breakout by product. The available import volume figures include both manufacturers/exporters of aftermarket brake rotors that are subject to the antidumping duty order and manufacturers/exporters that are not subject to the order. CR at I-23, PR at I-15, CR/PR at Figure I-1.

<sup>42</sup> See 19 U.S.C. § 1677e(a).

<sup>43</sup> Original Determination at 16.

<sup>44</sup> CR at I-31, PR at I-23, CR/PR at Table I-5.

<sup>45</sup> CR at I-29, PR at I-22.

<sup>46</sup> CR at I-20-I-23, PR at I-14-I-15, CR/PR at Figure I-1, CR/PR at Table I-2.

<sup>47</sup> See CR at I-2, n. 2, PR at I-3, n. 2, CR/PR at Table I-1 and accompanying note.

<sup>48</sup> CR/PR at Table I-4.

<sup>49</sup> CR/PR at Table I-4.

<sup>50</sup> CR/PR at Table I-2.



in overall imports from China, although data are not available indicating to what extent the increase is attributable to products that are not subject to the antidumping duty order.<sup>51</sup>

The record in this expedited review contains no current data on the Chinese industry's production, production capacity, or capacity utilization, but U.S. Customs data indicate that the number of Chinese companies manufacturing brake rotors increased from \*\*\* in 1999 to \*\*\* in 2001,<sup>52</sup> and the Coalition estimates that Chinese capacity utilization now has declined to 75 percent.<sup>53</sup> Furthermore, the Chinese State Economic and Trade Commission recently published its "Tenth Five-Year Plan (2001-2005) for the Development of the Automotive Industry," setting forth strategies for developing the Chinese automotive industry, one of which is to increase exports of automotive products.<sup>54</sup> The record in this expedited review contains no current data on the Chinese industry's export shipments to the United States, but the Coalition's response to the Commission's notice of institution identified 29 Chinese companies that have produced subject brake rotors that were sold in the United States.<sup>55</sup> Moreover, data from the original investigation indicated that the Chinese industry was export-oriented, with the United States its major market. Nothing on the record of this review indicates that this has changed.

In light of the increase in the volume and market shares of subject brake rotors during the original investigation, the on-going expansion of the Chinese aftermarket brake rotor industry, and the export orientation of that industry, we conclude that the likely volume of imports of the subject merchandise would be significant absent the restraining effect of the antidumping duty order.<sup>56</sup>

#### **D. Likely Price Effects of Subject Imports**

In evaluating the likely price effects of subject imports if the antidumping duty order is revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to domestic like products and if the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.<sup>57</sup>

The record in this expedited review contains very little information comparing current prices of the domestic like product and the subject imports in the U.S. market. Consequently, our conclusions again must be based primarily on the facts available as derived from the record in the original investigation and the information submitted by the Coalition.

As previously noted, the Commission found in the original investigation that the subject brake rotors and domestically produced brake rotors competed on the basis of price. It collected pricing data

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<sup>51</sup> CR at I-20, PR at I-15.

<sup>52</sup> CR at I-32, PR at I-23.

<sup>53</sup> Initial Response at 7.

<sup>54</sup> CR at I-29, PR at I-22; Initial Response at Exhibit A.

<sup>55</sup> CR at I-31-I-32, PR at I-23; Initial Response at 14-16.

<sup>56</sup> Commissioner Bragg infers that, upon revocation, subject producers would increase their focus on exporting to the United States, as evidenced in the Commission's original determination. Based upon the limited record in this review, Commissioner Bragg finds that this increased focus will likely result in significant volumes of subject imports into the United States if the order is revoked.

<sup>57</sup> 19 U.S.C. § 1675a(a)(3). The SAA states that "[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices." SAA at 886.

on two domestically produced aftermarket rotor products and determined that U.S. producers' prices for both products had declined over the period of investigation, while prices for the subject Chinese products had fluctuated irregularly over the same period. However, the subject imports undersold the domestic products by margins exceeding 20 percent in nearly every quarterly pricing comparison during the period examined.<sup>58</sup>

In its initial response to the Commission's notice of institution, the Coalition asserts that aftermarket brake rotors from China have continued to undersell domestically produced brake rotors by 55 percent to 65 percent at warehouse distributor prices, even with the antidumping duty order in place.<sup>59</sup> Market research data indicate that the industry average price for brake rotors in the United States currently is declining.<sup>60</sup> The average unit value for U.S. commercial shipments of domestically produced brake rotors was \$\*\*\* in 1995, according to Commission questionnaire data. The comparable figure for 2000 was \$11.98, according to market research data.<sup>61</sup> The average unit value of U.S. imports of aftermarket brake rotors from China (including both LTFV and non-LTFV sales) also has declined since the original investigation, falling from \$7.43 in 1995 to \$6.38 in 2001.<sup>62</sup>

Given the price sensitivity of the U.S. market for aftermarket brake rotors, it is likely that subject Chinese exporters would offer even lower prices to U.S. purchasers in order to increase market share if the antidumping duty order were revoked. Consequently, prices for domestically produced aftermarket brake rotors in the United States likely would decline to a significant degree due to the effects of increased volumes of highly substitutable subject aftermarket brake rotors offered at lower prices.

Accordingly, we find that revocation of the antidumping duty order would be likely to result in significant price effects, including significant underselling by the subject imports of the domestic like product, as well as significant price depression or suppression in the reasonably foreseeable future.<sup>63</sup>

#### **E. Likely Impact of Subject Imports**

In evaluating the likely impact of imports of subject merchandise if the order is revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry,

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<sup>58</sup> Original Determination at 16-17.

<sup>59</sup> CR at I-24, PR at I-15; Initial Response at 8.

<sup>60</sup> Initial Response at Exhibit E.

<sup>61</sup> CR at I-19, PR at I-14, CR/PR at Table I-1; Initial Response at 8-9, Exhibit E, Exhibit G. Data on the average unit value for U.S. commercial shipments of domestically produced rotors in 2001 are not available.

<sup>62</sup> CR at I-23-I-24, PR at I-15, CR/PR at Table I-2. The average unit value of brake rotor imports from Canada and other countries in 2001 was significantly \*\*\* than the values of the imports from China in 2001 and domestically produced brake rotors in 2000, with imports from Canada having a value of \$\*\*\* per unit and imports from other countries having a value of \$\*\*\* per unit. CR at I-24, PR at I-15, CR/PR at Table I-2.

<sup>63</sup> Commissioner Bragg infers that, in the event of revocation, subject producers will revert to aggressive pricing practices in connection with exports of subject merchandise to the United States, as evidenced in the Commission's original determination.

including efforts to develop a derivative or more advanced version of the domestic like product.<sup>64</sup> All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.<sup>65</sup> As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the antidumping duty order at issue and whether the industry is vulnerable to material injury if the order is revoked.<sup>66</sup>

The record in this expedited review contains limited current information concerning the condition of the domestic industry. Therefore, our conclusions again are based primarily on the record in the original investigation and the information submitted by the Coalition.

In the original investigation, the Commission found that the domestic industry's production and shipments increased over the period of investigation, but these increases were not commensurate with the growth in the U.S. market for aftermarket brake rotors. The Commission found that LTFV subject imports captured U.S. market share at the expense of the domestic industry and prevented the domestic industry from attaining the full benefit of newly added capacity intended to supply the growing U.S. demand. The Commission also found that the price-depressing and -suppressing effects of surging LTFV subject imports caused the domestic industry's profit margins and operating income to decline sharply during the period investigated, despite increases in the industry's sales revenues. By 1995, most industry participants had incurred operating losses and several had to sell or severely reduce the scope of their aftermarket brake rotor production because of import competition.<sup>67</sup>

Although the record in this expedited review does not contain current production data for the entire domestic industry, we are able to estimate the change in production that occurred since 1995 for domestic producers Dana and Federal Mogul, which accounted for \*\*\* percent of total U.S. production in 1995 and are believed to account for a comparable share of total U.S. production in 2001. Domestic aftermarket brake rotor production by these companies increased \*\*\* percent from 1993 to 1995 (as compared to a 17.1 percent increase for the entire domestic industry during this same period), but has decreased by \*\*\* percent from 1995 to 2001 even as U.S. demand has grown by \*\*\* percent during the same period.<sup>68</sup>

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<sup>64</sup> 19 U.S.C. § 1675a(a)(4).

<sup>65</sup> *Id.* Section 752(a) of the Act states that “the Commission may consider the magnitude of the margin of dumping” in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the “magnitude of the margin of dumping” to be used by the Commission in five-year reviews as “the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title.” 19 U.S.C. § 1677(35)(C)(iv). *See also* SAA at 887.

In the final results of its expedited sunset review of the antidumping order on brake rotors from China, Commerce determined that revocation of the order would likely lead to a continuation or recurrence of dumping by ten named exporter/producers at weighted-average margins ranging from 3.56 percent *ad valorem* to 16.07 percent *ad valorem*, with an all others rate of 43.32 percent *ad valorem*. Three named exporter/producers are not subject to the antidumping order and Commerce consequently did not assign them likely margins. 67 Fed. Reg. 45458, 45460 (July 9, 2002).

<sup>66</sup> The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, 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 may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” SAA at 885.

<sup>67</sup> *Original Determination* at 18.

<sup>68</sup> CR/PR at Table I-4. It is not possible to make a similar calculation of domestic shipments. CR at I-17, PR at (continued...)

In its response to the Commission's notice of institution, the Coalition provided anecdotal information suggesting that the domestic industry currently is experiencing some difficulties. The Coalition asserted that revocation of the antidumping duty order will cost the domestic industry millions of dollars in lost sales and profits and result in the closing of U.S. manufacturing facilities and an overall decline in U.S. production. It also predicted that investors will avoid the U.S. aftermarket brake rotor industry if the order is revoked, limiting the industry's efforts to improve production and product quality and its ability to conduct research and development activities. Finally, the Coalition claimed that employment in the domestic industry has declined or remained flat over the past several years and that both employment and hourly wages will continue to decrease if the order is revoked.<sup>69</sup>

Based on the limited data in the record of this expedited review, we cannot conclude that the domestic industry is vulnerable to material injury if the antidumping duty order is revoked.<sup>70</sup> However, it does appear from the record that underselling of the subject imports has continued concurrent with an increase in the volume of the subject imports, even with the discipline of an antidumping duty order in place. It therefore seems reasonable for us to conclude that these conditions will only worsen if the order is revoked.

In light of the foregoing, we find that revocation of the antidumping duty order would likely lead to significant increases in the volume of subject imports at prices that would undersell the domestic like product and significantly depress or suppress U.S. prices. We further find that the volume and price effects of the subject imports would have a significant negative impact on the domestic industry and would likely cause the domestic industry to lose market share. In addition, the price and volume declines would likely have a significant adverse impact on the production, shipments, sales, and revenue levels of the domestic industry. The reductions in the industry's production, sales, and revenue levels would have a direct adverse impact on the industry's profitability, as well as its ability to raise capital and make and maintain necessary capital investments. Finally, we find it likely that revocation of the order will result in commensurate employment declines for the industry.

For all of the above reasons, we conclude that revocation of the antidumping duty order on brake rotors from China likely would have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

## CONCLUSION

For the foregoing reasons, we determine that revocation of the antidumping duty order on brake rotors from China would be likely to lead to continuation or recurrence of material injury to the U.S. aftermarket brake rotor industry within a reasonably foreseeable time.

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<sup>68</sup> (...continued)

I-12.

<sup>69</sup> Initial Response at 10-12.

<sup>70</sup> Based on the available information, Commissioner Bragg finds that the domestic industry is vulnerable to material injury. In particular, Commissioner Bragg notes the continuing increase in volume and market share of lower-priced imports and the stagnant performance of the domestic industry in the context of a substantial increase in demand since the original investigation.

**INFORMATION OBTAINED IN THE REVIEW**



## INTRODUCTION

On March 1, 2002, the Commission gave notice that it had instituted a review to determine whether revocation of the antidumping duty order on brake rotors from China would be likely to lead to a continuation or recurrence of material injury within a reasonably foreseeable time.<sup>1</sup> On June 4, 2002, the Commission determined that the domestic interested party response to its notice of institution was adequate;<sup>2</sup> the Commission also determined that the respondent interested party response was inadequate. The Commission found no other circumstances that would warrant conducting a full review. Accordingly, the Commission determined that it would conduct an expedited review pursuant to section 751(c)(3) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)(3)).<sup>3</sup> The Commission voted on this review on July 17, 2002, and notified Commerce of its determination on July 29, 2002.

### The Original Investigation

The Commission completed the original investigation<sup>4</sup> in April 1997, determining that an industry in the United States was materially injured by reason of imports of brake rotors from China that Commerce determined to be sold at less than fair value.<sup>5 6</sup> The Commission defined the like product as aftermarket brake rotors.<sup>7 8 9</sup> It also found the relevant domestic industry to consist of producers of that

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<sup>1</sup> 67 FR 9462, March 1, 2002. All interested parties were requested to respond to this notice by submitting the information requested by the Commission.

<sup>2</sup> The Commission received one submission in response to its notice of institution for the subject review. It was filed on behalf of the Coalition. The Coalition is an unincorporated association of domestic producers of subject rotors. Its current members are Dana, Federal Mogul, and Waupaca. The members of the Coalition are together believed to represent from \*\*\* to \*\*\* percent of total U.S. production of aftermarket brake rotors in 2001. This range was calculated as the quantity of reported aggregate production (\*\* pieces) divided by the range of total domestic production estimated by the members of the Coalition (from \*\*\* pieces to \*\*\* pieces). *Memorandum INV-Z-075*, May 28, 2002. Based on a comparison with U.S. industry data collected in the original investigation, the actual coverage figure is believed to be toward the upper end of the coverage range estimated by the Coalition members.

<sup>3</sup> 67 FR 40964, June 14, 2002. The Commission's notice of its expedited review appears in appendix A. See the Commission's web site (<http://www.usitc.gov>) for Commissioner votes on whether to conduct an expedited or full review. The Commission's statement on adequacy is presented in appendix B.

<sup>4</sup> The investigation resulted from a petition filed in March 1996 by the Coalition that is participating in the current review. The membership of the Coalition filing the original petition consisted of the following four firms: Brake Parts, Kinetic, Iroquois, and Wagner. Changes in the membership of the Coalition since the original investigation are described herein at pages I-10 - I-11.

<sup>5</sup> The Commission's original investigation concerned both brake drums and rotors from China, however, the Commission found no material injury or threat thereof by reason of dumped imports of certain brake drums from China. *Certain Brake Drums and Rotors from China*, Publication No. 3035 (April 1997), p. 1.

<sup>6</sup> The Commission made a negative critical circumstances determination in the original investigation with respect to subject rotors. *Id.*, p. 1.

<sup>7</sup> The Commission noted in its views for the original investigation (final phase) that the brake rotors within the scope of investigation do not contain in the casting a logo of an OEM which produces vehicles sold in the United States; these brake rotors are not certified by such OEM producers. The Commission referred in its views to brake rotors meeting the specifications of the scope definition as to weight, dimension, and lack of OEM certification as

(continued...)

like product.<sup>10</sup> The Coalition did not address the issue of like product in its response to the Commission's notice of institution. After receipt of the Commission's determination, Commerce issued an antidumping duty order on imports of brake rotors from China.<sup>11</sup>

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<sup>7</sup> (...continued)  
"aftermarket rotors." *Id.*, p. 4.

<sup>8</sup> The Commission stated in its views for the original investigation (final phase) that "{t}wo principal domestic like product issues exist in this investigation phase: (1) whether brake rotors and drums are distinct domestic like products; and (2) whether the domestic like product(s) should be limited, as is the scope, to non-OEM products, or should encompass OEM products as well." *Id.*, p. 4.

The Commission determined that the record in the final phase of the original investigation concerning the distinctions between rotors and drums was the same as that in the preliminary phase, namely, that "rotors and drums do not operate in the same manner, are physically different, are not interchangeable, and are perceived differently by producers," and, accordingly, found brake rotors and drake drums to be separate domestic like products." *Id.*, p. 4.

The Commission also determined that OEM rotors (and drums) and aftermarket rotors (and drums) are "different products made by different manufacturers serving different markets, notwithstanding their physical similarities." Further, "{a}lthough the physical distinctions between OEM {rotors} and their aftermarket counterparts are minimal, and all brake {rotors} are devoted to essentially the same end use, any overlap that exists between the OEM and aftermarket products at issue is quite small in other respects pertinent to domestic like product analysis. Aftermarket and OEM {rotors} are not interchangeable for use on original equipment or for warranty work and appear to compete only minimally for use in nonwarranty work. Channels of distribution are overwhelmingly distinct. Production processes and facilities are, except in isolated exceptions, different. The evidence indicates that producers and their immediate customers perceive distinctions between OEM and aftermarket products." *Id.*, pp. 8-9.

Finally, the Commission included unfinished and semifinished rotors in the same like product as the finished product. *Id.*, p. 9, fn. 43.

<sup>9</sup> For the remainder of this report, the term "brake rotors" will be used to refer to "certain brake rotors," "aftermarket rotors," and "aftermarket brake rotors" unless otherwise specified.

<sup>10</sup> The Commission determined, however, to exclude one domestic producer (AlliedSignal) from the domestic aftermarket rotor industry on the grounds that it met the definition of a related party in that it imported subject rotors from China during the period of investigation and that its primary interest was in importation. One other firm (Kinetic) also imported subject rotors from China and another firm (ITT Automotive) was also a related party because it \*\*\*. The Commission did not exclude either ITT Automotive or Kinetic from the aftermarket rotor industry, however, since "importation is a common practice in the domestic aftermarket rotor industry, and each firm also maintains a significant domestic production presence." The Commission also indicated that, "{m}oreover, ITT {Automotive} and Kinetic's importation activities did not cause their financial performance on their domestic production to benefit *vis a vis* the domestic rotor producers that did not import subject rotors from China." *Id.*, pp. 9-11.

<sup>11</sup> 62 FR 18740, April 17, 1997. This order required the posting of a cash deposit equal to the estimated weighted-average antidumping duty margins, which were 3.56 percent for manufacturer/exporter Yantai, 8.51 percent for eight manufacturer/exporters, and 16.07 percent for manufacturer/exporter Southwest. The China-wide rate was 43.32 percent and three exporter/producer combinations were excluded from the order since they received zero or *de minimis* rates in the antidumping duty investigation.

Since the imposition of the antidumping order Commerce has completed two administrative reviews and several new shipper reviews. The first new shipper review resulted in establishment of zero margins for six producer/exporters. 64 FR 9972 (March 1, 1999). This was followed by the first administrative review, covering  
(continued...)



## Commerce's Final Results of Expedited Sunset Review

Commerce conducted an expedited review with respect to brake rotors from China and issued the final results of this review based on the facts available on July 1, 2002. Its determination is presented in appendix A.

### THE PRODUCT

#### Scope

Commerce's web site provides the following definition of the subject product (brake rotors):

The products covered by this order are brake rotors made of gray cast iron, whether finished, semifinished, or unfinished, ranging in diameter from 8 to 16 inches (20.32 to 40.64 centimeters) and in weight from 8 to 45 pounds (3.63 to 20.41 kilograms). The size parameters (weight and dimension) of the brake rotors limit their use to the following types of motor vehicles: automobiles, all-terrain vehicles, vans and recreational vehicles under "one ton and a half," and light trucks designated as "one ton and a half." Finished brake rotors are those that are ready for sale and installation without any further operations. Semi-finished rotors are those on which the surface is not entirely smooth, and have undergone some drilling. Unfinished rotors are those which have undergone some grinding or turning. These brake rotors are for motor vehicles, and do not contain in the casting a logo of an OEM which produces vehicles sold in the United States (e.g., General Motors, Ford, Chrysler, Honda, Toyota, Volvo). Brake rotors covered in the order are not certified by OEM producers of vehicles sold in the United States. The scope also includes composite brake rotors that are made of gray cast iron, which contain a steel plate, but otherwise meet the above criteria. Excluded

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<sup>11</sup> (...continued)

the period from October 10, 1996 through March 31, 1998. This resulted in zero margins for Yantai and five of the eight producer/exporters that received 8.51 percent margins in the original order. 64 FR 61581 (November 12, 1999).

Commerce issued the final results of the second administrative review and the third new shipper review jointly. (The second new shipper review was rescinded. 64 FR 61581 (November 12, 1999)). The second administrative review, which covered the period April 1, 1998 through March 31, 1999, resulted in a 0.69 percent margin for Qingdao Gren, one of the exporters covered by the first new shipper review. Commerce found zero or *de minimis* margins for Yantai, two of the five firms that were assigned firm-specific margins in the original order but received zero margins in the first administrative review, and three additional firms covered by the first new shipper review. The third new shipper review resulted in zero margins for two exporters. 65 FR 64664 (October 30, 2000).

The fourth new shipper review resulted in a zero margin for one exporter. 66 FR 27093 (May 16, 2001). The fifth new shipper review resulted in zero margins for two exporters. 66 FR 44331 (August 23, 2001).

Commerce rescinded its third administrative review. 66 FR 27063 (May 16, 2001). It has published preliminary results for its fourth administrative review, covering the period April 1, 2000 through March 31, 2001. These preliminary results are *de minimis* margin for Qingdao Gren. 67 FR 557 (January 4, 2002).

See also Commerce's web site (<http://web.ita.doc.gov/ia/SunCase.nsf>) at *Case Information*.

from the scope of the order are brake rotors made of gray cast iron, whether finished, semifinished, or unfinished, with a diameter less than 8 inches or greater than 16 inches (less than 20.32 centimeters or greater than 40.64 centimeters) and a weight less than 8 pounds or greater than 45 pounds (less than 3.63 kilograms or greater than 20.41 kilograms).

Brake rotors are imported under HTS statistical reporting number 8708.39.5010<sup>12</sup> and enter under a column 1-general rate of 2.5 percent ad valorem. The HTS provision is provided for convenience and for Customs purposes, but Commerce's written description of the merchandise is dispositive as to the scope of the product coverage.<sup>13</sup>

### **Description and Uses<sup>14</sup>**

Brake rotors are part of disc brake assemblies, commonly used on front-wheel-drive vehicles, where braking action is created by two brake pads squeezing a rotor. The rotor is a circular rotational component attached to the wheel hub. A hydraulic caliper and disc brake pads are mounted on an adapter that straddles the rotor. When the brake pedal is applied, hydraulic pressure at the wheel cylinder increases, which allows the hydraulic caliper to force the braking pads against the rotating disc in a clamping action to slow or stop the vehicle.<sup>15</sup> Brake rotors are generally produced from gray iron,<sup>16</sup> which has high wear resistance, excellent machinability, a relatively high coefficient of friction, and vibration absorption. This metal is also easily cast into rather complex shapes at a relatively low cost.<sup>17</sup> Specific rotors have individual design and functional characteristics that limit their use to specific models of motor vehicles.<sup>18</sup>

A different motor vehicle braking system uses brake drums where the braking action is created by a brake shoe being forced outward against the inside of a rotating drum. Brake drums are found primarily on the rear wheels of motor vehicles while brake rotors are usually used on the front wheel. Because the braking unit of rotors is not enclosed, disc brakes are generally more efficient in transferring

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<sup>12</sup> Aftermarket brake rotors are imported into the United States under an HTS classification that is a "basket" category that not only includes the subject merchandise but also covers nonsubject merchandise such as aftermarket brake drums, OEM brake drums and rotors, product not of gray cast iron (e.g., aluminum), production which does not meet the specified size parameters (or that used for larger-sized vehicles), and aftermarket brake rotors produced by Chinese firms excluded by Commerce in its final determination.

<sup>13</sup> See Commerce's web site (<http://web.ita.doc.gov/ia/SunCase.nsf>) at *Case Information*.

<sup>14</sup> All of the discussion in this section is from the original investigation, unless otherwise noted. *Staff Report of March 18, 1997*, pp. I-4 - I-9.

<sup>15</sup> William K. Toboldt, Larry Johnson, and Steven W. Olive, "Automotive Brakes," ch. in *Automotive Encyclopedia: Fundamental Principles, Operation, Construction, Service, Repair* (South Holland, IL: The Goodheart-Willcox Company, Inc., 1989), pp. 638-639 and 642, as cited in the *Staff Report of March 18, 1997*.

<sup>16</sup> Brake rotors can be and have also been manufactured from aluminum. The advantage of an aluminum brake rotor lies in its light weight.

<sup>17</sup> Charles F. Walton and Timothy J. Opar, eds., "Economic Considerations and Procurement," ch. in *Iron Castings Handbook* (Iron Castings Society, Inc., 1981), p. 57, and *Automotive Encyclopedia*, pp. 636-637, as cited in the *Staff Report of March 18, 1997*.

<sup>18</sup> Conference TR, p. 76, as cited in the *Staff Report of March 18, 1997*.

the heat resulting from braking action.<sup>19</sup> This fact is particularly important for front-wheel-drive vehicles where the greater portion of vehicle weight and braking pressure is applied to the front wheel brake assemblies. The increased number of front-wheel-drive motor vehicles on the roads in the United States has contributed to greater demand for rotors, as has a design shift to a disc braking system using four, rather than two, rotors.<sup>20</sup>

As indicated earlier, the only brake rotors that are subject to the antidumping order are those for the aftermarket, i.e., that do not contain in the casting a logo of an OEM which produces vehicles sold in the United States. Aftermarket brake rotors usually appear as replacements within 2 years after the introduction of new motor vehicle platforms and the corresponding change in brake rotor models. During that interval, aftermarket producers reverse-engineer the new brake rotor models and complete the retooling necessary for production. As a result, the availability of aftermarket products generally coincides with the initial demand for replacement parts for the originally installed OEM brake rotors.<sup>21</sup>

### **Interchangeability of Domestic and Chinese-Produced Brake Rotors<sup>22</sup>**

The petitioner and respondents in the original investigation testified at the Commission's conference that they considered the subject imported and domestic aftermarket brake rotors to be interchangeable in that both met fit and function criteria for use as parts in the U.S. replacement market.<sup>23</sup> There are no existing product standards or certification requirements that differentiate the subject imported aftermarket brake rotors from domestic products.<sup>24</sup> Both Chinese and U.S.-produced brake rotors are used for the same or similar motor vehicles.<sup>25</sup> In addition, each domestic producer and importer that provided a response to Commission questionnaires issued in the original investigation indicated that brake rotors imported from China and those produced in the United States could be used interchangeably.

There were, however, some reported differences in quality between domestically produced brake rotors and those imported from China at the time of the original investigation. Importers generally cited the perceived lower quality of the subject Chinese products in their questionnaire responses. One firm, for example, stated that "consumer perception plays an important role in pricing. The perception that Chinese product is lower quality will continue to keep the price lower than U.S. made {rotors}." In response to questions comparing U.S. and Chinese products in several competitive factors, purchasers generally cited U.S. aftermarket brake rotors as superior to Chinese products in terms of product

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<sup>19</sup> Rotors often are made with ventilating fins between the two rotor surfaces to improve rotor cooling.

<sup>20</sup> Hearing TR, p. 131, as cited in the *Staff Report of March 18, 1997*.

<sup>21</sup> Conference TR, pp. 68-75, as cited in the *Staff Report of March 18, 1997*. The same process is true for brake drums.

<sup>22</sup> All of the discussion in this section is from the original investigation, unless otherwise noted. *Staff Report of March 18, 1997*, pp. I-13 - I-14, and II-9.

<sup>23</sup> Conference TR, pp. 36 and 108, as cited in the *Staff Report of March 18, 1997*.

<sup>24</sup> According to a recent Frost & Sullivan market report "{t}he only type of standard which rotors display on packages are the listings of the thickness at which the rotor should be discarded. Most leading manufacturers do test rotors for tensile strength, hardness, and chemical standards, but cannot effectively advertise that fact." *Market Engineering Research for the Drum and Rotor Aftermarket 1995-2005*, Frost & Sullivan (1999), p. 6-11, attached as exhibit E to the *Response of the Coalition*.

<sup>25</sup> Petition, p. 34, as cited in the *Staff Report of March 18, 1997*.

consistency, quality, and range; technical support/service; packaging; and tolerance variance. In most other categories (other than price), U.S. and Chinese products were considered comparable.

The petitioner indicated during the original investigation that the quality of the subject imported brake rotors was good and had improved during recent years. In addition, the petitioner stated that U.S. end users (i.e., the motor vehicle owners) generally were not aware that the Chinese product was being installed or purchased by repair facilities.<sup>26</sup> Respondents in the original investigation generally agreed that the quality of the subject Chinese products was acceptable, with recent improvements in quality, although still not meeting the perceived high quality of U.S. products in the aftermarket.<sup>27 28</sup>

### **Marketing and Pricing Considerations<sup>29</sup>**

The aftermarket for brake rotors is characterized by several layers of distribution between the producer and the final consumer. The system had traditionally been dominated by two main distribution channels, namely (1) professional service outlets consisting of warehouse distributors, jobbers, and service stations/independent garages and (2) retail outlets. Aftermarket parts sold through warehouse distributors were first supplied to jobbers who then wholesaled the parts to service stations and garages that installed the subject brake drums and rotors. Retail outlets such as automotive supply chains sold brake rotors for installation by the consumer.<sup>30</sup> The distinctions between the channels, however, had diminished by the time of the original investigation. Further, as stated in the most recent 10-K form of a U.S. producer (Universal), “{w}e believe that in recent years there has been an industry shift away from the traditional channels of distribution toward alternative distribution channels, including manufacturers who sell parts to mass market retailers who serve do-it-yourself customers, and manufacturers who sell parts to warehouse distributors, who sell directly to installers that provide repair and installation services.”<sup>31</sup> Inventories are held throughout the distribution chain, with frequent deliveries required.

Many warehouse distributors and jobbers have banded together under a common promotional banner called PDGs. PDGs receive price proposals from producers and importers and then certify manufacturers as approved vendors based on price criteria, at which point member companies can make individual arrangements to purchase from any of the approved vendors at the group price. Buying groups serve a similar function for independent retail outlets that purchase large quantities at discount prices.

U.S. firms manufacturing brake rotors for the aftermarket generally sell to warehouse distributors, retail brake service outlets, and large automotive supply chains. The subject imported products were reported during the original investigation to enter the U.S. market at the warehouse distributor level, where U.S. manufacturers and importing “agents” competed for sales among PDGs and

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<sup>26</sup> Conference TR, pp. 37 and 45-46, as cited in the *Staff Report of March 18, 1997*.

<sup>27</sup> Conference TR, p. 143, as cited in the *Staff Report of March 18, 1997*.

<sup>28</sup> In its final determination in the original investigation the Commission found that “a substantial proportion of market participants found the subject imports to be comparable \*\*\* in non-price factors. *Certain Brake Drums and Rotors from China*, p. 17.

<sup>29</sup> All of the discussion in this section is from the original investigation, unless otherwise noted. *Staff Report of March 18, 1997*, pp. I-10 - I-12, II-1, and V-1 - V-4.

<sup>30</sup> The ultimate customer is usually unaware of the origin of the brake rotor when it is installed at a retail brake outlet. Conference TR, p. 85, as cited in the *Staff Report of March 18, 1997*.

<sup>31</sup> Universal’s *Form 10-K* for FY 2001, p. 2.

buying groups. Once approved by these groups, the imported products were marketed in the same professional service and retail outlets as domestic aftermarket parts.

A producer or importer may sell under different labels and some firms have arrangements with different distribution chains to produce parts under the chains' labels. Sometimes a U.S. producer or importer will carry two product lines. The large number of different models required makes it difficult for one manufacturer to produce every model. As a result, co-manufacturing arrangements exist, and there is trade among producers and importers. In addition, unfinished and semifinished Chinese brake rotors are purchased from distributors by U.S. aftermarket manufacturers for finishing and then marketed through the U.S. manufacturers' distribution chain.<sup>32</sup>

Weight and quality of material are the predominant price determinants for aftermarket brake rotors. Consequently, heavier models are priced higher than lighter ones due to additional materials and processing. The amount of machining required also affects prices, but to a lesser degree. Other factors include style, model, and finishing. Models in high demand are often priced less because large-volume production runs are less expensive since there is less down time to reset machinery.

Most U.S. producers and importers of the Chinese products reported selling to the entire U.S. market during the original investigation, although several smaller firms sold only in regional markets. Three out of six U.S. producers and 16 out of 20 importers reported selling brake drums and rotors exclusively on a spot basis. Two importers sold exclusively on a contract basis, while three U.S. producers and two importers sold product on both a spot and contract basis. Contract terms varied by company, with the duration ranging between 1 and 10 years. However, contracts for both the U.S. producers and importers of the Chinese products tended to fix price and leave quantity variable. Volume or preferred buyer discounts were frequently offered.

Price competition has remained intense within the U.S. aftermarket for brake systems parts (including brake rotors) since the time of the original investigation (i.e., 1997). A number of factors are responsible, among them (1) different vendors carrying the same products, resulting in pricing pressure that squeezes the profit margins for manufacturers, (2) expanding private label programs that can compete with the manufacturers' own premium lines, (3) growing popularity of value line over brand name products, especially with professional installers where the ultimate consumer is unaware of the origin of the replacement part, and (4) increasing installation of aftermarket rotors at new-car dealerships where suppliers are often forced under contract to supply OEMs with replacement parts at a low price that is based on the economies of scale for rotors purchased in bulk during vehicle production runs.<sup>33</sup>

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<sup>32</sup> Conference TR, p. 135, as cited in the *Staff Report of March 18, 1997*.

<sup>33</sup> *Market Engineering Research for the Drum and Rotor Aftermarket 1995-2005*, Frost & Sullivan (1999), pp. 6-11 - 6-12, submitted as exhibit E to the *Response of the Coalition*.

## THE INDUSTRY IN THE UNITED STATES

### U.S. Producers<sup>34</sup>

Aftermarket brake rotors were manufactured in the United States in 1995 by seven firms whose sales were directed primarily to the automotive aftermarket.<sup>35</sup> The firms typically served the national market. Four of the manufacturers made up the petitioning Coalition for the original investigation (i.e., Brake Parts,<sup>36</sup> Kinetic,<sup>37</sup> Iroquois,<sup>38</sup> and Wagner<sup>39</sup>); these firms together accounted for \*\*\* percent of reported U.S. production of aftermarket brake rotors during 1995. Of the remaining firms in the industry, one (ITT Automotive) accounted for \*\*\* percent of total 1995 reported U.S. production while the other two (Excel and Overseas) accounted for less than \*\*\* percent of 1995 reported U.S. production.<sup>40</sup>

The Coalition membership has changed since the original investigation. Kinetic's successor, TRW, is not a Coalition member while Waupaca<sup>41</sup> has joined the Coalition. As indicated earlier, the current members of the Coalition consisting of Dana (McHenry, IL), Federal Mogul (St. Louis, MO), and

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<sup>34</sup> All discussion in this section is from the *Staff Report of March 18, 1997*, pp. III-1 - III-5 and III-7 - III-10; *Response of the Coalition*, pp. 2 and 12-13; and *Supplemental Response of the Coalition*, pp. 1-2, unless indicated otherwise.

<sup>35</sup> In contrast, OEM brake rotors are produced in the United States both by certain domestic motor vehicle manufacturers and by several outside suppliers that maintain long-term contracts with the OEMs.

<sup>36</sup> Echlin, the parent company of Brake Parts, merged with Dana, and Brake Parts is now known as the Brake and Chassis Division of Dana Corp. (i.e., Dana).

<sup>37</sup> The company name was changed to Autospecialty and the firm was sold to Lucas in February 1997; Lucas, in turn, was purchased by TRW in March 1999. See TRW Inc. Investor Information 1999, *Earning Release Supplement* at <http://www.trw.com>, retrieved on June 13, 2002.

<sup>38</sup> Iroquois was purchased in 1997 by Echlin (the parent company of Brake Parts), which, as indicated earlier, subsequently merged with Dana. "In Any Corporation, New Management Usually Ushers in a New Beginning," dated October 27, 1997, at <http://www.aabaloned.com/clients/echlin/ech56.htm>, retrieved on June 13, 2002. The former Iroquois-owned plant in North East, PA is still operating.

<sup>39</sup> Wagner's parent company, Cooper Automotive, was acquired by Federal Mogul in October 1998. "Federal Mogul Completes Acquisition of Cooper Automotive," dated October 9, 1998, at <http://www.prnewswire.com/cgi-bin>, retrieved on June 13, 2002.

<sup>40</sup> \*\*\*. Excel ceased production in early 1996 and filed for bankruptcy; in its preliminary questionnaire for the original investigation, Excel stated that \*\*\*. (Another firm, Airtex, also ceased its minimal production of aftermarket brake rotors during 1993-95.) One other firm, AlliedSignal, \*\*\*. As previously mentioned, the Commission excluded AlliedSignal from the domestic industry as a related party.

<sup>41</sup> Waupaca, a subsidiary of the Budd Co./Thyssen Krupp Automotive, is a producer of unfinished rotors, some of which it sells to \*\*\* for finishing. *Supplemental Response of the Coalition*, p. 2. The firm is expanding production with a sixth plant in Etowah, TN that will produce mostly gray iron castings (including brake drums and rotors and other components for cars and a range of truck sizes) that are shipped to other companies (including OEMs) for finishing. The new plant was not fully operational as of December 2001. "Waupaca's Tennessee Plant Ready to Roll," *Foundry Management & Technology*, December 2001, at <http://proquest.umi.com/pqdweb>, retrieved on June 6, 2002.

Waupaca (Waupaca, WI)<sup>42</sup> are together believed to represent from \*\*\* to \*\*\* percent of total U.S. production of aftermarket brake rotors in 2001. In its *Response* (p. 13) and *Supplemental Response* (p. 2), the Coalition identified the other current domestic producers of aftermarket brake rotors as TRW (Carson, CA)<sup>43</sup> and Universal, a small company with rotor operations located in Cuba, MO.<sup>44</sup> In addition, Honeywell, a leader in diversified technology and manufacturing, merged with AlliedSignal in December 1999;<sup>45</sup> its Bendix brand rotors are now manufactured and sold under the Honeywell name and appear to be produced for both the OEM and aftermarket.<sup>46</sup> Honeywell is described in Universal's FY 2001 10-K as one of the "Big Three" brake companies (along with Dana and Federal Mogul).<sup>47</sup> ITT Automotive's aftermarket rotor business (sold under the brand name AIMCO) was acquired by Echlin, the parent company of Brake Parts, in 1997;<sup>48</sup> Echlin subsequently merged with Dana in late 1998. There is no information on the record in this review as to the status of Overseas (the remaining firm named as a domestic producer during the original investigation).

A number of the domestic aftermarket manufacturers imported or purchased some product from China during the original investigation. Specifically, \*\*\*.<sup>49</sup> Finally, \*\*\*.

The Commission's original report described the general industry practice of domestic suppliers distributing more than one brand of product. U.S.-produced product was sold under the premium label,

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<sup>42</sup> As indicated earlier, Dana is the successor to Brake Parts and Iroquois, and Federal Mogul is the successor to Wagner.

<sup>43</sup> TRW is reported to have sold one of its cast brake products plants (specifically, its Detroit, MI, plant that manufactures drums and rotors) to American Commercial Industries, a subsidiary of American Commerce Holdings, in March 2000. "TRW Sells Foundry Operations to ACI," *Modern Casting*, March 2000, at <http://proquest.umi.com/pdqweb>, retrieved on June 6, 2002.

<sup>44</sup> Universal, which was incorporated in January 1994, currently manufactures over 700,000 brake rotors annually (primarily purchasing the raw iron castings from Waupaca) and is reported to source over 3 million brake rotors and drums from overseas manufacturing partners to complement its internally manufactured product lines. See <http://www.uaiinc.com/pages.f/About.html>, retrieved on June 7, 2002 and Universal's *Form 10-K* for FY 2001, pp. 5-6. Universal recently established a "strategic relationship" with Wanxiang, a Chinese auto parts supplier, from which it also sources product. Of the "drums, rotors and hydraulic parts" it purchases, approximately 70 percent are manufactured in China. Its rotor imports from China appear to be from manufacturers subject to the antidumping duty order since the firm states in its *Form 10-K* that its imports could be assessed antidumping duties in the future although none are currently being assessed. Universal is not, however, the importer of record. Universal's *Form 10-K* for FY 2001, pp. 1, 5, and 11.

<sup>45</sup> "AlliedSignal-Honeywell Merger Completed; New Honeywell Begins Trading Today" at <http://honeywell.com/mediakit>, retrieved on June 13, 2002.

<sup>46</sup> Both Bendix rotors and the recently launched value line (Bendix Global) are designed to OEM design criteria for cars and light trucks. Honeywell's brake product customers include both OEMs and aftermarket outlets. Bendix *News Release*, dated July 17, 2001, and Company Information at <http://www.bendixbrakes.com>, retrieved on June 7, 2002. \*\*\*.

<sup>47</sup> Universal's *Form 10-K* for FY 2001, p. 2. According to Universal, Dana has a 40 percent market share in the "aftermarket brake business" with Federal Mogul and Honeywell holding 20 percent and 10 percent shares, respectively. It cites Honeywell as indicating publicly that it plans to exit the OEM and aftermarket brake product industries. *Id.*, p. 7.

<sup>48</sup> "Echlin Initiates Profit-Improvement Program; Records Repositioning Charge" at <http://www.aabaloned.com/clients/echlin/ech1336.mt>, retrieved on June 13, 2002.

<sup>49</sup> \*\*\*.

and imports (sometimes from China) were distributed under a second label.<sup>50</sup> \*\*\*. As indicated earlier, \*\*\*.<sup>51</sup> Dana is \*\*\* affiliated with three foreign producers of rotors located in Argentina, Canada, and Venezuela, each of which exports to the United States through Dana.<sup>52</sup>

### U.S. Production, Capacity, and Shipments

Data reported by U.S. producers of brake rotors in the Commission's original investigation and in response to its review institution notice are presented in table I-1. As shown, capacity to produce brake rotors in the United States expanded by 37 percent from 1993 to 1995 while production rose by 17 percent, resulting in a drop in capacity utilization from 96 percent in 1993 to 82 percent in 1995. The quantity and value of U.S. commercial shipments of brake rotors each rose by \*\*\* percent from 1993 to 1995 whereas the unit values of such shipments were relatively stagnant, decreasing from \$\*\*\* per unit in 1993 to \$\*\*\* per unit in 1994 and then rising slightly to \$\*\*\* per unit in 1995.

As indicated in the note to table I-1, current data for capacity, production, and shipments are not available. It is, however, possible to calculate production (but not shipment) data for both the 1993-95 and 2001 periods for firms that accounted for \*\*\* percent of total 1995 production (*see* the note to table I-1). Production of brake rotors by the "comparable" firms rose by \*\*\* percent from 1993 to 1995, a \*\*\* increase than the rise of 17 percent reported above for all firms in the industry. Brake rotor production by the "comparable" firms fell, however, during the 1995 to 2001 period, decreasing by \*\*\* percent. However, while the "comparable" firms represented most (i.e., \*\*\* percent) of the industry in 1995, it is not clear how representative they are in 2001. The term "comparable" is used in table I-1 to indicate only that the same firms (or, specifically, the same production facilities since there has been some reorganization) are being measured; the 1995-2001 period comparison will not be appropriate to the extent that there have been new market entrants or if the production shares of the other manufacturers have increased or decreased. As indicated earlier, the members of the Coalition are together believed to represent from \*\*\* percent to \*\*\* percent of total U.S. production of aftermarket brake rotors in 2001. If their actual coverage figure is toward the upper end of the range, then it is indeed appropriate to compare the 1995 figure to that for 2001 and U.S. production of brake rotors is believed to have declined overall since 1995. If, however, the actual coverage figure for the members of the Coalition is closer to the lower end of the \*\*\* percent to \*\*\* percent range, it appears that non-Coalition members and/or new entrants are manufacturing relatively greater quantities of brake rotors and that U.S. production may well have increased since the antidumping duty order was put into effect.<sup>53</sup>

There are no current financial data available for the subject product. The Commission noted in its views for the original investigation (final phase) that "{r}eflecting increases in shipments, the aftermarket rotor industry's sales revenues rose during each year of the period of investigation. ... Operating income as a percentage of sales declined from 8.7 percent in 1993 to 5.0 percent in 1994, and

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<sup>50</sup> *See* the section of the report for the original investigation (final phase) entitled "Imports and Other Purchases by U.S. Producers of Aftermarket Product" for additional details.

<sup>51</sup> \*\*\*.

<sup>52</sup> *Response* of the Coalition, p. 13.

<sup>53</sup> Regarding the imprecision in shares, counsel for the Coalition writes that "{i}t is difficult for counsel to obtain more accurate data. Because of confidentiality and antitrust reasons, we cannot share data received from one Coalition member with the other clients, and we cannot tell them the shares claimed by other Coalition members, and each company is only estimating its share without accurate knowledge of what others are doing." *Supplemental Response* of the Coalition, p. 2.



**Table I-1**

**Aftermarket brake rotors: U.S. producers' capacity, production, and U.S. shipments, 1993-95 and 2001**

Item	1993	1994	1995	2001
Total U.S. industry: <sup>1</sup> Capacity (1,000 units)	9,514	12,416	13,005	(2)
Production (1,000 units)	9,159	10,905	10,726	(2)
Capacity utilization (percent)	96.3	87.8	82.5	(2)
U.S. commercial shipments: Quantity (1,000 units)	***	***	***	(2)
Value (1,000 dollars)	***	***	***	(2)
Unit value (dollars per unit)	***	***	***	(2)
U.S. internal shipments: Quantity (1,000 units)	***	***	***	(2)
Value (1,000 dollars)	***	***	***	(2)
Unit value (dollars per unit)	***	***	***	(2)
Comparable reporting firms: <sup>3</sup> Production (1,000 units)	***	***	***	***

<sup>1</sup> Contains data for Brake Parts that are for fiscal year September through August and data for Iroquois that include \*\*\*.

<sup>2</sup> Not available.

<sup>3</sup> Brake Parts, Iroquois, and Wagner (for 1993-95) and Dana and Federal Mogul (for 2001).

Note.—The production (and other) figures compiled during the original investigation for the brake rotor industry accounted for virtually all known U.S. production by firms other than producers of semifinished product (compare p. III-14 (table III-5) to p. III-5 (table III-2) of the *Staff Report of March 18, 1997*). Production figures for the total U.S. brake rotor industry are not, however, available for 2001. In its *Response*, the Coalition provided finished brake rotor production data for Dana (formerly Brake Parts and Iroquois) and Federal Mogul (formerly Wagner); however, its estimates of the percentages of total U.S. production of brake rotors that they accounted for \*\*\* and it is imprecise to use these percentages to estimate industry totals. Further, production data are known to be unavailable for TRW (formerly Kinetic) as well for other firms that manufactured at the time of the original investigation (i.e., AlliedSignal/Honeywell and, possibly, Overseas). The status of ITT Automotive is, however, not clear. As indicated earlier, news reports indicate that ITT Automotive's rotor business was acquired by Echlin, the parent company of Brake Parts now known as Dana. However, the Coalition only identified Iroquois as having been "purchased" by Brake Parts in its *Supplemental Response*, specifically stating that it had included data for Iroquois with that for Dana (p. 2). Accordingly, staff did not include data for ITT Automotive with that of the "comparable" firms for 1993-95. However, if it would have been correct to have added data for ITT Automotive into the production figures for 1993-95, the rate of decline shown for 1995-2001 for the "comparable" reporting firms would have been greater. On the other hand, to the extent that AlliedSignal/Honeywell is now, in fact, one of the "Big Three" brake companies in the aftermarket and has expanded its aftermarket production since the imposition of the antidumping duty order, the trend shown in table I-1 may, in fact, be incorrect.

*Notes continued on next page.*

*Continued.*

Table I-1 therefore provides data for the (almost) total U.S. industry gathered during the original investigation for 1993-95 and, in addition, lists data for those firms reporting in 1993-95 (i.e., for Brake Parts, Iroquois, and Wagner) for which data “believed” to be comparable are available in 2001 (i.e., for Dana and Federal Mogul). Data for Brake Parts, Iroquois, and Wagner together accounted for \*\*\* percent of total 1995 production; data for Dana and Federal Mogul also accounted for \*\*\* percent of aggregate production reported by the Coalition (i.e., excluding the \*\*\* unfinished rotors reported to be shipped by Waupaca to firms other than \*\*, as calculated by comparing p. 18 of the *Response* of the Coalition to p. 2 of the *Supplemental Response*).

Source: *Staff Report of March 18, 1997*, pp. III-13 and III-17, for 1993-95 data; *Response* of the Coalition, p. 18, for 2001 data.

then rose to 5.4 percent in 1995. The operating income margin was higher in interim 1996 (7.1 percent) than in interim 1995 (4.9 percent). Capital expenditures showed very large annual fluctuations during the period of investigation. Those producers that reported research and development expenditures showed increases during the period of investigation.”<sup>54</sup>

The Coalition stated in its *Response* that it anticipates closings of U.S. manufacturing plants if the antidumping duty order for brake rotors is revoked.<sup>55</sup> With reference to specific firms, “\*\*\*.” \*\*\*.  
\*\*\*.<sup>56</sup>

During the original investigation (final phase), the Commission collected pricing data on two aftermarket rotor products; U.S. producers’ prices for both declined over the period of investigation.<sup>57</sup> In its *Response*, the Coalition cited market research data (*Market Engineering Research for the Drum and Rotor Aftermarket 1995-2005*, Frost & Sullivan (1999)) indicating that the industry average price of rotors in the United States is currently “decreasing.”<sup>58</sup> In 2000, the average U.S. rotor (apparently domestically made) was valued at \$11.98, according to Frost & Sullivan.<sup>59</sup> As shown in table I-1 the average unit value of U.S. producers’ U.S. commercial shipments was \$\*\*\* in 1995.

## U.S. IMPORTS AND CONSUMPTION

### U.S. Imports

In the original investigation, 26 firms (including 2 U.S. producers),<sup>60</sup> accounting for nearly all of subject imports, reported data to the Commission on their imports of brake rotors from China. Six firms (\*\*\*) were responsible for \*\*\* of LTFV rotor imports from China in 1995. Most of the reporting firms

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<sup>54</sup> *Certain Brake Drums and Rotors from China*, p. 13.

<sup>55</sup> *Response* of the Coalition, p. 10. \*\*\*. *Id.*

<sup>56</sup> *Response* of the Coalition, pp. 10-11.

<sup>57</sup> *Certain Brake Drums and Rotors from China*, p. 16.

<sup>58</sup> *Response* of the Coalition, pp. 8-9; see also exhibit F and exhibit G of the *Response* of the Coalition for price information and comparisons compiled by Dana.

<sup>59</sup> *Response* of the Coalition, p. 9.

<sup>60</sup> \*\*\*. *Staff Report of March 18, 1997*, p. IV-2, fn. 1.

were independently owned importer/brokers and/or distributors, although several were related to Chinese exporters or manufacturers. \*\*\*.<sup>61</sup> In its *Response* to the Commission's notice of institution, the Coalition identified 43 firms that have imported subject rotors from China into the United States.<sup>62</sup>

U.S. imports of LTFV brake rotors from China more than tripled from 1993 to 1995, growing from nearly 1.6 million units to more than 5.1 million units (figure I-1 and table I-2). The Commission's report for the original investigation attributed the rise in imports from China, at least in part, to an increase in the number of models available through Chinese importers.<sup>63</sup> The imposition of the antidumping duty order in April 1997 does not appear to have slowed the increase in Chinese imports, although figures specific to U.S. imports of LTFV aftermarket rotors are not available.<sup>64</sup> As shown in figure I-1, U.S. imports from China under the basket HTS statistical reporting number 8708.39.5010, the majority of which are believed to be aftermarket rotors,<sup>65</sup> rose steadily from 1997 onward. In 2001, slightly more than 25 million units (rotors and drums) were imported from China into the United States. U.S. imports from sources other than China rose 41 percent in 2001 compared to 1995 (table I-2).<sup>66</sup>

As shown in table I-2, the unit value of U.S. imports of aftermarket rotors from China (including LTFV and non-LTFV sales) was \$6.38 per unit in 2001, down more than \$1.00 from \$7.43 per unit reported for 1995. According to the Coalition, "{e}ven with the order in place, the Coalition believes that Chinese rotors undersell U.S. made rotors by 55 {percent} to 65 {percent}, at warehouse distributor price."<sup>67</sup> Further, "{i}f the order is revoked, Chinese rotors would continue to suppress the U.S. market to the point where it would become uneconomical to produce rotors in the United States."<sup>68</sup> The reported unit value for brake rotors from China in 2001 was significantly lower than those reported for U.S. imports from Canada (\$\*\*\* per unit) or from other sources (\$\*\*\* per unit).<sup>69</sup> The Commission indicated

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<sup>61</sup> *Staff Report of March 18, 1997*, pp. IV-1 - IV-2.

<sup>62</sup> *Response of the Coalition*, pp. 14-16.

<sup>63</sup> *Staff Report of March 18, 1997*, p. IV-5. \*\*\*.

<sup>64</sup> Customs reports that it disbursed a total of \$714,538 to domestic producers in FY 2001 under the Continued Dumping and Subsidy Offset Act of 2000 (the Byrd Amendment). As of October 1, 2001, it is holding \$1.7 million in the clearing account for the antidumping duty order for brake rotors from China. (All estimated antidumping and countervailing duties and bonds are deposited into the clearing account pending final liquidation instructions from Commerce.) See 2002 Archived Press Releases at <http://www.customs.gov>; see also [http://www.customs.gov/impoexpo/imex\\_txt.htm](http://www.customs.gov/impoexpo/imex_txt.htm).

<sup>65</sup> However, as indicated in the note to figure I-1, the figures include both LTFV brake rotor imports from China and those brake rotors from manufacturers/exporters not subject to the antidumping duty order. Seventy-one percent of U.S. imports of brake rotors from China were covered by the scope of the investigation in 1993 as were 78 percent and 80 percent in 1994 and 1995, respectively (table I-2).

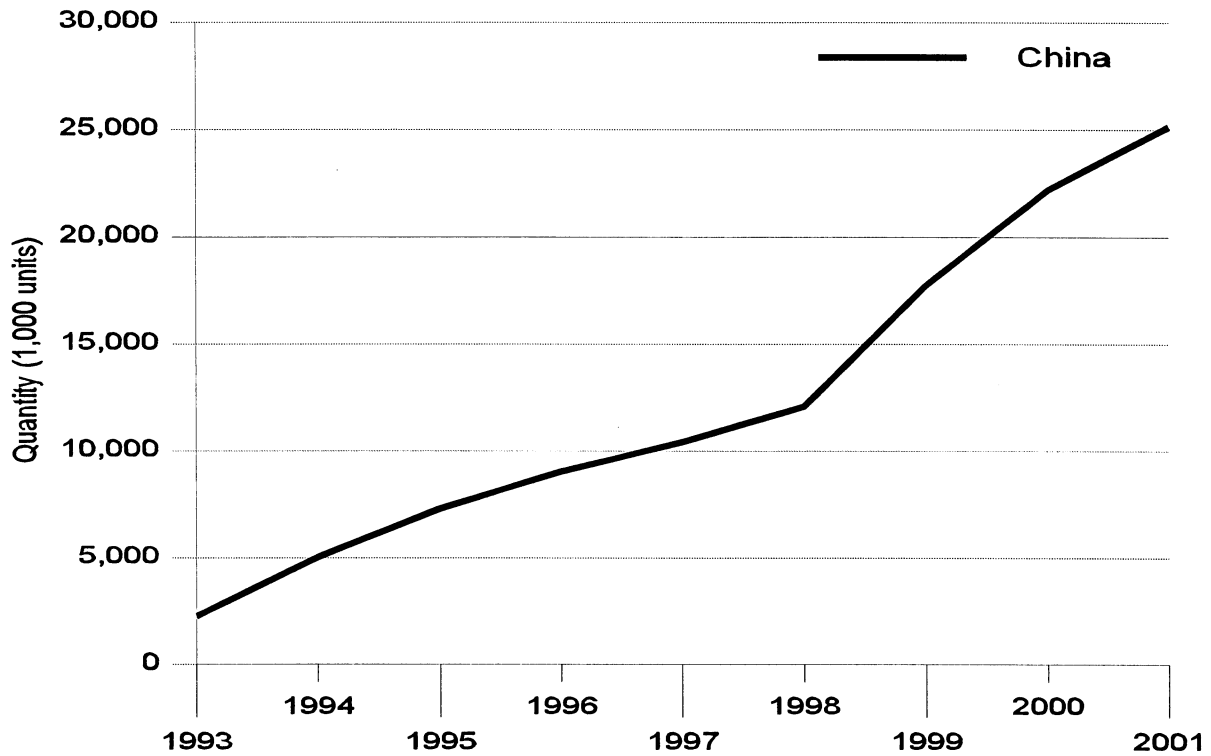
<sup>66</sup> However, as indicated in a note to table I-2, the magnitude of this rise may be somewhat overstated in that increasing numbers of nonsubject OEM brake rotors from Mexico may be included in the figures.

<sup>67</sup> *Response of the Coalition*, p. 8; see also exhibits F and G of the *Response* for price information and comparisons compiled by Dana.

<sup>68</sup> *Response of the Coalition*, p. 9.

<sup>69</sup> According to Frost & Sullivan's market report, "{o}ffshore drum and rotor imports generally offer prices at 30 percent lower than domestic brake parts. These low prices attract price sensitive professional installers who make up the majority of end-users. The influences of offshore prices on the U.S. aftermarket are twofold. First, these cheap rotors will lower average industry prices. Second, exceptionally low prices will limit advancements in drum and rotor development that can raise average prices and improve the industry's outlook." *Market Engineering* (continued...)

**Figure I-1**  
**Brake drums and rotors: U.S. imports from China under the basket HTS statistical reporting number 8708.39.5010, by quantity, 1993-2001**



Source: Official Commerce statistics for basket HTS statistical reporting number 8708.39.5010 (brake drums and rotors (discs) of vehicles). The great majority of U.S. imports from China under this provision are believed to be aftermarket rotors. The above figures, however, include both LTFV imports and those from manufacturers/exporters not subject to the antidumping duty order on aftermarket rotors from China.

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<sup>69</sup> (...continued)

*Research for the Drum and Rotor Aftermarket 1995-2005*, Frost & Sullivan (1999), p. 6-13, attached as exhibit E to the *Response of the Coalition*, p. 6-11.

**Table I-2**  
**Aftermarket brake rotors: U.S. imports, by source, 1993-95 and 2001**

Item	1993	1994	1995	2001
<b>Quantity (1,000 units)</b>				
China (LTFV)	1,594	4,025	5,125	(1)
China (non-LTFV)	641	1,107	1,282	(1)
Total	2,235	5,132	6,407	18,869 <sup>2</sup>
Canada	***	***	***	***3
Other sources <sup>4</sup>	***	***	***	***5
Total	11,843	15,851	18,198	35,489
<b>Landed duty-paid value (1,000 dollars)</b>				
China (LTFV)	11,277	29,232	38,057	(1)
China (non-LTFV)	4,237	7,446	9,556	(1)
Total	15,513	36,677	47,613	120,306 <sup>2</sup>
Canada	***	***	***	***3
Other sources <sup>4</sup>	***	***	***	***5
Total	139,416	169,541	182,141	396,344
<b>Landed duty-paid unit value</b>				
China (LTFV)	\$7.07	\$7.26	\$7.43	(1)
China (non-LTFV)	6.61	6.73	7.45	(1)
Total	6.94	7.15	7.43	\$6.38
Canada	***	***	***	***
Other sources	***	***	***	***
Total	11.77	10.70	10.01	11.17
<i>Notes on next page.</i>				

*Continuation.*

<sup>1</sup> Not available.

<sup>2</sup> Estimated by applying the 25 percent drum-75 percent rotor shares provided by the Coalition in its *Response* (p. 8) to total U.S. imports from China under the basket HTS statistical reporting number 8708.39.5010. No imports of OEM products or of “other imports” (i.e., product of aluminum or for heavy trucks) were reported in response to Commission questionnaires during the original investigation. *Staff Report of March 18, 1997*, p. IV-2.

<sup>3</sup> Estimated by calculating the share of aftermarket rotors (as reported in response to Commission questionnaires during the original investigation) to total U.S. imports under HTS statistical reporting number 8708.39.5010 (i.e., \*\*\* percent in quantity terms and \*\*\* percent in value terms in 1995) and then applying those shares to total U.S. imports for 2001 under the basket HTS statistical reporting number 8708.39.5010.

<sup>4</sup> Estimated by subtracting imports from countries that are believed to ship primarily OEM brake drums and rotors to the United States (i.e., \*\*\*) from total U.S. imports (excluding China and Canada) under the basket HTS statistical reporting number 8708.39.5010 and then applying the drum-rotor ratio of \*\*\* percent drums and \*\*\* percent rotors to the remaining aftermarket imports. See *Staff Report of March 18, 1997*, p. IV-3 (supplemented by *Memorandum INV-U-030*, dated March 27, 1997, p. IV-12), for a complete description of the estimation procedure.

<sup>5</sup> Figure may be overstated to the extent that OEM brake rotors are increasingly imported from Mexico. The rate of increase from 1995 to 2001 is primarily due to the rise in U.S. imports from Mexico under the basket HTS statistical reporting number 8708.39.5010.

Source: *Memorandum INV-U-030*, dated March 27, 1997, p. IV-12, for 1993-95 data (where imports from China and Canada were compiled from data submitted in response to Commission questionnaires and all other imports were estimated, as described in footnote 4 above, from official Commerce statistics) and official Commerce statistics for 2001 (where imports were estimated as described in footnotes 2, 3, and 4 above).

in its views for the original investigation (final phase) that it “collected pricing data on two aftermarket rotor products. ... The subject imports undersold the domestic products in every quarterly pricing comparison over the period of investigation. The underselling margins were substantial, exceeding 20 percent in nearly every instance.”<sup>70</sup>

### **Apparent U.S. Consumption**

Apparent U.S. consumption of brake rotors rose steadily during period examined in the original investigation, increasing by 27 percent from 1993 to 1994 and by 11 percent from 1994 to 1995 (table I-3).<sup>71</sup> The Commission stated in its views for the original investigation (final phase) that “{a}ll parties agree that demand in the United States for ... aftermarket rotors has increased in recent years and will continue to increase in the future. The reasons for this increased demand included increased number of vehicles on the road, and decreased life spans for ... rotors, which are now made of lighter materials and must be replaced rather than refinished. The parties also agree that demand for aftermarket brake rotors

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<sup>70</sup> *Certain Brake Drums and Rotors from China*, p. 16.

<sup>71</sup> Apparent consumption rose another 11 percent from January-September 1995 to January-September 1996 (*Memorandum INV-U-030*, dated March 27, 1997, p. IV-12).

**Table I-3**

**Aftermarket brake rotors: U.S. producers' U.S. shipments, U.S. imports, and apparent U.S. consumption as calculated during the original investigation, on the basis of quantity, 1993-95, and U.S. imports, 2001**

Item	1993	1994	1995	2001
	<b>Quantity (1,000 units)</b>			
U.S. producers' U.S. shipments <sup>1</sup>	8,066	9,358	9,800	(2)
U.S. imports:				(2)
China (LTFV)	1,594	4,025	5,125	(2)
China (non-LTFV)	641	1,107	1,282	(2)
Total	2,235	5,132	6,407	18,869
Canada	***	***	***	***
Other sources	***	***	***	***
Total	11,843	15,851	18,198	35,489
Apparent U.S. consumption	19,909	25,209	27,998	(2)
	<b>Share of consumption (percent)</b>			
U.S. producers' U.S. shipments	40.5	37.1	35.0	(2)
U.S. imports:				(2)
China (LTFV)	8.0	16.0	18.3	(2)
China (non-LTFV)	3.2	4.4	4.6	(2)
Total	11.2	20.4	22.9	(2)
Canada	***	***	***	(2)
Other sources <sup>1</sup>	***	***	***	(2)
Total	59.5	62.9	65.0	(2)
<p><sup>1</sup> As described earlier (see note to table I-1), the figures for U.S. producers' U.S. shipments are believed to account for virtually all known U.S. production of aftermarket rotors by firms other than producers of semifinished product.</p> <p><sup>2</sup> Not available.</p> <p>Source: <i>Memorandum</i> INV-U-030, dated March 27, 1997, p. IV-12, for 1993-95 data (where imports from China and Canada were compiled from data submitted in response to Commission questionnaires and all other imports were estimated from official Commerce statistics); 2001 imports are estimated from official Commerce statistics as described in footnotes 2, 3, and 4 to table I-2.</p>				

has increased because a greater proportion of new cars now feature disc brakes on all four wheels.”<sup>72</sup> Questionnaire responses in the original investigation also indicated some evidence of increased consumption due to lower-cost imports. Lower-priced Chinese products were making replacement a viable alternative. In addition, several firms, including U.S. producers, reporting having added a second line of low-cost brake drums and rotors in response to customer demand, increasing their overall sales.<sup>73</sup>

As shown in table I-3, U.S. producers’ domestic shipments rose while their market share fell steadily during the period examined in the original investigation, decreasing from 40 percent in 1993 to 35 percent in 1995.<sup>74</sup> U.S. imports of LTFV brake rotors from China increased steadily during the original investigation period with their market share rising from 8 percent in 1993 to 18 percent in 1995.<sup>75</sup> The market share of U.S. imports from countries other than China fell from 1993 to 1995 with the market share of Canadian imports decreasing from \*\*\* percent in 1993 to \*\*\* percent in 1995 and imports from all other sources falling from \*\*\* percent in 1993 to \*\*\* percent in 1994 and then rising slightly to \*\*\* percent in 1995. Nearly all responding producers in the original investigation reported that despite increases in domestic aggregate demand, demand for U.S.-produced brake rotors was stagnant or decreasing because of shifts to the lower-priced Chinese products. Two U.S. producers noted that while the Chinese had originally targeted the highest-volume models, they were now expanding their product line.<sup>76</sup>

Apparent U.S. consumption of brake rotors is shown in table I-4 to have continued to rise, increasing by \*\*\* percent from \*\*\* units in 1995 to \*\*\* units in 2001.<sup>77</sup> According to a recent Frost & Sullivan market survey, the demand for aftermarket rotors (and drums) in the United States is expected to increase steadily in the near future, rising from 42.0 million units in 2001 to 51.3 million units in 2005.<sup>78</sup> Further, front-wheel-drive vehicles, which typically use rotors rather than drums, are being produced in increasing numbers; over 70 percent of all new vehicles are today designed with front wheel drive.<sup>79</sup> The Coalition, however, reports that the U.S. brake rotor industry has been “stagnant” over the past three years with, in fact, a steady decline in the product category line over the past eight years, a

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<sup>72</sup> *Certain Brake Drums and Rotors from China*, p. 11.

<sup>73</sup> *Staff Report of March 18, 1997*, pp. II-5 - II-6.

<sup>74</sup> U.S. producers’ market share was stable, however, at 37 percent in both the January-September 1995 and January-September 1996 interim periods (*Memorandum INV-U-030*, dated March 27, 1997, p. IV-12).

<sup>75</sup> The market share of U.S. imports of LTFV brake rotors from China rose slightly from 16 percent in January-September 1995 to 17 percent in January-September 1996 (*Memorandum INV-U-030*, dated March 27, 1997, p. IV-12).

<sup>76</sup> *Staff Report of March 18, 1997*, pp. II-5 - II-6.

<sup>77</sup> The rate of this increase may be somewhat overstated due, at least in part, to the possible inclusion of OEM aftermarket rotors from Mexico in the figures in table I-4. Figures calculated by Frost & Sullivan show a rise of 37 percent in the U.S. drum and rotor aftermarket. According to Frost & Sullivan, 30.6 million drums and rotors were shipped in the U.S. aftermarket in 1995 compared to 42.0 million such units in 2001. (*Market Engineering Research for the Drum and Rotor Aftermarket 1995-2005*, Frost & Sullivan (1999), p. 6-13, attached as exhibit E to the *Response of the Coalition*.) During the original investigation, the Commission reported that 5.4 million brake drums and 28.0 million brake rotors (for a total of 33.4 million units) were consumed in the U.S. aftermarket in 1995. (*Memorandum INV-U-030*, dated March 27, 1997, pp. IV-11 - IV-12.)

<sup>78</sup> *Market Engineering Research for the Drum and Rotor Aftermarket 1995-2005*, Frost & Sullivan (1999), p. 6-13, attached as exhibit E to the *Response of the Coalition*.

<sup>79</sup> Universal’s *Form 10-K* for FY 2001, p. 2.



**Table I-4**

**Aftermarket brake rotors: “Comparable” U.S. production, U.S. imports, and apparent U.S. consumption as calculated on a consistent basis, on the basis of quantity, 1993-95 and 2001**

Item	1993	1994	1995	2001
	<b>Quantity (1,000 units)</b>			
“Comparable” U.S. production <sup>1</sup>	***	***	***	***
U.S. imports: China (LTFV)	1,594	4,025	5,125	(2)
China (non-LTFV)	641	1,107	1,282	(2)
Total	2,235	5,132	6,407	18,869
Canada	***	***	***	***
Other sources	***	***	***	***
Total	11,843	15,851	18,198	35,489
Apparent U.S. consumption	***	***	***	***
	<b>Share of consumption (percent)</b>			
“Comparable” U.S. production <sup>1</sup>	***	***	***	***
U.S. imports: China (LTFV)	***	***	***	(2)
China (non-LTFV)	***	***	***	(2)
Total	***	***	***	***
Canada	***	***	***	***
Other sources	***	***	***	***
Total	***	***	***	***

<sup>1</sup> As described earlier (see note to table I-1 and the section of the report entitled “U.S. Production, Capacity, and Shipments”) the figures for “comparable” U.S. production in 1995 are believed to account for \*\*\* percent of total 1995 production of aftermarket rotors in the United States while the precise share of the total for “comparable” U.S. production in 2001 is not known. To the extent that the share of “comparable” U.S. production in 2001 falls below \*\*\* percent, the trend of total U.S. production for 1993-1995 to 2001 may, accordingly, differ from that shown, resulting in the possible understating of U.S. producers’ market share in 2001.

<sup>2</sup> Not available.

Source: *Staff Report of March 18, 1997*, pp. III-13 and III-17, for “comparable” U.S. production for 1993-95; *Response of the Coalition*, p. 18, for 2001 production data; *Memorandum INV-U-030*, dated March 27, 1997, p. IV-12, for 1993-95 import data (where imports from China and Canada were compiled from data submitted in response to Commission questionnaires and all other imports were estimated from official Commerce statistics); 2001 imports are estimated from official Commerce statistics as described in footnotes 2, 3, and 4 to table I-2.

a trend that the Coalition anticipates will continue in the future.<sup>80</sup> U.S. producers' market share (for "comparable" U.S. production) fell sharply from \*\*\* percent in 1995 to \*\*\* percent in 2001 while the market share for U.S. imports from China (including LTFV and non-LTFV sales) rose from \*\*\* percent in 1995 to \*\*\* percent in 2001 (table I-4).

## THE FOREIGN INDUSTRY

The Commission's report for the original investigation identified production for the automobile aftermarket as one of China's fastest-growing industries; according to the report, continued expansion of the automotive aftermarket was expected in the next decade.<sup>81</sup> The petitioner contended during the original investigation that capacity to produce brake rotors was expanding in China, indicating that production of Chinese rotors had "started" four or five years earlier with four main centers of rotor production in China (i.e., in Shenyang, Shanxi, Sichuan, and Shandong).<sup>82</sup> Respondents countered that domestic demand in China would grow as its automobile industry grew, resulting in the diversion of China's capacity to produce to its domestic market.<sup>83</sup>

In its *Response* to the Commission's notice of institution, the Coalition attached a copy of the "Tenth Five-Year Plan (2001-2005) for the Development of the Automotive Industry" (or the "Plan") that was recently published by the Government of China (specifically, by the Chinese State Economic and Trade Commission). This document reportedly reflects the Chinese government position as to the development of the automotive industry in the foreseeable future (2001-2005).<sup>84</sup> The Plan, according to the Coalition, calls for developing the automotive industry in China by, in part, expanding the export of automotive products. The Coalition cites reports that various provinces in China are in the process of implementing the Plan (i.e., "China's Fujian Province Speeds Up Auto Parts Production," *Asian Pulse* (March 2000), attached as exhibit B to the *Response*, and "Shanghai to Build International Auto Center," *China Online* (March 2001), attached as exhibit C). In addition, the Coalition cites recent reports that project increases in Chinese exports and/or imports from China of casting products, a category which includes brake rotors (i.e., *China Online* 2001 (February 29, 2001); *Modern Casting*, volume 92, issue 3, (March 1, 2002); and *Aftermarket Business*, volume II, issue 3 (March 1, 2002)). Also, NORVECO (or China North Vehicle), a large Chinese producer of brake parts for the automotive aftermarket, is reported to be planning a campaign through its partnership with Auto Asia Week in California to increase demand for Chinese products (*Aftermarket Business*, as previously cited). In addition, "Hundai Mobis," a Korean company, is reported to be planning to build a state-of-the-art brake system plant in China that will be used for export sales as well as for distribution within China (*Asia Pulse* (January 18, 2002)).<sup>85</sup> According to the Coalition, "if the order is revoked, U.S. importers of rotors would purchase even larger quantities of Chinese rotors. The U.S. companies that are now unwilling to import Chinese rotors

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<sup>80</sup> *Response* of the Coalition, p. 11.

<sup>81</sup> *Staff Report of March 18, 1997*, citing "China - Automotive Aftermarket ISA9505," *Market Research Reports*, International Trade Administration, Commerce.

<sup>82</sup> *Staff Report of March 18, 1997*, citing Huajia International Co. (information submitted as exhibit L to the petition). The Commission's report for the original investigation (p. VII-3, fn. 6) noted that of the 11 firms providing rotor information, five had reported no production in 1993.

<sup>83</sup> *Staff Report of March 18, 1997*, citing Respondent's postconference brief, pp. 45-46.

<sup>84</sup> *Response* of the Coalition, p. 4. See exhibit A of the *Response* for a translation of the Plan.

<sup>85</sup> *Response* of the Coalition, pp. 5-7.

would have a greater incentive to start importing. As a result of a greater demand, Chinese production capacity would increase and unused capacity would decrease as factories in China would have more orders to fill.” The Coalition estimates unused Chinese capacity to be 25 percent at this time.<sup>86</sup>

In the original investigation, 11 Chinese firms provided brake rotor information to the Commission; these firms consisted of those manufacturers/exporters that had received company-specific rates during Commerce’s dumping investigation.<sup>87</sup> Aggregate exports to the United States for the 11 firms accounted, however, for only 29.4 percent of LTFV rotor imports from China in 1995.<sup>88</sup> Data reported to the Commission during the original investigation on the Chinese brake rotor industry are presented in table I-5. As shown, capacity more than doubled from 1993 to 1995 while capacity utilization fell from 93 percent in 1993 to 85 percent in 1995. The shares of export shipments to total shipments of brake rotors produced in China rose from 77 percent in 1993 to 83 percent in 1995. The United States was the primary export market during the 1993-95 period.

There are no data available for current capacity, production, or shipments of brake rotors in China. However, as shown by the U.S. import data in table I-2, China continues to produce brake rotors and market them in increasing numbers in the United States. The Coalition identified 29 companies in its *Response* that have produced subject rotors in China that were ultimately sold in the United States.<sup>89</sup> Further, according to data maintained by Customs, the number of Chinese firms manufacturing brake rotors (and drums) rose from \*\*\* firms in 1999 to \*\*\* firms in 2001.<sup>90</sup>

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<sup>86</sup> *Response of the Coalition*, p. 7.

<sup>87</sup> In its final LTFV determination, Commerce stated that “U.S. import statistics indicated that the total quantity and value of U.S. imports of brake {rotors} from {China} is substantially greater than the total quantity and value of brake {rotors} reported by all {Chinese} companies that submitted responses in ... the brake {rotor case}. Given these significant discrepancies, we have no choice but to conclude that not all exporters of {Chinese brake rotors} responded to our questionnaires.” Commerce accordingly calculated a China-wide antidumping rate based on adverse facts available that it applied to those exporters that were not entitled to a separate rate because they could not demonstrate the absence of both de jure and de facto government control or had not cooperated with Commerce’s investigation. 62 FR 9160, February 28, 1997.

<sup>88</sup> *Staff Report of March 18, 1997*, p. VII-1.

<sup>89</sup> *Response of the Coalition*, pp. 14-16.

<sup>90</sup> Customs’ *Foreign Manufacturers File*.

**Table I-5**

**Aftermarket brake rotors: China's capacity, production, and shipments, 1993-95 and 2001**

Item	1993	1994	1995	2001
	<b>Quantity (1,000 units, except as noted)</b>			
Capacity	1,334	2,006	2,833	(1)
Production	1,241	1,747	2,419	(1)
Capacity utilization ( <i>percent</i> )	93.0	87.1	85.4	(1)
Shipments: Home market	286	362	412	(1)
Exports: United States	643	970	1,507	(1)
Other	292	402	461	(1)
Total exports	935	1,372	1,968	(1)
Total shipments	1,221	1,734	2,380	(1)
<sup>1</sup> Not available.  Source: <i>Staff Report of March 18, 1997</i> , p. VII-2, for 1993-95 data (which were compiled from data submitted in response to Commission questionnaires).				

**APPENDIX A**  
***FEDERAL REGISTER* NOTICES**



**INTERNATIONAL TRADE  
COMMISSION****[Investigation No. 731-TA-744 (Review)]****Brake Rotors From China****AGENCY:** United States International Trade Commission.**ACTION:** Scheduling of an expedited five-year review concerning the antidumping duty order on brake rotors from China.**SUMMARY:** The Commission hereby gives notice of the scheduling of an expedited review pursuant to section 751(c)(3) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(3)) (the Act) to determine whether revocation of the antidumping duty order on brake rotors from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. For further information concerning the conduct of this review 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, D, E, and F (19 CFR part 207).**EFFECTIVE DATE:** June 4, 2002.**FOR FURTHER INFORMATION CONTACT:** Debra Baker (202-205-3180), 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>).**SUPPLEMENTARY INFORMATION:****Background**

On June 4, 2002, the Commission determined that the domestic interested party group response to its notice of institution (67 FR 9462, March 1, 2002) was adequate and the respondent interested party group response was inadequate. The Commission did not find any other circumstances that would warrant conducting a full review.<sup>1</sup> Accordingly, the Commission determined that it would conduct an

<sup>1</sup> A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's web site.

expedited review pursuant to section 751(c)(3) of the Act.

#### Staff report

A staff report containing information concerning the subject matter of the review will be placed in the nonpublic record on June 28, 2002, and made available to persons on the Administrative Protective Order service list for this review. A public version will be issued thereafter, pursuant to section 207.62(d)(4) of the Commission's rules.

#### Written submissions

As provided in section 207.62(d) of the Commission's rules, interested parties that are parties to the review and that have provided individually adequate responses to the notice of institution,<sup>2</sup> and any party other than an interested party to the review may file written comments with the Secretary on what determination the Commission should reach in the review. Comments are due on or before July 3, 2002, and may not contain new factual information. Any person that is neither a party to the five-year review nor an interested party may submit a brief written statement (which shall not contain any new factual information) pertinent to the review by July 3, 2002. However, should Commerce extend the time limit for its completion of the final results of its review, the deadline for comments (which may not contain new factual information) on Commerce's final results is three business days after the issuance of Commerce's results. If comments contain business proprietary information (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.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the review must be served on all other parties to the review (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 review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.

Issued: June 11, 2002.

Marilyn R. Abbott,

Secretary.

[FR Doc. 02-15044 Filed 6-13-02; 8:45 am]

BILLING CODE 7020-02-P

<sup>2</sup>The Commission has found the response submitted by the Coalition for the Preservation of American Brake Drum and Rotor Aftermarket Manufacturers to be individually adequate. Comments from other interested parties will not be accepted (see 19 CFR 207.62(d)(2)).



**DEPARTMENT OF COMMERCE****International Trade Administration**

[A-570-846]

**Final Results of Expedited Sunset Review: Brake Rotors from the People's Republic of China**

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

**ACTION:** Notice of Final Results of Expedited Sunset Reviews: Brake Rotors from the People's Republic of China.

**SUMMARY:** On March 1, 2002, the Department of Commerce ("the Department") published the notice of initiation of a five-year sunset review of the antidumping duty order on brake rotors from the People's Republic of China ("PRC") pursuant to section 751(c) of the Tariff Act of 1930, as amended ("the Act").<sup>1</sup> On the basis of a notice of intent to participate and adequate substantive comments filed on behalf of domestic interested parties, and inadequate response (in this case, no response) from respondent interested parties, the Department determined to conduct an expedited sunset review of

they are participants in the Department's third administrative review.

<sup>4</sup> On March 28, 2002, the Department received request from domestic interested parties for extension of time limits to file a substantive response in this proceeding. The Department

this antidumping duty order. As a result of this review, the Department finds that revocation of the antidumping duty order would likely lead to continuation or recurrence of dumping at the levels listed below in the "Final Results of Review" section of this notice.

**EFFECTIVE DATE:** July 9, 2002.

**FOR FURTHER INFORMATION CONTACT:** Martha V. Douthit or James P. Maeder, Jr., Office of Policy for Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230; telephone: (202) 482-5050 or (202) 482-3330, respectively.

**SUPPLEMENTARY INFORMATION:****Statute and Regulations:**

This review is conducted pursuant to sections 751(c) and 752 of the Act. The Department's procedures for the conduct of sunset reviews are set forth in *Procedures for Conducting Five-year ("Sunset") Reviews of Antidumping and Countervailing Duty Orders*, 63 FR 13516 (March 20, 1998) ("*Sunset Regulations*"), and in 19 CFR Part 351 (2001) in general. Guidance on methodological or analytical issues relevant to the Department's conduct of

granted the extension to the domestic interested parties and all participants eligible to file responses until April 8, 2002.

<sup>1</sup> *Notice of Initiation of Five Year "Sunset" Reviews*, 67 FR 9439 (March 1, 2002).

sunset reviews is set forth in the Department's Policy Bulletin 98:3 *Policies Regarding the Conduct of Five-year ("Sunset") Reviews of Antidumping and Countervailing Duty Orders*; Policy Bulletin, 63 FR 18871 (April 16, 1998) ("Sunset Policy Bulletin").

**Scope of Review**

The product covered by this antidumping duty order are brake rotors made of gray cast iron, whether finished, semifinished, or unfinished, ranging in diameter from 8 to 16 inches (20.32 to 40.64 centimeters) and in weight from 8 to 45 pounds (3.63 to 20.41 kilograms). The size parameters (weight and dimension) of the brake rotors limit their use to the following types of motor vehicles: automobiles, all-terrain vehicles, vans and recreational vehicles under "one ton and a half," and light trucks designated as "one ton and a half."

Finished brake rotors are those that are ready for sale and installation without any further operations. Semi-finished rotors are those on which the surface is not entirely smooth, and have undergone some drilling. Unfinished rotors are those which have undergone some grinding or turning.

These brake rotors are for motor vehicles, and do not contain in the casting a logo of an original equipment manufacturer ("OEM") which produces vehicles sold in the United States (e.g., General Motors, Ford, Chrysler, Honda, Toyota, Volvo). Brake rotors covered in the order are not certified by OEM producers of vehicles sold in the United States. The scope also includes composite brake rotors that are made of gray cast iron, which contain a steel plate, but otherwise meet the above criteria. Excluded from the scope of the

order are brake rotors made of gray cast iron, whether finished, semifinished, or unfinished, with a diameter less than 8 inches or greater than 16 inches (less than 20.32 centimeters or greater than 40.64 centimeters) and a weight less than 8 pounds or greater than 45 pounds (less than 3.63 kilograms or greater than 20.41 kilograms).

Brake rotors are currently classifiable under subheading 8708.39.50.10 of the Harmonized Tariff Schedule of the United States ("HTSUS"). Although the HTSUS subheading is provided for convenience and Customs purposes, the written description of the merchandise subject to the order is dispositive.

**Background**

On March 1, 2002, the Department published the notice of initiation of the five-year sunset review of the antidumping duty order on brake rotors from the PRC in accordance with section 751(c) of the Act.<sup>2</sup> On March 18, 2002 the Department received a Notice of Intent to Participate on behalf of the Coalition for the Preservation of American Brake Drum and Rotor Aftermarket Manufacturers (collectively, "the domestic interested parties")<sup>3</sup> as specified in section 351.218(d)(1)(i) of the Sunset Regulations. The domestic interested parties claimed interested party status under section 771(9)(C) of the Act.

On April 1, 2002, the Department received a complete substantive response from the domestic interested parties, as specified in the *Sunset Regulations* under section 351.218(d)(3)(i). The Department did not receive a substantive response from any respondent interested party in the proceeding. Consequently, pursuant to section 751(c)(3)(B) of the Act, and 19 CFR 351.218(e)(1)(ii)(C), on April 10,

2002, the Department notified the International Trade Commission ("Commission") that we were conducting an expedited sunset review (120 - day) of the antidumping duty order.

**Analysis of Comments Received**

All issues raised by the domestic interested parties to this sunset review are addressed in the *Issues and Decision Memorandum* ("Decision Memorandum") from Jeffrey A. May, Director, Office of Policy, Import Administration, to Faryar Shirzad, Assistant Secretary for Import Administration, dated July 1, 2002, which is adopted by this notice. The issues discussed in the Decision Memorandum include the likelihood of continuation or recurrence of dumping and the magnitude of the margins likely to prevail were the order revoked. Parties can find a complete discussion of all issues raised in this review and the corresponding recommendations in this public memorandum which is on file in the Central Records Unit, room B-099, of the Department's main building.

In addition, a complete version of the Decision Memorandum can be accessed directly on the Web at <http://ia.ita.doc.gov/frn>, under the heading "July 2002." The paper copy and electronic version of the Decision Memorandum are identical in content.

**Final Results of Review**

We determine that revocation of the antidumping duty order on brake rotors from the PRC would likely lead to continuation or recurrence of dumping at the following percentage weighted-average margins:

Exporter/Manufacturer/Producers	Weighted-Average Margin (percent)
China National Automotive Industry Import & Export Corporation ("CAIEC") and Shandong Laizhou CAPCO Industry ("Laizhou CAPCO") / CAIEC and Laizhou CAPCO	Excluded
Shenyang Honbase Machinery Co., Ltd. ("Shenyang Honbase") and Lai Zhou Luyuan Automobile Fittings Co., Ltd. ("Laizhou Luyuan")	Excluded
China National Machinery and Equipment Import & Export ("Xinjiang") Corporation, Ltd. ("Xinjiang")/ Zibo Botai Manufacturing Co., Ltd. ("Zibo")	Excluded
Yantai Import & Export Corporation ("Yantai")	3.56
Southwest Technical Import & Export Corporation ("Southwest"), Yangtze Machinery Corporation, and MMB International, Inc.	16.07
Hebei Metals and Minerals Import & Export Corporation ("Hebei")	8.51
Jilin Provincial Machinery & Equipment Import & Export Corporation ("Jilin")	8.51
Shandong Jiuyang Enterprise Corporation ("Jiuyang")	8.51
Longjing Walking Tractor Works Foreign Trade Import & Export Corporation ("Longjing")	8.51
Qingdao Metals, Minerals & Machinery Import & Export Corporation ("Qingdao")	8.51
Shanxi Machinery and Equipment Import & Export Corporation ("Shanxi")	8.51
Xianghe Zichen Casting Corporation, Ltd ("Xianghe")	8.51

<sup>2</sup> *Antidumping and Countervailing Duties: Five Year Reviews*, (67 FR 9439) March 1, 2002

<sup>3</sup> Although the Coalition's membership has changed, current members include: Dana

Corporation, Brake and Chassis Division (formerly Brake Parts, Inc.); and Federal Mogul Corporation (successor to Wagner Brake Corporation/Moog and Waupaca foundry, Inc.). Brake Parts, Inc. and

Wagner Brakes have undergone corporate reorganization and are now known as Dana Corporation and Federal Mogul, Inc.

Exporter/Manufacturer/Producers	Weighted-Average Margin (percent)
Yenhere Corporation ("Yenhere") .....	8.51
All Others .....	43.32

This notice also serves as the only reminder to parties subject to administrative protective order ("APO") of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305 of the Department's regulations. Timely notification of return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

This five-year ("sunset") review and notice are in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: July 1, 2002.

**Joseph A. Spetrini,**  
*Acting Assistant Secretary for Import Administration.*

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**APPENDIX B**  
**STATEMENT ON ADEQUACY**



**EXPLANATION OF COMMISSION DETERMINATION ON ADEQUACY**  
in

*Brake Rotors from China*, Inv. No. 731-TA-744 (Review)

On June 4, 2002, the Commission determined that it should proceed to an expedited review in the subject five-year review pursuant to section 751(c)(3)(B) of the Tariff Act of 1930, as amended, 19 U.S.C. § 1675(c)(3)(B).

The Commission received a response from the Coalition for the Preservation of American Brake Drum and Rotor Aftermarket Manufacturers (“the Coalition”) which included company-specific information for the Coalition’s individual members, Dana Corporation, Brake and Chassis Division; Federal Mogul Corp.; and Waupaca Foundry, all domestic producers. The Commission determined that the Coalition’s response was individually adequate. The Commission also determined that the Coalition’s response was an adequate domestic interested party group response because the Coalition accounts for a significant share of domestic production of the like product.

The Commission did not receive a response from any respondent interested party. Consequently, the Commission determined that the respondent interested party group response was inadequate.

The Commission did not find any circumstances that would warrant conducting a full review. The Commission therefore determined to conduct an expedited review. A record of the Commissioners’ votes is available from the Office of the Secretary and at the Commission’s website (<http://www.usitc.gov>).