

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
 )  
BALL BEARINGS FROM CHINA ) Investigation No.:  
 ) 731-TA-989 (Final)

## OPEN SESSION

Pages: 1 through 271 (with excerpts)  
Place: Washington, D.C.  
Date: March 6, 2003

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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BALL BEARINGS FROM CHINA	)	Investigation No.:
	)	731-TA-989 (Final)

Thursday,  
March 6, 2003

Room 101  
U. S. International  
Trade Commission  
500 E St., SW  
Washington, D.C.

The conference commenced, pursuant to Notice, at 9:33 a.m., before the Commissioners of the United States International Trade Commission, DEANNA TANNER OKUN, Chairman, Presiding.

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P R O C E E D I N G S

(9:33 a.m.)

1  
2  
3 CHAIRMAN OKUN: Good morning. On behalf of the  
4 United States International Trade Commission, I welcome you  
5 to this hearing on Investigation No. 731-TA-989 (Final)  
6 involving ball bearings from China.

7 The purpose of this investigation is to determine  
8 whether an industry in the United States is materially  
9 injured or threatened with material injury by reason of less  
10 than fair value imports of subject merchandise.

11 Before we begin, I note that we have granted a  
12 request by certain respondents to hold a portion of this  
13 hearing in camera so that proprietary information may be  
14 discussed. The in camera session will follow the public  
15 presentations by petitioners and respondents. Only persons  
16 covered by the administrative protective order will be  
17 allowed to attend this portion of the hearing.

18 The in camera session commence with a presentation  
19 by respondents. Petitioners will be permitted to present an  
20 in camera rebuttal presentation.

21 The hearing will then return to a public forum and  
22 conclude the rebuttal, if desired, and a closing statement  
23 by each party.

24 Schedules setting forth the presentation of this  
25 hearing and testimony of witnesses are available at the

1 secretary's desk. I understand the parties are aware of  
2 time allocations. Any questions regarding the time  
3 allocations should be directed to the secretary.

4 As all written material will be entered in full  
5 into the record it need not be read to us at this point.

6 All witnesses must be sworn in by the secretary  
7 before presenting testimony.

8 Copies of the notice of institution, the tentative  
9 calendar and transcript order forms are available at the  
10 secretary's desk. Transcript order forms are also located  
11 in the wall rack outside the secretary's office.

12 Finally, if you will be submitting documents that  
13 contain information that you wish classified as confidential  
14 business information, your request should comply with  
15 Commission Rule 201.6.

16 Madam Secretary, are there any preliminary  
17 matters?

18 MS. ABBOTT: Yes, Madam Chairman.

19 Mr. Wechsler has been delayed. Upon his arrival,  
20 he will be sworn.

21 CHAIRMAN OKUN: Madam Secretary, we are not able  
22 to hear you very well.

23 MS. ABBOTT: I'm sorry. Mr. Wechsler has been  
24 delayed. Upon his arrival, he will be sworn and seated.

25 All other witnesses have been sworn.

1 (Witnesses sworn.)

2 CHAIRMAN OKUN: Okay, thank you very much for that  
3 information.

4 I wondered if before we proceed with opening  
5 remarks if the parties would indicate for the petitioners  
6 how much time they plan to reserve for the in camera session  
7 so we can plan this.

8 Mr. Applebaum.

9 MR. APPLEBAUM: The petitioners plan to reserve 10  
10 minutes for the in camera session.

11 CHAIRMAN OKUN: Okay. Thank you very much.

12 We will then proceed with opening remarks.

13 MS. ABBOTT: Opening remarks on behalf of  
14 petitioners will be made by Harvey M. Applebaum, Covington &  
15 Burling.

16 CHAIRMAN OKUN: Good morning, Mr. Applebaum.

17 Be sure your microphone is on and close to you.

18 MR. APPLEBAUM: Good morning, members of the  
19 Commission. Just for the record, I am Harvey Applebaum from  
20 the law firm of Covington & Burling, counsel to the American  
21 Bearing Manufacturers Association, the petitioner in this  
22 proceeding. We will be accompanied here today in the  
23 hearing by co-counsel, Stewart & Stewart, representing the  
24 Timken Company, which is one of the members of the ABMA.

25 Let me state at the outset that the ABMA

1 membership consists of companies who manufacture bearings in  
2 the United States. You cannot be a member unless you are a  
3 United States manufacturer of bearings, and all of the  
4 participating ABMA members in this case are United States  
5 manufacturers of ball bearings.

6 I think it's universally recognized that ball  
7 bearings is a critical United States industry, critical in  
8 terms of national defense and national security interests,  
9 and a major supplier to very important United States  
10 industries, many of which you will hear about today, and of  
11 course already know about.

12 This is a case about the United States operations  
13 of the members of the ABMA. You will hear from six United  
14 States producers today who will support our case that the  
15 ball bearing industry is materially injured and threatened  
16 by material injury by dumped imports from China.

17 Six of those producers will be present to testify.  
18 I think you will hear a description of a very different  
19 industry than that which is described in the respondent's  
20 prehearing brief.

21 In the preliminary determination, which was  
22 affirmative, a number of commissioners, both, I think  
23 majority and minority, expressed concern over whether there  
24 was clearly competitive overlap between the United States  
25 producers and the Chinese imports, and over whether, in any

1 event, whether the Chinese were playing a significant  
2 contributing role in any causation resulting in material  
3 injury.

4           We will submit, based on our prehearing brief, the  
5 testimony today, the staff report that for this final  
6 determination you have very new and improved data to make  
7 those determinations, both qualitatively and quantitatively.

8           In particular, we believe, and you will hear  
9 further testimony in this, there is very strong head to head  
10 competition between Chinese imports and United States  
11 producers in almost all sectors that buy ball bearings and  
12 increasingly that moving up the value chain. And based on  
13 the promotional and website materials of the Chinese they  
14 eventually will produce all ball bearings that are sold in  
15 the United States.

16           The competitive overlapping competition is in  
17 virtually all sectors. It's in virtually ABEC ranges. It  
18 is in virtually all OEM ranges, and as I have already said,  
19 increasingly up the value chain.

20           As both the ABMA and Timken prehearing briefs so  
21 in substantial exhibits, if you look at the promotional  
22 materials, the website materials, the brochures of the  
23 Chinese producers, you will find a very different story than  
24 that of the prehearing brief of the respondents which tries  
25 to suggest that the Chinese are only at the low end of the

1 value chain, and the U.S. industry is only at the high end.

2           We believe that the staff report and the testimony  
3 you will hear will show there is material injury. All of  
4 the indicia, some of which are confidential, are declining  
5 in general. You will hear testimony about closed plants,  
6 lost sales, and the like. And we would submit that the  
7 testimony you will hear will demonstrate to you that this is  
8 coming from head to head competition with Chinese import in  
9 resulting in either lost sales on the part of the U.S.  
10 industry or the need to reduce prices to meet the very low,  
11 extremely low prices of the Chinese companies.

12           There is a substantial threat of continuing  
13 injury. I would submit to you that the threat case is  
14 particularly strong in this instance, and both in our  
15 prehearing brief and otherwise you have information on  
16 Chinese capacity, Chinese inventories, the size of the  
17 Chinese industry, and the clear ability of the Chinese  
18 industry to continue to expand their exports to the United  
19 States.

20           The six companies that you are about to hear we  
21 believe are representative of the U.S. industry. They are  
22 representative in size. You have very large members of the  
23 industry. You also have smaller members of the industry.  
24 You have a diversity in product lines ranging from ground to  
25 unground bearings to ball bearing parts, all of which are

1 part of the like product in this case. And finally, you  
2 will see a diversity in geography of the various plants  
3 across the country that are represented by these companies.

4 That concludes my opening remarks. I look forward  
5 to the testimony that will follow.

6 CHAIRMAN OKUN: Thank you.

7 MS. ABBOTT: Opening remarks on behalf of  
8 respondents will be made by John Greenwald, Wilmer, Cutler &  
9 Pickering.

10 CHAIRMAN OKUN: Good morning, Mr. Greenwald.

11 MR. GREENWALD: Good morning, Commissioners  
12 Koplan, Hillman, and Miller.

13 You are going to hear two very different  
14 presentations today, and I would submit to you the  
15 fundamental difference is ours will be based on hard  
16 evidence, on the record before you on hard numbers, and that  
17 the presentation you will hear from petitioners will be  
18 based on the websites, will be based on soft data, will be  
19 based to a large extent on products that are not imported  
20 into the United States from China.

21 Also, I think that there will be differences in  
22 terms of how the market is portrayed, and the role of the  
23 Chinese in that market. One of the fundamental questions  
24 that I would like you to keep in your mind as you hear all  
25 the testimony is how big is the market that we're talking

1 about.

2           In fact, the U.S. ball bearing market is very,  
3 very large. The precise numbers are unclear, but it's  
4 somewhere between two and three billion dollars, and the  
5 Chinese share of that market is very, very small. In fact,  
6 if this were all that this case is about, that is, if there  
7 were direct competition between domestic production and  
8 imports across the range of products at issue, even then the  
9 period of investigation rise in imports from China, which is  
10 the focus of petitioners' complaint, would not justify an  
11 affirmative injury determination because in fact it is  
12 minimal.

13           But that is not all. We will show that in fact  
14 the U.S. market is highly segmented, and while there are  
15 isolated instances of competition in various areas, the fact  
16 of the matter is that for most applications and at most  
17 accounts the competition is either zero or minimal.

18           Imports from China are concentrated in the low end  
19 of the market. Most U.S. producers are de-emphasizing this  
20 market. An important point again, one that you will, I  
21 don't think, hear directly about from petitioners is the  
22 multinational nature of their operations. All major U.S.  
23 petitioners have ball bearing plants around the world. All  
24 major U.S. petitioners are engaged in rationalizations that  
25 shift low price bearing production offshore to low cost

1 platforms.

2           Another point I doubt you will hear very much  
3 about but is terribly important is the role of non-subject  
4 imports. Non-subject imports dwarf the imports that are  
5 under investigation. One of the questions that you must ask  
6 yourself is why on earth would petitioners bring a case  
7 solely directed at imports from China.

8           And the answer, I believe, is that their  
9 fundamental interest is protecting their offshore platforms  
10 that export the same sort of bearings to the United States  
11 that China exports.

12           Because petitioners cannot build a case on hard  
13 data, they cannot build a case on the record, you will hear  
14 a case that is based on anecdotal information, and as I  
15 said, information from websites, et cetera.

16           I don't want to overstate what you will hear from  
17 our side. There are areas of competition. It's not as if  
18 the Chinese and the domestics are existing in two entirely  
19 segregated markets, but it is true that the level of overlap  
20 is minimal. And when you combine that with a level of  
21 imports that is minimal, the only conceivable decision you  
22 can make is that there is no link between imports and what  
23 you will hear described as declining indicia of performance,  
24 industry performance, and in fact you will find that the  
25 declines in industry performance are entirely due to a

1 three-year decline in manufacturing activity.

2 Demand for ball bearings is derived. The  
3 customers are cutting back on their purchases. That is what  
4 you see in the data. It has nothing to do with imports from  
5 China.

6 Thank you.

7 CHAIRMAN OKUN: Thank you.

8 Madam Secretary, I see that the first panel has  
9 been seated. Have all the witnesses been sworn?

10 MS. ABBOTT: Yes, Madam Chairman.

11 CHAIRMAN OKUN: Other than Mr. Wechsler, and he  
12 will be when he arrives.

13 Very well, then, Mr. Applebaum, you may proceed.

14 MR. APPLEBAUM: Thank you, Chairman Okun.

15 I would like to make at the outset one  
16 clarification. The prehearing brief of the respondents cite  
17 at least 11 times, and I may have missed some, what it is  
18 referred to as ABMA, Department of Commerce handbook. This  
19 is the statistical handbook of the ball and roller bearing  
20 industry, June 2000, cited as Exhibit 1.

21 We don't know why they call this an ABMA report,  
22 but I just want to clarify for the record it is not an ABMA  
23 report. Is it a report of the Department of Commerce. The  
24 ABMA did urge the department to make it available to the  
25 public. And in saying this we don't agree with all of it,

1 and we also would note that this one is outdated. There is  
2 a much more recent edition. But the main point I am making  
3 is that this is not an ABMA study, and we do not know why it  
4 is so cited in the respondents' brief.

5           We will testify as follows just so you will know.  
6 We will hear initially from the president of the ABMA, and  
7 there will follow in order, and I will not introduce them,  
8 they will just come one after another unless the Commission  
9 has questions: the Timken Company, NSK, SKF, National  
10 Freeway and Hoover. They are all on the calendar.

11           And the first witness will be David Rohn, the  
12 president of the ABMA.

13           CHAIRMAN OKUN: Thank you.

14           MR. ROHN: Good morning. My name is David Rohn.  
15 I am president of the American Bearing Manufacturers  
16 Association. The ABMA is a nonprofit association consisting  
17 of 31 American manufacturers of anti-friction bearings,  
18 spherical plain bearings, or major components of ball  
19 bearings. The ABMA is a collective voice of the American  
20 bearing industry.

21           Throughout the last two years ABMA members have  
22 expressed concern and frustration with unfair competition  
23 coming from imported Chinese ball bearings. Domestic  
24 manufacturers of bearings and bearing parts have suffered  
25 unprecedented losses in sales and revenues as a result of

1 competition with Chinese imports.

2 To save their businesses, many domestic producers  
3 have lowered prices, laid off workers, or closed down  
4 plants. Still some are barely staying above water. As the  
5 Commission will soon hear, this injury only continues to  
6 worsen.

7 This morning you will hear from a wide range of  
8 ABMA members from companies that manufacturing ground  
9 bearings, unground bearings and ball bearing parts. They  
10 have volunteered to testify about the injuries that their  
11 companies are suffering because of unfairly priced Chinese  
12 imports.

13 And on behalf of the ABMA, I would like to thank  
14 you for your willingness to hear our concerns, and I urge  
15 you to take action to stop unfair dumping of Chinese ball  
16 bearings.

17 Thank you.

18 MR. GRIDLEY: Good morning. I'm Dave Gridley,  
19 Executive Director of Marketing Services and Government  
20 Affairs of Timken U.S. Corporation, formerly The Torrington  
21 Company.

22 This morning I'm going to address the issue of  
23 competition between Chinese and U.S.-made ball bearings.

24 Competition is real, it is intense, and the U.S.  
25 companies are losing sales to Chinese products every day and

1 in every market. I'm going to address the competition by  
2 part numbers, by size, and ABEC rating, and by end use  
3 markets and customers.

4 With respect to part numbers, Exhibit 6 of our  
5 prehearing brief presents 22 pages of selected examples of  
6 part numbers that Timken produced in the United States  
7 during some point in the period of investigation, and  
8 offered by various Chinese producers. The easel is up here  
9 on the right.

10 This information is from public price lists,  
11 catalogues and websites. We have placed three of these  
12 pages on the easels. As you can see, Chinese produces offer  
13 the exact same part numbers as Timken, whether in radials,  
14 agricultural bearings, angular contact, double rows, housed  
15 bearings, and so on.

16 For an example, the first of these charts lists  
17 six different products from the 6200 series. Among these is  
18 the 6203 for which pricing information was requested. A  
19 ball bearing such the 6203 is offered in a variety of  
20 configurations such as with or without shields and seals.

21 As the chart shows, at least 15 Chinese companies  
22 offer the 6203 in some -- the same configuration as we do.  
23 Please note that in the area of agricultural bearings, an  
24 important part of our business, our Chinese competitors have  
25 gone so far as to use our Fafnir part numbers as shown in

1 the color handout we have provided you from the Peer Bearing  
2 Company, a major Chinese producer.

3           These pages, which appear in Exhibit 7 of our  
4 brief, are an interchange chart that matches Peer Bearing  
5 part numbers with those of other producers, including  
6 Fafnir, which is Timken.

7           These two pages list 107 agricultural bearings  
8 that Peer produces that are also produced by our company in  
9 the United States. Simply put, Chinese and U.S. producers  
10 are producing the same part numbers across a wide range of  
11 products.

12           One argument raised by our opponents is that there is  
13 limited competition based on size and ABEC rating. Not  
14 true. The overwhelming majority of our ball bearings that we  
15 produce are in the same size ranges and ABEC ratings  
16 produced by the Chinese.

17           Moreover, in Timken's prehearing brief on page 8  
18 through 10 we show the size breakouts reported in the public  
19 sources, such as import statistics and U.S. Census data.  
20 This also shows Chinese product and U.S. product being sold  
21 in the same size ranges from the smallest to the largest.

22           Another claim is that we don't sell to the same  
23 end use customers as the Chinese. Again not true. We see  
24 large and increasing competition from Chinese producers in  
25 most of the markets and end uses to which we sell, from farm

1 machinery to motor vehicles and parts to cargo deck rollers  
2 for aerospace to construction machinery, lawn and garden  
3 tractors, and household appliance, as well if not dozens or  
4 hundreds of end use applications.

5 A substantial amount of our sales are to  
6 distributors who in turn sell to smaller OEMs in many of the  
7 same SIC markets where Chinese bearings are sold as well as  
8 in the after market.

9 What we sell to distributors, therefore, is also  
10 encountering competition from Chinese ball bearings in the  
11 same end use markets that we encounter in our direct sale to  
12 those markets. We believe that our experience with  
13 competition from Chinese ball bearings is typical of the  
14 industry as a whole.

15 Thank you.

16 CHAIRMAN OKUN: Mr. Gridley, before you go on, I  
17 just wanted to ask, the charts up there which are hard to  
18 read from up here, but which we have handouts of are --

19 MR. GRIDLEY: The handouts are the same.

20 CHAIRMAN OKUN: Okay, I just wanted to make sure.

21 Do the respondents have the same handouts so they  
22 that they can follows what the --

23 MR. GREENWALD: We have copies.

24 MR. GRIDLEY: Yes.

25 CHAIRMAN OKUN: Okay, I just wanted to be sure

1 about that so that that they could see what we are looking  
2 at well. Thank you. Go ahead.

3 MR. PEDEMONTI: Good morning. I am Paul  
4 Pedemonti, Vice President, Industrial Sales North America,  
5 Timken U.S. Corporation, formerly The Torrington Company. I  
6 have worked in the bearing industry for 37 years.

7 I would like to tell you about the impact that  
8 unfair competition from Chinese ball bearings is having on  
9 our operations. We believe that our experience is typical  
10 for most of the U.S. industry.

11 During the period of investigation, we have not  
12 changed our capacity, but we have seen a severe contraction  
13 in our capacity utilization as we have experienced declines  
14 in production and shipments. We have also seen declines in  
15 employment, hours worked and wages paid.

16 The impact from dumped Chinese imports can be seen  
17 by looking at several of our facilities. Our Rockford,  
18 Illinois facility produces 6200, 6201, 6202 and 6203 series.  
19 During the period of investigation, we have gone from three  
20 shifts producing seven days a week to one shift.

21 In the second facility, Pulaski, Tennessee,  
22 investments made in the last decade on automated lines have  
23 been put in jeopardy as we have lost sizeable orders such  
24 that we cannot run automated lines on a continuous basis.  
25 We believe other producers in the industry are facing

1 similar problems.

2           While our shipments have declined by volumes  
3 significantly, Chinese imports have increased significantly  
4 by volume as shown by official import statistics, the best  
5 measure of Chinese imports. Chinese imports have also  
6 increased on a value basis.

7           In our questionnaire response we provided a number  
8 of examples of specific customer accounts where Timken has  
9 experienced severe price competition from Chinese ball  
10 bearings. Since submitting that response, we have been able  
11 to salvage some of this business by reducing our prices. So  
12 some of the example of what we expected to be lost sales are  
13 now examples of price depression.

14           We also have important OEM contracts that are due  
15 to expire this year, at which point we expect to lose that  
16 business as well to Chinese product.

17           We are also losing business in the distribution  
18 channel as our distributors report their inability to meet  
19 price competition from Chinese imports. Many of our  
20 distributors have started carrying lines of Chinese product  
21 side by side with ours. This was not the case just a few  
22 years ago. Our distributors are also taking reduced  
23 shipment from us where their sales are declining in the face  
24 of Chinese competition.

25           So let there be no doubt. We face intense price

1 pressure from Chinese ball bearings in both OEM and  
2 distributor account and are experiencing painful price  
3 depression as a result.

4 Please note in that regard that in the preliminary  
5 determination the Commission appeared to interpret evidence  
6 of increases in average unit values as evidence that the  
7 industry is not experiencing price depression.

8 With all due respect, that is not an accurate  
9 interpretation. Taking as example the 6203 that is reported  
10 in our questionnaire response, as the staff report correctly  
11 notes pricing levels based on quantity are negotiated  
12 contract by contract. It is not surprising that large  
13 quantity orders obtain lower prices than smaller quantity  
14 orders.

15 In the pricing information supplied by Torrington  
16 to both distributor and OEM accounts, the appearance of an  
17 increase in average unit value as volumes declined is a  
18 reflect of our loss of major quantity sales as opposed to  
19 price increases for the product to customers.

20 Meanwhile, underselling by Chinese imports  
21 continues to put pressure on us across the board.

22 Thank you.

23 MR. BRINKMAN: Good morning. My name is John  
24 Brinkman. I am the director of sales and marketing for NSK  
25 Corporation's OEM business unit. I have been employed by

Heritage Reporting Corporation  
(202) 628-4888

1 NSK for 18 years, and I have been in my current position for  
2 two years. Prior to that I was NSK's general sales and  
3 marketing manager, automotive.

4 NSK is the leading producer of ball bearings in  
5 the United States, producing ball bearings and components at  
6 four highly automated modern plants. NSK's breadth of the  
7 U.S. ball bearing production makes NSK's experience highly  
8 representative of the impact of low priced Chinese imports  
9 on the domestic ball bearing industry.

10 Of NSK's four plants, our Clarinda, Iowa plant has  
11 been the most affected by the Chinese ball bearings being  
12 sold in the United States at prices that significantly  
13 undersell U.S. pricing. The NSK Clarinda plant manufactures  
14 small D-groove ball bearings used for automotive  
15 applications and by manufacturers of industrial products  
16 such as electric motors, power tools and lawn and garden  
17 equipment.

18 Competition from low priced Chinese imports became  
19 fierce in 2000, and the effect on Clarinda has been  
20 dramatic. The 608 and 6203 ball bearings once were some of  
21 the highest volume bearings produced in Clarinda during  
22 2000. Monthly sales of 608 bearings today are one-third of  
23 what they used to be. Monthly sales of 6203 bearings are  
24 one-half of what they used to be.

25 The economic downturn certainly reduced orders for

1 all U.S. plants, but the reduction in sales of Clarinda  
2 product has disproportionate and due primarily to unfair  
3 sales of Chinese ball bearings.

4           NSK has tried to counter this unfair competition  
5 with aggressive cost cutting, which unfortunately has had to  
6 include employee layoffs. Operating profits that were  
7 stable from 1997 through 1999 have experienced year-over-  
8 year declines since 2000.

9           Underselling by Chinese ball bearing producers has  
10 also hit the markets served by ball bearings produced in  
11 NSK's Ann Arbor, Michigan plant. For example, in 2000, NSK  
12 lost a significant percentage of its Ann Arbor large D-  
13 groove ball bearing production to low priced Chinese  
14 competition.

15           In 2002, despite substantial engineering and sale  
16 support requirements of one important automotive customer  
17 NSK lost sales of single roll ball bearings produced in the  
18 Ann Arbor plant to low priced Chinese imports.

19           Finally, Ann Arbor sales of integral shaft  
20 bearings to the automotive after-market have dropped 95  
21 percent since low priced Chinese substitutes entered the  
22 marketplace, and the worst is yet to come.

23           In the prehearing brief, Doug Brewer, NSK's after-  
24 market business segment manager, submitted an affidavit that  
25 attaches current brochures for several Chinese bearing

1 manufacturers. In those brochures Chinese manufacturers  
2 openly state that they can supply very high quality, highly  
3 engineered bearings for use by the automotive industry.  
4 Some brochures advertise incredibly complex wheel hub  
5 bearings and precision bearings rated ABEC 7 or above.

6 Some advertise ISO 9000 certification, one  
7 advertises QS 9000 certification.

8 In other words, Chinese ball bearings producers  
9 have already begun to target highly engineer automotive  
10 applications which pose a direct threat to the remaining  
11 production in NSK's U.S. plants.

12 As previously mentioned, we have already lost one  
13 automotive sales contract to Chinese underselling My  
14 forecast for the future is that we will soon lose many more  
15 of such sales unless the U.S. Government provides us relief  
16 from these dumped imports.

17 Madam Chairman, Commissioners, severe price  
18 competition from Chinese bearing manufacturers has already  
19 caused more than 100 percent in NSK's Clarinda, Iowa plant  
20 to lose their jobs, and many more have suffered salary  
21 reductions. Further cost reductions are already underway to  
22 counter unfair Chinese competition will cause more NSK  
23 employees to lose their jobs.

24 Output is down. Sales and market share are being  
25 lost. Capacity utilization and profits are suffering

1 dramatically.

2 I welcome the opportunity to provide any  
3 information you may need that will show the harm done to  
4 NSK's U.S. production. I thank you very much time and  
5 attention.

6 CHAIRMAN OKUN: Thank you.

7 MR. MALMSTROM: Members of the Commission, good  
8 morning. My name is Sten Malmstrom, and I am the president  
9 and CEO of SKF USA, Inc.

10 As a bit of a background, I have served as  
11 president for SKF USA since 1999, and before that I was  
12 president of the SKF C's Division. I have been SKF since  
13 1973, and I have served as an ABMA group management since  
14 1984.

15 SKF USA is headquartered in Morristown,  
16 Pennsylvania. We produce a variety of ball bearings,  
17 including D-groove ball bearings, angular contact ball  
18 bearings, self-lining ball bearings, and wheel hub units.

19 We operate ball bearing plants in Gainesville,  
20 Georgia, Altoona, Pennsylvania, Akin, South Carolina,  
21 Jamestown and Faulkner, New York.

22 I am here to discuss today the detrimental effects  
23 that unfair Chinese competition has had on SKF ball bearing  
24 business, and I want to make it clear that my discussion is  
25 confined to the effect of SKF USA operations.

1 Over the past years the low Chinese prices have  
2 caused us to lose business and are still threatening our  
3 current and future customer base.

4 The Chinese prices are so low that there is no way  
5 we can restructure operations to compete with those prices.  
6 This is particularly important because competition for ball  
7 bearings sales mainly revolve around prices.

8 Since 1999, SKF has faced intense competition from  
9 numerous imported Chinese ball bearing. That competition  
10 occurred and is still occurring on a variety of ball  
11 bearings, including the 108, 6211, 6212, and 6203, which are  
12 used in the automotive sector. This competition  
13 demonstrates that Chinese are now competing in many markets,  
14 including the high value markets like the automotive sector.  
15 This is significant because the automotive sector is SKF's  
16 market in the United States.

17 Because of this Chinese competition, SKF has lost  
18 business with its customers. Not only have we also lost  
19 customers who left us to purchase with the Chinese, but we  
20 also have customers that have announced that they are taking  
21 their business elsewhere at the end of the contract, or as  
22 soon as their prospective Chinese suppliers is certified.

23 We also anticipate additional lost business we  
24 know some of our customers are testing Chinese bearings and  
25 have told us that Chinese bearings are substantially

1 cheaper. I believe this trend will continue, and that we  
2 will eventually lose more business with many of our large  
3 suppliers.

4 Chinese competition is having a major effect on  
5 SKF's sales in the automotive industry, and that's forced us  
6 to lose customers, several first and second tier automotive  
7 suppliers. Since 2000, we have lost \$8.4 million of  
8 automotive bearings to the Chinese. We also know by the end  
9 of 2003 we will lose an additional \$7.9 million of  
10 automotive sales due to unfair Chinese competition.

11 These losses of three automotive customers  
12 totaling \$16.3 million, all ABEC 1 grade bearings have had a  
13 dramatic adverse effect on SKF's business, particularly at  
14 our Gainesville, Georgia plant. SKF lost those sales  
15 because we are not able to reduce our prices to compete with  
16 the Chinese underselling of between 30 and 60 percent.

17 Not only will we suffer losses in 2003, but I'm  
18 sure that the intense Chinese pressure on SKF's loss trend  
19 will continue in future years. I believe those losses are  
20 just the beginning because our first and second tier  
21 automotive customers are constantly trying to reduce costs.

22 As I mentioned, Chinese competition has had a  
23 particular negative effect on our Gainesville, Georgia  
24 plant. We closed down production lines for 602 and 62 ball  
25 bearings in 1998, mainly as a result of Chinese competition.

1 These two production lines represented \$50 million in  
2 production or 20 percent of the total output of the  
3 Gainesville plant.

4 SKF closed these production lines because the  
5 prices for two bearings had decreased so much that it was no  
6 longer economical to continue to produce them.

7 We have also been forced to continue to reduce our  
8 production at the Gainesville plant. In 2003, this year,  
9 our plant total production will be around \$55 million, which  
10 is a considerable reduction for the '99 production of \$87  
11 million.

12 In addition to closing down production lines and  
13 reducing production, we have been forced to significantly  
14 reduce our workforce. Since 1999, we have reduced our  
15 workforce by 40 percent or approximately 200 employees.

16 Our Gainesville plant is clearly threatened by the  
17 intense Chinese competition.

18 In order to resist Chinese competition, SKF has  
19 been forced to engage in a variety of initiatives that  
20 cannot be sustained. In addition to closing lines and  
21 reducing production, and workforce, we have been forced to  
22 cut our prices. We are constantly trying to reduce costs  
23 and produce productivity. We have been successful at  
24 increasing our productivity at an average of five percent  
25 during the last years. But this is nowhere near meeting the

1 30 to 60 percent cost reduction that our customers are  
2 demanding.

3           In conclusion, I want to emphasize that unfair  
4 Chinese competition has been and continues to be extremely  
5 detrimental to our production of ball bearings in the United  
6 States, and the bearing industry in general. I have  
7 provided significant details on SKF lost sales which show  
8 that SKF is already suffering from unfair Chinese  
9 competition. Continued unfair competition will harm our  
10 company and may eventually force us out of the ball bearing  
11 market. This unfair competition is particularly damaging  
12 given the current weak state of the U.S. economy.

13           Thank you for the opportunity to discuss SKF's  
14 experience with Chinese ball bearings. I am happy to answer  
15 any questions you may have.

16           CHAIRMAN OKUN: Thank you.

17           MR. POTTS: Good morning. My name is Larry Potts.  
18 I'm the plant manager for National Bearings Company's  
19 Lancaster, Pennsylvania plant. Our president, Jessica May,  
20 submitted an affidavit in this investigation, but was unable  
21 to attend today's hearing because of scheduling conflicts on  
22 the west coast.

23           I have worked for National for about five years.  
24 Before this I managed operations for several different  
25 companies, including General Electric, Stanley Works, M.

1 Cast Automotive.

2           National Bearings Company has been in business  
3 since 1917. Operating entirely out of our Lancaster plant,  
4 we produce a variety of unground ball bearings, including  
5 radial, angular contact ball bearings. We also produce  
6 parts for ground and unground ball bearings, including  
7 thrust washers, thrust plates, thrust retainers, cup-and-  
8 cone retainers, and ball separators.

9           As Ms. May reported, at last year's staff  
10 conference, starting in 1999, National has competed with  
11 ground and unground imported Chinese ball bearings.  
12 Although the fact that we are a custom manufacturer helped  
13 us avoid Chinese competition for a little while, since 1999  
14 Chinese producers have been successfully competing with our  
15 business. This competition intensified throughout 2002 and  
16 has expanded to include various parts of ball bearings.

17           The reason the competition is now so intense is  
18 that the prices for the Chinese ground and unground bearings  
19 are extremely low.

20           We have lost substantial sales and revenue to the  
21 very aggressively priced Chinese ground and unground ball  
22 bearings. While we have tried reducing our prices to retain  
23 our customers, this is a losing strategy for us. At best we  
24 retained the customers at significantly reduced revenue. At  
25 worst we lose the customer entirely.

1           In 2001, for example, one long-term customer  
2 informed us that it was going to switch from our unground  
3 bearings to a Chinese ground bearing with an added housing  
4 and fastener to use in their door hinge assembly. This  
5 customer explained that it simply could not resist the low  
6 priced Chinese bearings, which were priced at about one-half  
7 the price of our bearings.

8           We have also lost customers for our parts. For  
9 example, we lost one customer to a Chinese producer of  
10 thrust washers because the Chinese supplier undersold us by  
11 60 percent. Again, our former customers have told us that  
12 the reason they are switching to Chinese parts is that the  
13 prices for these parts are so low.

14           Since the Chinese started taking our business with  
15 their aggressively priced products, National sales have  
16 declined significantly. We have also been forced to lay off  
17 some of our staff in the Lancaster plant. We should not be  
18 losing customers and letting go of dedicated workers just  
19 because the Chinese are not trading on a level playing  
20 field.

21           We know that we can compete successfully with the  
22 Chinese, just as we have competed successfully with U.S. and  
23 foreign competition for years, even on price. However, we  
24 cannot compete when they trade unfairly.

25           Thank you for the opportunity to discuss

1 National's experience with unfairly priced Chinese ball  
2 bearings. I am happy to answer any questions that you might  
3 have.

4 CHAIRMAN OKUN: Thank you.

5 MR. FLYNN: Good morning. My name is Pat Flynn,  
6 and I am president of and chief operating officer of Freeway  
7 Corporation, Cleveland, Ohio.

8 I would like to start by providing a little  
9 background information about myself. In 1964, I received a  
10 degree in accounting from St. Mary's College, Emmitsburg,  
11 Maryland. Four years later I received my MBA from St.  
12 John's University, New York City. I am a certified public  
13 accountant and also adjunct faculty member of the MBA  
14 program at Baldwin & Wallace College in Agree, Ohio.

15 I have served as president and chief operating  
16 officer at Freeway since 1998. Prior to this, I was  
17 Freeway's vice president of finance and chief financial  
18 officer for about five years. I have about 10 years'  
19 experience in the ball bearing industry.

20 I come before you today to tell you about the  
21 difficulties that Freeway is experiencing in the last few  
22 years as a result of competition with Chinese imports. We  
23 have been in business since 1944. We produce commercial  
24 unground ball bearings for use in such items as overhead  
25 doors, garage doors, farm implements, children's toys,

1 bicycles, and motor vehicles.

2           In the recent years Chinese ball bearings have  
3 surged in the domestic market at unbelievably low prices.  
4 Consequently, many of our customers, who are driven almost  
5 entirely by prices, have switched to imported Chinese  
6 bearings. We have suffered most for Chinese imports of  
7 unground commercial grade radial ball bearings in the range  
8 of 23 to 51 mm.

9           We simply cannot compete with these Chinese  
10 bearings price as they are. For example, on the 28.5 mm  
11 flange bearings we are competing with Chinese imports priced  
12 at 11 cents per bearing. Our normal price for a bearing  
13 such as this ranges from 17 cents to 35 cents. We are  
14 seeing the same type of underselling in the 50.8 mm flange  
15 bearings. Chinese imports are selling at 38 cents per  
16 bearing while our price is about 57 cents per bearing. In  
17 many cases the landed Chinese imports are selling for less  
18 than the cost of our raw material. Let me repeat that. In  
19 many case the landed Chinese imports are selling for less  
20 than the cost of our raw material.

21           We are not seeing this type of competition from  
22 another other domestic or foreign producers from other  
23 countries. Competition with importers of Chinese bearings,  
24 such as Canamax, has taken a drastic pull on our business.  
25 Although we could not compete with these unfairly priced

1 Chinese imports in the best of times, today's weak economy  
2 has really enlarged this injury to Freeway.

3           Since the 1980s, Freeway's bearing sales have  
4 dropped about 50 percent. In the last three years we have  
5 lost between four and five million dollars to unfairly  
6 priced Chinese imports.

7           If unfair Chinese dumping is not remedied by the  
8 imposition of antidumping duties, we face even tougher times  
9 ahead. Already our business losses has hampered our ability  
10 to attract to new investments, thus magnifying our injury.  
11 Without investments or new technology and the ability to  
12 make business decision, I don't know how Freeway can be  
13 competitive in the future.

14           Freeway Corporation is a long standard producer of  
15 ball bearings as well as an important employer in the  
16 locations that we have plants and offices. Chinese imports  
17 have badly damaged our company. For the sake of our  
18 business, our employees, and our communities, we hope this  
19 investigation puts an end to unfair Chinese competition.

20           Thank you for your time.

21           CHAIRMAN OKUN: Thank you.

22           MR. PFIZENMAIER: Good morning. My name is Carl  
23 Pfizenmaier and I'm President and CEO of Hoover Precision  
24 Products.

25           As a member of ABMA it's a pleasure to testify before

1 you today to discuss my company's experience with unfair  
2 competition from Chinese ball bearings.

3 I would like to begin by giving you a brief background  
4 of my company and myself. Hoover Precision Products with  
5 headquarters in Cumming, Georgia is a leading manufacturer  
6 of balls and rollers for the bearing industry. Before  
7 becoming President and CEO of Hoover I was Vice President  
8 and General Manager of three of Hoover's production plants.

9 Before my days with Hoover I worked for Winstead  
10 Precision Ball, part of Barden Corporation then, and SKF  
11 Industries. I have over 40 years experience in the ball  
12 bearing industry.

13 My company has lost a tremendous amount of business  
14 because of unfair competition from Chinese imports. We have  
15 had to close one of our plants. Hoover has lost business  
16 both because of direct competition of Chinese balls and  
17 because our customers have lost business to Chinese ball  
18 bearing producers.

19 In 2001 we were forced to close our plant located in  
20 Washington, Indiana due to competition from China. This  
21 plant has been in operation since 1953 and Hoover acquired  
22 it in 1984. Our decision to close the plant was difficult  
23 because we knew of the detrimental effects it would have on  
24 the local community. At its height the Washington, Indiana  
25 plant employed 135 people and was one of the largest

1 employers in the area. The plant paid annually taxes of  
2 \$225,000 and when we closed the plant we had to lay off 98  
3 people.

4 When our Washington plant was operational we used three  
5 buildings for our process. Now two of these buildings lie  
6 dormant. We were also forced to move all the equipment in  
7 these buildings out of the country.

8 The Washington plant was Hoover's only source of carbon  
9 balls. In recent years there has been a greater flow of  
10 carbon balls and finished products from China. These  
11 products have competed with our customer base. As a result  
12 over time we lost many of our carbon ball customers to  
13 Chinese imports.

14 During the last few years before Washington's plant  
15 closed, our sales decreased by 30 percent. We tried to save  
16 the plant by reducing our prices by 23 percent on all grades  
17 of carbon balls. Unfortunately, this effort could not save  
18 the plant. It was simply a money-losing operation. We had  
19 no choice but to shut the plant in 2001.

20 Although Hoover was able to find a new source for  
21 carbon balls after we closed the Washington plant, unfair  
22 Chinese competition has cost us a tremendous amount of  
23 business in carbon steel balls in size ranges of 1/8 to 5/16  
24 inches.

25 For example, in the first half of 1999 Hoover sold 473

1 million 5/16 carbon steel balls. The first half of 2002 the  
2 sales had plummeted to just 237 million balls. In other  
3 words, we lost one-half of our sales.

4 Not only have we lost a tremendous amount of sales, we  
5 have also been forced to reduce our prices on 7/16 through  
6 3/4 inch chrome steel balls because of unfair trade of  
7 Chinese imports.

8 I fear that if this competition from China continues  
9 unabated Hoover will also be forced to close its precision  
10 plant in Irwin, Tennessee, Cummings, Georgia, and East  
11 Granby, Connecticut. These plant closings would not only  
12 upset the economy where they are located but would also have  
13 a devastating effect on our company. I urge you to take  
14 action to prevent this from happening.

15 I thank you and I appreciate the opportunity to appear  
16 before you and I'm willing to answer any questions you may  
17 have.

18 CHAIRMAN OKUN: Thank you.

19 MR. APPLEBAUM: This completes the testimony by the six  
20 companies. We will now turn to Andrew Wechsler, our expert  
21 witness, and I will advise him that we are at about 33  
22 minutes elapsed time.

23 CHAIRMAN OKUN: Mr. Wechsler, I'm not sure your mike is  
24 on.

25 MR. WECHSLER: So I'm especially happy to be here now.

1 My name is Andrew R. Wechsler, Managing Director of  
2 LECG an international consulting firm specializing in  
3 economics and finance. My resume was included with the  
4 post-conference brief.

5 today I appear with Andrew Szamosszegi, a Managing  
6 Economist at LECG, with whom I collaborated on my analysis.

7 Our prior antidumping work has strong concentration in  
8 manufacturing, especially steel-consuming industries like  
9 ball bearings. We've been retained by the Petitioner, the  
10 American Bearing Manufacturers Association.

11 Our analysis is based on the pre-hearing staff report,  
12 the preliminary conference report, interviews and studies  
13 publicly-available data, and the 2000 sunset review.

14 For your convenience I will refer my testimony to  
15 exhibits that have already been distributed.

16 The confidential pre-hearing staff report provides the  
17 most up-to-date picture of the domestic ball bearing  
18 industry. Because much of the domestic industry's trade  
19 related and financial data remain confidential, my testimony  
20 relies on generally available data.

21 In this final investigation the record is clearer and  
22 far more compelling than it was during the preliminary.  
23 Issues have been resolved. Rising ball bearing imports from  
24 China sold at less than normal value are depressing the  
25 prices, sales and financial performance of domestic

1 producers. Chinese imports rose during the year 2000 when  
2 the U.S. economy was strong. They rose again in 2001  
3 despite a recession especially unkind to manufacturing  
4 industries. And they rose yet again substantially in 2002,  
5 despite manufacturing output in the U.S. remaining below its  
6 2000 levels.

7 To compete, U.S. firms have continued to slash prices,  
8 but customer continue switching to dumped imports. These  
9 significant losses have translated into reduced output and  
10 meager profit margins -- a dangerous combination for a  
11 capital-intensive industry.

12 The situation will continue if Chinese dumping is  
13 allowed to continue.

14 Respondents have based their case on faulty data and  
15 analysis, a bizarre multinational conspiracy theory, and an  
16 imaginary U.S. industry supposedly dedicated to high end/low  
17 volume markets. It makes a cute story but it is not  
18 supported by the record.

19 The record confirms that imports from China continue to  
20 increase rapidly. Consider Exhibit 1 in the handout. By  
21 any measure both the import volume and its growth are  
22 significant. Over the POI imports of complete bearings grew  
23 11 percent by volume and 6.3 percent by value. When parts  
24 are included the percentages are even higher. Imports of  
25 balls and other ball bearing parts also increased

1 substantially.

2       Parts production in the U.S. is being subjected to  
3 double jeopardy. First, domestic producers of complete ball  
4 bearings are losing sales and thus require fewer balls and  
5 parts from the domestic sources of supply.

6       Second, some producers of complete ball bearings have  
7 been forced to resort to balls and parts from China and  
8 other import sources as the only way to survive given the  
9 dumping environment created by the Chinese imports.

10       Exhibit 2 contains quarterly data on Chinese imports  
11 and estimated U.S. shipments of complete ball bearings. The  
12 rise in Chinese imports has clearly come at the expense of  
13 domestic producers.

14       The gap between U.S. shipments and Chinese imports  
15 shrank markedly over the period of investigation. In just  
16 the second quarter of 2002 complete ball bearings from China  
17 increased by an amazing 29 million units. The Chinese  
18 industry has revealed that it has ample bearings reserves  
19 to flood this market with additional product in a very short  
20 period of time when it finds it in its interest to do so.

21       Unfairly traded imports from China to compete head to  
22 head with domestic product in most segments. Respondents  
23 continue to argue that Chinese and domestically produced  
24 ball bearings supply different sectors of the U.S. ball  
25 bearing market. They have constructed an industry fantasy

1 land in which domestic producers supposedly compete almost  
2 entirely with each other and non-subject imports. Chinese  
3 producers thread the needle and purportedly compete only  
4 with other non-subject imports in small bearing sizes.

5 But the truth lies in the industry testimony you've  
6 just heard, in the official import data, and in the public  
7 staff report.

8 For instance, in Table 4-13 of the public report we see  
9 that in 2000 the volume of Chinese ball bearings in the 30  
10 and under range exceeded the volume of the over 30 range by  
11 19 percent. Just two years later the situation was  
12 completely reversed. Over 30 shipments now exceed 30 and  
13 under shipments by 13 percent instead.

14 At the request of Respondents the Commission collected  
15 information from importers and domestic producers on 13  
16 specific market segments. These data show that Respondent's  
17 cry of non-competition is demonstrably false. In the real  
18 world subject imports and domestic like product compete in  
19 most sectors and for most applications, the same  
20 applications. The main difference is simply the price.

21 Unfairly traded imports from China have depressed  
22 domestic prices. Ball bearings are a commodity industrial  
23 product. Price is a key factor in determining a sale and  
24 when quality is roughly comparable, price is the dominant  
25 factor.

1 Chinese underselling is well documented. In the  
2 preliminary investigation Chinese imports undersold domestic  
3 products in all but one of 72 quarters. In this final,  
4 purchasers have responded 19-0 that the pricing of U.S. ball  
5 bearings has been less attractive than that of the Chinese.

6 The Commerce Department identified dumping margins that  
7 range from 7.2 to 59.3 percent, quite significant for a  
8 price-sensitive commodity like the one we're dealing with  
9 today.

10 Dumped Chinese imports have placed domestic producers  
11 under severe pressure. Unfortunately U.S. producers have  
12 been dropping their prices and losing share. Exhibit 3  
13 compares the producer price index for ball bearings with the  
14 index for all manufacturing. While overall manufacturing  
15 prices increased, ball bearing prices today are two percent  
16 lower than they were at the outset of the POI.

17 Exhibit 4 indicates that the product category with the  
18 greatest concentration of Chinese competition, single row,  
19 radial ball bearings is in, of course, the steepest decline.  
20 Because U.S. producers make more radial ball bearings than  
21 any other type of ground ball bearing, Chinese pricing has  
22 been particularly harmful.

23 Prices for Chinese ground ball bearings, those machined  
24 to more specific tolerances, are so low they now compete  
25 with domestic unground ball bearings, another high volume

1 product category manufactured by the domestic industry.

2 Respondents claim this significant difference in price  
3 is evidence of U.S. and Chinese ball bearings supposedly  
4 being very different products. This is perversely true, of  
5 course, when ground Chinese bearings are so cheap they  
6 capture market share from unground domestic bearings.

7 In other instances, the price differentials are simply  
8 a function of ridiculously low Chinese prices for equivalent  
9 bearings -- something that you really only see from a non-  
10 market economy.

11 The Commission and staff have enough experience with  
12 Chinese products to know that dramatically different  
13 products often reflect NME prices rather than substantial  
14 product differentiation.

15 Unfairly traded imports from China have affected the  
16 financial performance of the U.S. industry. The domestic  
17 economy, especially manufacturing, experienced hard times in  
18 2001. Although 2002 was certainly a weak recovery,  
19 manufacturing output did stabilize and rise off the lows of  
20 November 2001 as shown in Exhibit 5.

21 Within manufacturing there was a clear dichotomy  
22 between the have's and the have not's. Despite the  
23 increased U.S. production of automobiles and household  
24 appliances, U.S. bearing producers have remained with the  
25 have not's. They were unable to benefit from the health of

1 downstream customer demand due to Chinese pricing.

2 Three factors underscore that Chinese imports have  
3 caused injury above and beyond anything attributable to  
4 general recessionary issues.

5 First, the underselling data offer direct evidence of  
6 how Chinese imports have adversely affected domestic  
7 revenues.

8 Second, the automobile sector is the largest single  
9 customer in the domestic industry and a purchaser of high  
10 value products. It had a very good sales year in 2002 and  
11 output of motor vehicle parts increased by 7.2 percent.  
12 Such a performance should have led to a banner year for U.S.  
13 ball bearing producers. It did not.

14 Third, in this case the trend in domestic average unit  
15 values, something that concerned some people in the  
16 preliminary, is an indicator of Chinese injury, not domestic  
17 health. The change in domestic AUVs reflects a change in  
18 product mix and a reduction in high volume sales due to a  
19 surge of dumped Chinese imports. Price increases are few  
20 and far between.

21 Chinese imports expanded into a stagnant market even as  
22 demand from the main customer segment shrank. As the  
23 Chinese share of low price ball bearings declined, overall  
24 Chinese average unit values continued to decline because of  
25 the fire-sale dumped prices they offered in the other

1 segments.

2       The domestic industry in question produces all ball  
3 bearings, not just ball bearings for high end applications.  
4 In essence, Respondents wanted the U.S. industry to stick to  
5 the automobile and aerospace sectors and leave the rest of  
6 the market to the Chinese -- for the time being, that is.

7       Yet two major Chinese importers publicly proclaim that  
8 they specialize in automotive bearings. Respondents refuse  
9 to acknowledge that the U.S. industry continues to produce  
10 at all levels of the value chain.

11       Respondents claim in their brief that they serve the  
12 lower links of this chain with low quality bearings. The  
13 Chinese web sites are more honest about their sales pitch to  
14 Detroit.

15       The final data underscore what we did note in the  
16 preliminary. Chinese producers are climbing up the value  
17 chain as they strangle U.S. competitors at the lower end.

18       The import data show that imports from China are  
19 shifting away from smaller bearings as Chinese ship in  
20 downstream, finished goods once produced with these bearings  
21 inside the United States. So Chinese bearings producers are  
22 now moving into the domestic industry's high volume  
23 breadbasket, ball bearings with outer diameters 30 to 52  
24 centimeters. Contrary to Respondent's brief, imports from  
25 China registered substantial gains in larger radial ball

1 bearings, those over 30 millimeters.

2 With their value growing by 15 percent over the POI,  
3 Chinese imports of integral shaft and integral spindles,  
4 angular contact bearings, and ground thrust bearings are  
5 growing very rapidly. Domestic producers make all of them.

6 Chinese producers are producing an exporting  
7 increasingly sophisticated products. According to their own  
8 witness at the preliminary conference, there is but one  
9 exception. China discourages aerospace bearings exports,  
10 despite that witness' proclamation that they have competence  
11 even in that sector.

12 Respondents seek to hide the numbers. They've engaged  
13 in a number of not-so-amusing slights of hand. The Chinese  
14 analysis of parts, imports, conveniently omit data on  
15 complete ball bearing imports. However there is no escaping  
16 the fact that the increase in all subject bearings from  
17 China has been significant.

18 Respondents' presentation of market shares by overly  
19 broad SIC categories obfuscates the extent of competition in  
20 key segments.

21 In sum, Respondents have sliced and diced this industry  
22 as finely as possible to serve up only the purportedly  
23 interesting portions. Their approach reminds one of a late  
24 night television infomercial of special chef's knives and  
25 choppers, undoubtedly also made in China. The magic

1 evaporates on closer inspection.

2       If the Commission looks at the industry as a whole as  
3 the statute requires, this case becomes straightforward.  
4 Not easy, but straightforward.

5       The antidumping margin are significant for a price-  
6 sensitive product. Unfairly traded imports from China are  
7 competing head-to-head with domestic product. Chinese ball  
8 bearing imports are rising while domestic producer shipments  
9 are declining by all measures.

10       Chinese ball bearings are increasing because of their  
11 extremely low fire-sale prices. Domestic producers are  
12 reducing their prices to compete with Chinese bearings and  
13 nevertheless continue to lose sales. Such losses have a  
14 marked adverse impact on the well-being of the domestic  
15 industry and continued dumping of Chinese imports will  
16 further hasten the U.S. industry's decline.

17       Thank you very much.

18       CHAIRMAN OKUN: Thank you.

19       MR. APPLEBAUM: This completes our affirmative  
20 presentation and as I already indicated we will reserve the  
21 remainder of our time for the in camera session.

22       CHAIRMAN OKUN: Thank you, Mr. Applebaum.

23       Before we begin with the questions let me thank all the  
24 witnesses for being here today, particularly all the  
25 industry witnesses who have traveled to be with us today.

1 Your testimony is extremely helpful and we appreciate your  
2 willingness to be here and to answer questions.

3 I'd also note there are a lot of witnesses out there  
4 and may tables, so when you respond to questions if you  
5 could just identify yourself both for the reporter and for  
6 us so we can be sure who is speaking.

7 With that, Commissioner Koplan will begin our questions  
8 this morning.

9 COMMISSIONER KOPLAN: Thank you, Madame Chairman. I  
10 join with your remarks complimenting the witnesses on their  
11 presentation.

12 Mr. Wechsler, if I could start with you.

13 I refer to your Exhibit 2 of your presentation handout  
14 entitled Volume of ABMA Shipments and imports from China.

15 The chart does not include any values on the vertical  
16 axis. My questions are what data are you showing? Does the  
17 chart show volume by quantity or value? My guess is it's  
18 quantity, but I can't tell.

19 Are the trend lines for purchaser shipments and imports  
20 from China presented using the same scale?

21 If you would resubmit this exhibit in the post-hearing  
22 submission including values on the vertical axis as well as  
23 the trend line for non-subject imports I'd appreciate it,  
24 but I'd like you to explain.

25 MR. WECHSLER: Quantity should have been labeled on the

1 vertical axis. It's the same scale for both. And we will  
2 submit it with other measures as well as you've requested in  
3 the post-hearing brief.

4 COMMISSIONER KOPLAN: Thank you very much.

5 Now if I could turn to the industry witnesses.

6 Based on questionnaire responses the staff report,  
7 Chapter 2, page five states, and I quote, "Most U.S.  
8 producers and importers reported that U.S. demand for ball  
9 bearings was flat or decreased during the years 2000 to  
10 2002."

11 My questions are, has demand decreased? Has this  
12 decrease been consistent across all sectors, or was demand  
13 weaker in some sectors relative to others? For example, was  
14 demand stable in the automotive sector but decreasing in the  
15 aerospace sector?

16 I'd like the industry witnesses to discuss what has  
17 happened to demand for ball bearings over the period of our  
18 investigation, 2000 to 2002, both overall as well as in the  
19 major end use sectors.

20 If I could hear from the industry witnesses on that.

21 MR. APPLEBAUM: Let me ask Mr. Brinkman to respond  
22 initially and then the other witnesses can follow.

23 MR. BRINKMAN: I think Commissioner Koplan your comment  
24 is valid, that there has been a stable demand in the auto  
25 segment. As Andrew mentioned, the auto segment actually

1 showed an increase in production in 2001 over 2000 so the  
2 demand for ball bearings in the automotive segment was  
3 actually increasing.

4 Other markets that we served were stable, and in some  
5 cases some markets declined due to the similar situation  
6 where we saw production of power tools, for example, moved  
7 off-shore to China or into Mexico. We also saw some  
8 production of electric motors that were moved off-shore. So  
9 the demand in those markets were slightly down, but nowhere  
10 near the levels of the lost business that we experienced in  
11 those market places.

12 COMMISSIONER KOPLAN: Thank you for that, Mr. Brinkman.

13 MR. APPLEBAUM: Let me, they're behind me and I can't  
14 communicate with them behind me. Let me ask whether the  
15 Timken Company witnesses would like to respond as well, and  
16 then I would invite any of the others to supplement if they  
17 wish.

18 COMMISSIONER KOPLAN: Thank you.

19 MR. PEDEMONTI: This is Paul Pedemonti.

20 We saw a similar decline that John Brinkman just talked  
21 about. One area that was extremely severe was aerospace.  
22 Basically after 9/11 demand was drastically reduced. In all  
23 other markets it was flat to declining and automotive was  
24 stable. So pretty much what Mr. Brinkman just told you is  
25 what we experienced at Timken.

1 COMMISSIONER KOPLAN: Thank you.

2 MR. APPLEBAUM: If any of the other industry witnesses  
3 want to supplement, please do so.

4 MR. MALMSTROM: I want to make a distinction in the  
5 automotive sector between trucks and, medium and heavy trucks  
6 and cars and light trucks. Heavy and medium trucks,  
7 especially the heavy trucks, class eight, had a severe  
8 reduction in 2002 and 2001. However, the cars and light  
9 trucks are very good performers. I think 2001 and 2002 have  
10 been the best years for a long time for the automotive  
11 sector. Cars and light trucks.

12 Aerospace was already mentioned.

13 For most other industries I see actually decline except  
14 steel. Steel had a good performance, mainly due to the 201  
15 actions initiated by the President.

16 Distributors slightly down during this period.

17 COMMISSIONER KOPLAN: Thank you.

18 Mr. Flynn?

19 MR. FLYNN: Speaking for Freeway Corporation, our  
20 demand has not, we haven't seen the demand for our product  
21 go down. What we've found is that our ability to supply the  
22 product to a market that's stable and/or growing has gone  
23 down solely because of price.

24 COMMISSIONER KOPLAN: Mr. Pfizenmaier?

25 MR. PFIZENMAIER: We supply balls to all the

1 industries. We supply balls directly to the automotive  
2 industry for them to make front wheel axle bearings, CV  
3 joints, and that industry has stayed pretty steady for us.

4 We have lost some business to our customers, our  
5 bearings suppliers because they have lost business  
6 themselves and that has cut into our share of the market for  
7 just the ball product.

8 COMMISSIONER KOPLAN: Thank you.

9 Mr. Potts?

10 MR. POTTS: We've experienced pretty much the same  
11 thing. We're a very small company and basically although  
12 the economy has softened and I'm sure that's been some  
13 effect, we've actually had some of our long-time suppliers  
14 come to us almost apologetic and saying we have to use these  
15 Chinese bearings.

16 So it's not so much about segments, it's about  
17 relationships with people that we've built up over years.  
18 Like I said, almost apologetically they come to us and say  
19 here's the prices.

20 We tell them, when problems come up come back and we'll  
21 do what we can to get you going again, but that's about all  
22 we can do.

23 So the answer is yes. We've lost exactly to named  
24 customers.

25 COMMISSIONER KOPLAN: Thank you.

1           Have I missed anyone? Apparently not.

2           Let me ask a follow-up to this if I could. I know that  
3 the industry witnesses did not have access to much of the  
4 data in the staff report because its business proprietary  
5 information. However the staff report shows that over 2000  
6 to 2002 U.S. producers, U.S. shipments by value declined by  
7 a similar amount as U.S. apparent consumption by value.

8           Why should we conclude that the decline in U.S.  
9 producers' shipments was caused by subject imports and not  
10 by a decrease in demand? Once again I'd like to hear from  
11 the industry witnesses. I can take them in the same order  
12 that you responded to the first part of this question. And  
13 if again, you would each identify yourselves for the record  
14 so the reporter can get that.

15           MR. BRINKMAN: This is John Brinkman with NSK  
16 Corporation.

17           Again, I do not have access to the information but my  
18 general feeling on that is that we saw a shift in product  
19 mix, so that we saw a shift into, as I mentioned, the  
20 automotive business was fairly strong and the wheel hub unit  
21 business that we supply was fairly strong, and we actually  
22 had some new platforms that we launched in that timeframe.  
23 We actually expanded one of our facilities in Franklin,  
24 Indiana during that timeframe.

25           At the same time, as I mentioned, our Clarinda, Iowa

1 facility, we saw reductions that were just staggering, in  
2 the neighborhood of 50 percent reductions, well below any  
3 kind of lost business or reduced demand.

4 MR. FLYNN: This is Pat Flynn from Freeway Corporation.

5 Speaking for our customers, and I guess that's where I  
6 have to keep this answer to, is that basically we found that  
7 our customers were not losing business. Their business was  
8 growing. The problem was because of the price situation  
9 that they would come to us, similar to what the other  
10 industry people have said, stating that the price of the  
11 Chinese import is so attractive, even though we've had a  
12 longstanding relationship and we are growing our business,  
13 for us to be able to stay in the business we're going to  
14 have to move to the Chinese, or if you can meet the price.  
15 AT some point you get to where the price is just non-  
16 competitive.

17 So the market from our standpoint hasn't really gone  
18 down. What's been going on from Freeway's standpoint is  
19 that we're losing share. We lost over 20 percent from last  
20 year to this year in the bearing business solely because of  
21 price. Not because the customers were seeing a reduction in  
22 their demand. That was growing. We were losing it in the  
23 marketplace.

24 COMMISSIONER KOPLAN: Thank you.

25 MR. PEDEMONTI: Paul Pedemonti from Timken.

1           As I said earlier, if you take a look at our Rockford,  
2 Illinois plant which makes the 6200 series, we went from  
3 three shifts running seven days a week to one shift. That  
4 is certainly a drop greater than the decline from the  
5 economy.

6           In our Pulaski, Tennessee plant we have dedicated lines  
7 that make mower deck bearings that can produce a million,  
8 1.5 million pieces, and that is running at 50 percent  
9 capacity today because of orders we have lost to the  
10 Chinese.

11           COMMISSIONER KOPLAN: Thank you.

12           Madame Chair, would you indulge me to let the others  
13 respond as well?

14           CHAIRMAN OKUN: You've got at least one person with  
15 their hand up.

16           MR. MALMSTROM: Sten Malmstrom, SKF.

17           I would prefer to be specific rather than general. The  
18 cases that I mentioned are three automotive tier suppliers.  
19 The reason they supply -- two applications. One is the so-  
20 called hanger bearing and the other one is in the transfer  
21 case. These are primarily used for pickup trucks, light  
22 trucks of all kinds. If you look at the statistics for USA  
23 2001 and 2002 you can see that the portion of light trucks  
24 compared to passenger cars continued to increase.

25           On top of that the whole industry had a good year.

1           So the reason why we lost them is price only, but  
2 that's volume that the customers increased at the same time.

3           The industry did not have a decline. On the contrary.

4           COMMISSIONER KOPLAN: Mr. Flynn?

5           MR. PFIZENMAIER: Carl Pfizenmaier.

6           As far as the component, the ball, we follow the  
7 bearing industry and agree that the business is growing.  
8 They're losing business, we lost business, and where we  
9 supply directly it is strictly price. Anywhere from 30 to  
10 40 to 50 percent below what we can supply it for.

11          COMMISSIONER KOPLAN: Thank you.

12          MR. POTTS: Larry Potts with National --

13          COMMISSIONER KOPLAN: Yes, sir.

14          MR. POTTS: Our long term customers, really their  
15 volume wasn't going down, it was a stable business. They  
16 might have even been taking some market share growth, and it  
17 was kind of one of our bread and butter customers really  
18 that we could count on over time. So that just went away.  
19 It wasn't a matter that the economy had forced them down or  
20 whatever, that just disappeared.

21          MR. GRACE: Mr. Commissioner, David Grace, Covington &  
22 Burling. With your permission we'd like to address this  
23 further in the post-hearing brief because part of the  
24 explanation I think comes out of that confidential  
25 information, and one key element of course is the trend of

1 imports during the same time period and the impact they've  
2 had, and these witnesses can't testify to all of that data.

3 COMMISSIONER KOPLAN: Mr. Grace, I would welcome that.

4 I think I've heard from everybody. I want to thank  
5 you, Madame Chairman, for indulging me.

6 Before I conclude, I would just like to note that I've  
7 observed that one of our future colleagues, Dan Pearson, is  
8 in attendance. I'm impressed that he's already preparing  
9 himself after easily clearing the Senate Finance Committee  
10 yesterday. I'll look forward to the time that he's able to  
11 join us on the dais. Welcome, Dan.

12 Thank you Madame Chairman.

13 CHAIRMAN OKUN: Thank you.

14 I guess before, Commissioner Koplan mentioned we are  
15 constrained in our questions a great deal because so much of  
16 the record at this point is confidential and the industry  
17 witnesses have not seen it so I've been trying to structure  
18 questions to allow the industry to answer things without  
19 having to use it, but I'm finding it difficult to do that.  
20 Of course the data is going to change before the final so we  
21 have all those things to look forward to.

22 One question which is of course best put to  
23 Respondents but I'll ask you, Mr. Applebaum, which has to do  
24 with commerce, the Respondent Ningbo Cixin Group, it was  
25 found to be de minimis.

1 I know in the briefs you have attempted to take out  
2 what you thought was representative of that Respondent's  
3 data and I wonder if you feel confident, because I'm not  
4 sure we do yet, in determining exactly who that Respondent  
5 was in terms of our foreign producer questionnaires, if  
6 there's anything you want to put on the record here, and of  
7 course I will be talking to Respondents about it as well.

8 MR. APPLEBAUM: I think what we can say about that is  
9 in our pre-hearing brief. We've tried to take them out. My  
10 recollection is that not all of their importers provided  
11 questionnaire responses which makes it a bit more  
12 complicated. But we have endeavored and continue to  
13 endeavor and work with the staff to take out those imports.  
14 We recognize the one de minimis company should be taken out.

15 CHAIRMAN OKUN: Okay. I will continue to ask for  
16 comments on that obviously as we put the final data set  
17 together because it does seem somewhat confusing as to who  
18 has reported what.

19 Let me then turn -- First, one question for Mr.  
20 Wechsler, just to follow up on the demand questions and the  
21 industry witnesses may know as well.

22 Are there any industry publications out there that  
23 would have demand statistics cited that could be put in the  
24 record if they're not already in there?

25 MR. SZAMOSSZEGI: Unfortunately for demand for this

1 particular sector, the one publication MA332Q that Commerce  
2 puts out, that has very specific data on demand, but  
3 unfortunately it's about a year and a half behind.

4       So probably the best thing one could do as a proxy is  
5 to look at the industrial production statistics, primarily  
6 of ball bearing using industries and those are available  
7 from the Federal Reserve. Unfortunately there is not a  
8 specific industrial production index for ball bearings  
9 alone. So we're kind of constrained.

10       CHAIRMAN OKUN: Okay, that's helpful to know because I  
11 guess one of the things I was hearing at the end in response  
12 to Commissioner Koplan's question was a little bit for me,  
13 because it's a mix between what the record shows about  
14 apparent consumption and what you were describing as some of  
15 the situation your customers were in where demand seemed to  
16 be good for them. I'm just trying to make sure that I  
17 understand it.

18       I guess one way to get to that question is we have  
19 collected data with regard to where U.S. shipments go about  
20 end users and I know a lot of you have spoken about the  
21 automotive sector in responding to questions about lost  
22 sales to the Chinese.

23       I think it might be helpful just in the public session  
24 if I could have each company representative tell me a little  
25 bit more about where, if they can in the public session,

1 where their sales are concentrated in terms of percentage in  
2 again, the automotive sector because you've talked about it  
3 a lot, the aerospace sector I've heard mentioned as well.  
4 Just to help give me a better sense of the companies here.  
5 And again, we have collected information for the record, but  
6 since a lot of you mentioned it I wanted to hear what you  
7 had to say about it.

8 MR. BRINKMAN: Our business in the United States is  
9 approximately, again, please treat this as an approximation.  
10 I'm doing this off the top of my head. But I'm guessing  
11 that it is approximately 60 percent automotive -- and you  
12 have to understand that that mix has changed as this  
13 investigation, through the period of this investigation.

14 We have three basic segments of business. We call it  
15 automotive, the OEM or non-automotive OEM, and then the  
16 industrial aftermarket business.

17 Our automotive business has been stable, slightly  
18 increased over the period of investigation. The industrial  
19 aftermarket business stable, slight increase. The  
20 industrial OEM business has dropped dramatically -- not only  
21 in units but in many cases for us to protect the business  
22 our customers came to us and specifically stated that our  
23 business would be pulled unless we met Chinese pricing which  
24 in many cases, I can give you specific information in a  
25 post-hearing submission, but we're talking 30 to 40 percent.

1 That we either had to make a decision as an organization to  
2 maintain that business at 30 to 40 percent less than what we  
3 were selling it for, or walk away from it and lay off more  
4 people.

5 CHAIRMAN OKUN: Okay. Other industry representatives?

6 MR. FLYNN: Pat Flynn from Freeway Corporation.

7 Our company has three different product lines, if you  
8 will. We have washers, stampings and bearings. At one time  
9 each of the product lines were about equal to each other.  
10 Right now our bearing operation is about maybe 20 percent  
11 where it used to be much higher, obviously.

12 Most of our business in the bearing area is non-  
13 automotive, so we're sort of out of that arena. A lot of  
14 our parts go into the overhead garage door industry and to  
15 some degree bicycles, toys, that sort of thing.

16 What we have found, again just to repeat a record here,  
17 is that the demand for our type of parts has not really gone  
18 down in the industry. Our ability to supply demand has gone  
19 down because of pricing specifically.

20 CHAIRMAN OKUN: The back row.

21 MR. PEDEMONTI: Paul Pedemonti from Timken.

22 If you look at our business, about 50 percent of it  
23 goes to OEMs and 50 percent or it goes to the aftermarket.  
24 If you look at the OEM markets we service, agricultural is a  
25 big one; industrial equipment is a large one, and in that

1 you would include lawn and garden, household appliances,  
2 games, sporting equipment, that type of thing.

3 Consumer equipment is the second or third largest  
4 market we serve and that would be hand tools, air tools,  
5 small kitchen appliances, that type of thing.

6 And aerospace. Aerospace both in aircraft control and  
7 from main shaft and gear box bearings.

8 So that's the OEM side.

9 We do supply the auto industry with steering column  
10 bearings, not the 6203 type.

11 In the aftermarket, it's half our business and it's  
12 very difficult to get to what markets the aftermarket  
13 serves, but we do know it serves all the ones that ball  
14 bearings go into OEM. There is an agricultural aftermarket.  
15 Obviously there is a sporting good aftermarket, replacement  
16 of bearings. So it's difficult to break out the different  
17 markets in aftermarket, but it is 50 percent of our  
18 business.

19 CHAIRMAN OKUN: Mr. Potts or Mr. Malmstrom?

20 MR. MALMSTROM: A big portion of our sales in the  
21 United States is seals, 250 million roughly. So if you take  
22 out that, automotive, OE represents about 40 percent of the  
23 business and the rest is roughly evenly divided between the  
24 remaining industrial OE and the industrial aftermarket.

25 Our sales to the automotive industry has developed

1 quite nicely in the more sophisticated applications like  
2 wheel, hub bearing units, generation two and three which  
3 contains phalanges and all kinds of things including  
4 sensors. While the less sophisticated, which I referred to  
5 a couple of times, hanger bearings and transfer cases and  
6 things like that, have had a very bad development. Not  
7 because of the industry but because of losses.

8 In the industrial OE it is more difficult to give  
9 specific examples of a lower number of small things, but you  
10 add them together it makes a big sum. But it's not as  
11 dramatic yet as in the automotive industry.

12 CHAIRMAN OKUN: Okay.

13 MR. POTTS: Our business is broken up. We're talking  
14 about unground radial bearings here. Total automotive sales  
15 is about 30 percent probably. Unground radials would have  
16 applications like seat tracks and things of that nature in  
17 cars. So that's what that would be.

18 We not only supply unground radial bearings, we also  
19 supply washers and thrust retainers. Several of those would  
20 go to automotive. Most of our unground radial product goes  
21 into furniture, power tools, appliances, things of that  
22 nature. That's the breakup pretty much.

23 CHAIRMAN OKUN: Okay.

24 MR. PFIZENMAIER: As far as Hoover is concerned, it's  
25 difficult to look at this way but we supply, about 70

1 percent of our product goes directly to a bearing supplier  
2 and as they use it we don't know the application all the  
3 time.

4 About 15 percent of our business is direct to the  
5 automotive people, however that does go into bearings, but  
6 it's direct to an automotive account.

7 About 15 percent of our business goes into linear,  
8 aircraft, miniature bearing people, and balls, that type of  
9 thing.

10 So for this hearing most of it is supplied directly to  
11 the bearing user.

12 CHAIRMAN OKUN: Okay. That was very helpful. It was  
13 going to be a lead-in to my next question but I'm out of  
14 time so I will turn to Vice Chairman Hillman.

15 VICE CHAIRMAN HILLMAN: Thank you Madame Chairman. I  
16 too would join my colleagues in thanking all of the  
17 witnesses for being with us this morning and for the  
18 tremendous amount of information submitted in your pre-  
19 hearing briefs. It's very helpful to us.

20 Let me start first with really just some basic kind of  
21 data questions. Perhaps to you, Mr. Applebaum or Mr.  
22 Wechsler.

23 The Commission obviously in its report tabulated data  
24 separately for complete bearings, and then for balls and  
25 then for other parts and totaled them. Which should the

1 Commission focus on and why? What gives us the best picture  
2 of both the domestic industry and its competition with the  
3 Chinese imports?

4 MR. SZAMOSSZEGI: Andrew Szamosszegi. I'm with LECG.  
5 I'm sorry, can you repeat the question again?

6 VICE CHAIRMAN HILLMAN: The Commission data is broken  
7 down into completed ball bearings, ball and other parts.

8 MR. SZAMOSSZEGI: Okay.

9 VICE CHAIRMAN HILLMAN: I'm trying to get your  
10 understanding of which of those data sets gives us the best  
11 picture of what's going on in the industry and its  
12 competition with Chinese imports.

13 MR. SZAMOSSZEGI: I think that you need to look  
14 primarily at complete ball bearings. Those are the people  
15 who not only are dealing with the end users but they're also  
16 the people who are buying from the ball producers and the  
17 other part producers.

18 It's also useful to compare what is going on between,  
19 or with the ball producers vis-a-vis China and with the  
20 parts producers vis-a-vis China. But the most complete  
21 picture is with the complete bearings.

22 Plus if you aggregate everything together then you're  
23 basically counting the balls twice, counting the rings  
24 twice. So I think that's why methodologically the best  
25 thing to do is to focus on the complete bearings.

1 VICE CHAIRMAN HILLMAN: I appreciate that.

2 Along similar lines, it goes to this question of  
3 whether we should be focusing on the value of imports or the  
4 volume. As you know, I'm sure, Mr. Applebaum, in most all  
5 of our bearing cases we have focused on value because there  
6 is so many different products over such a very wide range of  
7 size, cost expenses, et cetera that we have as a general  
8 matter, the Commission has historically not found it useful  
9 to focus on a numerical count of the quantity of bearings  
10 produced or imported and have traditionally focused on  
11 value.

12 Yet if I look at the import statistics that we've got,  
13 the official statistics, they obviously show a divergent  
14 trend in terms of what happened on a volume basis versus  
15 what happened on a value basis. Again I'm trying to  
16 understand from your perspective which of those two. Should  
17 we be focusing on the number of units or on the dollar value  
18 of those units in looking at the data and why.

19 MR. APPLEBAUM: Let me comment and then ask the LECG  
20 group to comment further.

21 In the prelim we gave you reasons why we thought you  
22 should look at volume as well as value. We recognize the  
23 Commission's history on this. We tried for the most part to  
24 give you both, both volume and value, but we do not believe  
25 you should look or rely exclusively upon value.

1           Let me ask either of my LECG colleagues to respond  
2 further.

3           MR. WECHSLER: There are problems with any one of the  
4 measures you use. So ultimately you have to look at all  
5 three and just try to get a best picture.

6           You pointed out the problems with the numerical or  
7 volume measure. You equally weight things of far different  
8 value. The problem with the value measure is that we have a  
9 case of unbelievable pricing, dumped pricing on the part of  
10 the Chinese and fire-sale prices, and if you look  
11 exclusively at value measures you're basically factoring in  
12 the dumping and distorting your measures to the benefit of  
13 Respondents, rewarding the very act that's under  
14 investigation. So there's a problem.

15           What makes it a little easier in the final  
16 investigation than it was in the preliminary is that with  
17 more complete data the trends are similar. They're more  
18 pronounced in terms of increases if you do it in volume  
19 terms, but even in value terms the imports on the measures I  
20 was looking at are increasing over the period of  
21 investigation regardless of whether it's a growth year  
22 downstream or a recession year.

23           So I think that makes it a little bit easier.

24           VICE CHAIRMAN HILLMAN: -- different on whether you're  
25 looking at questionnaire data or whether you're looking at

1 official import statistic data.

2 MR. WECHSLER: We'll go through that in the post-  
3 hearing brief.

4 VICE CHAIRMAN HILLMAN: I appreciate that.

5 Mr. Stewart?

6 MR. STEWART: Thank you, Commissioner.

7 This case is different than the other bearing cases  
8 you've had in that the Commission has gone out and gotten  
9 information on volume based on size. And so you have the  
10 ability to compare movement of product within size ranges  
11 and that was sought by our friends on the other side, but it  
12 helps you provide a useful, I think, evaluation of just how  
13 rapid the increase is in certain size ranges.

14 It's my understanding as well that the preliminary  
15 staff reports had not yet incorporated the December data, so  
16 some of the differences on import statistics could be  
17 attributed, and trend lines, could be attributed to that.  
18 And as we had identified in our pre-hearing brief, the  
19 coverage of the import community that reported to you is  
20 declining over time vis-a-vis the import statistics. So  
21 part of your challenge in looking at data is that if you  
22 rely on the questionnaire responses you go from I believe  
23 half of the imports in 2000 to under 40 percent of the  
24 imports being covered in 2002. So what may be true of some  
25 clearly is not true of all.

1           So we agree with Mr. Wechsler that value and volume  
2 have similar trend lines, certainly at the import statistic  
3 level, and we believe a fair evaluation of what is in the  
4 questionnaire responses.

5           VICE CHAIRMAN HILLMAN: I appreciate the answer on  
6 size. I'm always a little reluctant to rely on data at that  
7 cut. This goes to my next question really more to the  
8 industry which is this issue of the importance of the ABEC  
9 rating and the differences in the quality of the product.

10          My first question is we priced, the Commission in this  
11 case as we've tried to do in cases in which there is a very  
12 wide variety of product. There's just hundreds or thousands  
13 of different bearings we're looking at within the scope of  
14 this investigation. We priced a fair number, 15 products is  
15 a fair number of products to seek data on. Partly, though,  
16 we broke out ABEC-1 rated product from ABEC-3 rated product.  
17 In other words the same bearing but in an ABEC-1 rating  
18 versus an ABEC-3 rating.

19          Yet none of the industry provided any data on ABEC-3  
20 bearings. I'm trying to understand why that's the case.

21          Do you not produce them or do you not price them  
22 differently? Help me understand the difference in terms of  
23 both your production and your pricing and your marketing and  
24 your sales between an ABEC-1 bearing versus the same version  
25 of an ABEC-3 rated bearing.

1 MR. BRINKMAN: John Brinkman from NSK Corporation.

2 To answer your question I think we need to actually not  
3 just look at ABEC-1 versus ABEC-3 but ABEC-1 versus all of  
4 the other precision-level bearings -- 3's, 5's, 7's, 9's.

5 At this point in the United States we produce, of the  
6 bearings we produce in the United States 99.9 percent are  
7 ABEC-1. Of what we sell globally is in the neighborhood of  
8 probably 80-90 percent of ABEC-1 product. We have some  
9 ABEC-3s, 5s, 7s, but mostly for the machine tool industry  
10 and those products are produced in Japan.

11 VICE CHAIRMAN HILLMAN: Anyone else want to comment on  
12 the issue of ABEC-3?

13 MR. MALMSTROM: Yes, Madame Commissioner.

14 With the exception of the aerospace bearings which are  
15 really specific and machine tool bearings, I would say we  
16 have exactly the same, well almost the same figures as NSK.  
17 The majority of all bearings consumed in the United States,  
18 ball bearings, are ABEC-1. I haven't a precise figure in my  
19 head but I would guess it is at least 80 percent. All the  
20 bearings that we have lost to the Chinese are ABEC-1  
21 bearings.

22 VICE CHAIRMAN HILLMAN: Mr. Pedemonti, did you want to  
23 comment as well?

24 MR. PEDEMONTI: Yes. We're similar, 95 percent of what  
25 we sell is Class-1 or ABEC-1 bearings and the realistic

1 issue is that there is no demand for Class-3 in most  
2 applications. The only application that we make a Class-3  
3 bearing for is an aircraft generator bearing. Other than  
4 that, the demand from customers is not there for a Class-3  
5 bearing.

6 VICE CHAIRMAN HILLMAN: So an ABEC-1 and an ABEC-3  
7 bearing would typically not compete with each other.

8 MR. PEDEMONTI: Correct.

9 MR. APPLEBAUM: Commissioner, let me also point out  
10 that, and we did tell the staff this before the  
11 questionnaires were developed, and any of the industry  
12 representatives can correct me if I'm wrong, but we've had a  
13 lot of colloquy with the staff over this. The industry does  
14 not keep any separate records on ABEC-3 for the reasons  
15 you've heard. They don't consider it sufficient -- So the  
16 fact they didn't provide ABEC-3 information is simply  
17 because they don't keep it.

18 I think if you want some of them can explain why a  
19 customer may ask for it, as I understand it, ask for ABEC-3  
20 when it's really an ABEC-1 product and they will tailor it  
21 to whatever -- But they don't separately track that kind of  
22 information.

23 I think you're hearing the reason why is the vast bulk  
24 of their sales are ABEC-1. But if any of the industry reps  
25 want to either correct me or elaborate on that they can.

1 MR. PEDEMONTI: Paul Pedemonti from Timken.

2 We do track Class-3 sales separately. And again,  
3 that's primarily our aircraft generator bearings. In this  
4 case we do track our Class-3 sales and it's less than a  
5 couple of percent.

6 VICE CHAIRMAN HILLMAN: Okay. And generally from the  
7 industry folks what I'm hearing is either you do not make it  
8 or to the extent that you do it is not a separate item.  
9 It's not kept separate. It's not segregated within your  
10 plants, within your production facilities, within your  
11 marketing.

12 MR. BRINKMAN: We actually sort for higher tolerance  
13 products. If a customer demanded an ABEC-3 product we can  
14 produce that in our Clarinda, Iowa facility, for example.  
15 But we would manually sort for that product. The tolerances  
16 --

17 VICE CHAIRMAN HILLMAN: It's a custom order kind of  
18 thing.

19 MR. BRINKMAN: It would be a customer order and would  
20 command a higher price. Absolutely.

21 VICE CHAIRMAN HILLMAN: And typically how much higher?

22 MR. BRINKMAN: It would depend on the size of the order  
23 and it would depend on a variety of other factors, and the  
24 size of the bearing.

25 VICE CHAIRMAN HILLMAN: I see my red light is on.

1 CHAIRMAN OKUN: Thank you.

2 Commissioner Miller?

3 COMMISSIONER MILLER: Thank you, Madame Chairman, and  
4 thank you as well to all the witnesses for being here today.  
5 I found your answers to questions so far very useful and  
6 interesting. And now particularly after the last exchange,  
7 I'm kind of going okay now, I've got to figure out how to  
8 ask you this next question I want to ask you. Because  
9 obviously in some of these requests for data we were trying  
10 to get at the arguments being made about low end versus high  
11 end bearings.

12 So now you're telling me ABEC-1 doesn't really -- It  
13 sounds to me like that's not going to mean much to me in  
14 terms of understanding applications. But I know there must  
15 be some difference between a bearing that costs 30 or 40 or  
16 50 cents and a bearing that costs \$4 or whatever.

17 So help me understand, even if you dispute as you  
18 obviously do where the Chinese, that the Chinese aren't  
19 competing, and I understand that, still help me understand  
20 the bearing industry a little bit better in terms of low  
21 end, high end. What are low end versus high end if we toss  
22 those terms around within perhaps an ABEC-1? Understanding  
23 your aircraft bearings, the bearings that go into the  
24 aerospace industry. I get that. But take me back and help  
25 me understand what you perceive as low end versus high end.

1 MR. BRINKMAN: Maybe the best analogy I can give you is  
2 what do you use the bearing for? What are the speeds, what  
3 are the RPMs on the bearing? The higher the RPMs the longer  
4 it's going to run at those RPMs, et cetera, the more  
5 precision the bearing has to be.

6 A steering column in your automobile. If you were a  
7 manufacturer of steering columns you will try to use the  
8 lowest quality product possible to meet the requirements of  
9 your application. So if they are using an ABEC-3 bearing  
10 and they could use an ABEC-1, they're going to use an ABEC-  
11 1. We try to sell them an ABEC-1, but my counterparts are  
12 going to try to sell them an unground bearing to use to do  
13 the same thing.

14 The bearing oscillates. It does not rotate when you're  
15 in a steering column. So the higher the application --

16 So a machine tool that has 10,000 RPMs and needs to  
17 index that machine very quickly, very specific, that's going  
18 to require a higher ABEC rating and a more precise bearing.

19 COMMISSIONER MILLER: Then the higher ABEC rating I  
20 understand, but you're telling me 99 percent of your  
21 products are ABEC-1s so what's the difference in the  
22 precision? What makes it a difference in the precision of  
23 the bearing that --

24 MR. BRINKMAN: Sphericity of the balls, the raceways,  
25 the super-finishing of the raceways, disbursity of the

1 balls, the tightness of the, I don't know how to explain  
2 this.

3 COMMISSIONER MILLER: Is it all in the manufacturing  
4 essentially?

5 MR. BRINKMAN: Absolutely. It's the tolerances. You  
6 all know what bearings are, the inner ring, outer ring,  
7 cages, seals, et cetera. So it's a matter of tightening and  
8 tightening and tightening those tolerances using the most  
9 round balls that you can, et cetera.

10 MR. PEDEMONTI: When you look at ABEC ratings in a  
11 Class-1 versus like a Class-7, if you look at the tolerances  
12 when you grind the outer ring it's like zero to 5-10,000ths  
13 of an inch where a Class-7 bearing it's zero to millionths  
14 of an inch.

15 If you look at the balls in a Class-1 bearing they will  
16 be round to let's say 25 millionths. If you look at the  
17 tolerance on a ball in the Class-7 it will be round within  
18 five-millionths of an inch.

19 COMMISSIONER MILLER: So within the ABEC ratings you  
20 have the classes that may reflect the differences in the  
21 manufacturing process and that lends the precision so to  
22 speak?

23 MR. PEDEMONTI: A Class-1 bearing, let's say the  
24 grinding operations. On a Class-1 bearing you might use the  
25 same type of machinery but you might use different grinding

1 wheels, different coolants. You would grind at a different  
2 speed because you're trying to get a better finish on the  
3 race and you're grinding to much smaller tolerances.

4 COMMISSIONER MILLER: And that all basically determines  
5 the kind of application that the bearing can go into?

6 MR. PEDEMONTI: Well the application determines what  
7 kind of bearing is used. For instance a machine tool  
8 spindle where you're trying to machine or grind things very  
9 precisely would use a Class-7 bearing typically. On an  
10 electric motor which doesn't need a lot of precision, would  
11 use a Class-1 bearing. As many applications in the world  
12 use Class-1 bearings.

13 MR. GREENWALD: Excuse me. When he says Class-1 he  
14 means ABEC-1.

15 MR. PEDEMONTI: ABEC-1. I'm sorry.

16 MR. GREENWALD: Class, ABEC-7 is Class-7.

17 COMMISSIONER MILLER: So there's not a breakdown within  
18 --

19 MR. PEDEMONTI: No. I'm saying ABEC-1 and ABEC-7.

20 COMMISSIONER MILLER: All right.

21 I think that helps me. I don't know. It may tell me  
22 that some of this detail doesn't really inform my decision  
23 all that much unfortunately. Maybe the information we have  
24 on markets by application is perhaps more informative.

25 MR. PEDEMONTI: These particular bearings right here

1 are Class-1 6203 bearings. Both Timken and Chinese. That's  
2 what we're talking about here, Class-1 bearings. Now there  
3 might be a little oil on those so when you get rid of them  
4 you might want to wash your hands a little bit.

5 But if you look at these, they look the same.  
6 Cosmetically they look the same. And if you spin them which  
7 most people do, they will feel very smooth. So that's a  
8 Class-1 bearing, 6203, that is typically used in an electric  
9 motor.

10 If you take a look at the charts that we passed out  
11 that show, the interchange chart. You will notice on one of  
12 those pages there is a whole section of 203 bearings. It's  
13 basically the same bearing that you have, it's a Class-1  
14 bearing, but it might have different seals, it might have  
15 different grease because the application is an agricultural  
16 application. So we would change the seals or grease.  
17 They're both Class-1 bearings. So the application  
18 determines what kind of a bearing is used, but most bearings  
19 and most industrial applications are Class-1.

20 You can take that same bearing that I passed around and  
21 we would make that in a Class-7 version and that would be  
22 for machine tools. So the application typically determines  
23 what ABEC precision you use.

24 COMMISSIONER MILLER: All right.

25 MR. BRINKMAN: If I can elaborate one other comment.

1 There is not, in an automobile -- every application of a  
2 ball bearing in an automobile there is not one bearing  
3 that's above ABEC-1. We all think of an automobile as being  
4 fairly precise, we all trust our safety to it, all the rest  
5 of that. So I think that puts it in perspective hopefully.

6 COMMISSIONER MILLER: Thinking about some of the other  
7 products that have been sort of discussed as products that  
8 use the Chinese bearings, for example, in-line skates I  
9 think. I just recall seeing that. Is it a different  
10 bearing than the one that's in my steering column in my  
11 auto, or is it the same kind of bearing?

12 MR. MALMSTROM: No, it's a different bearing. The kids  
13 who like in-line skates they always ask for ABEC-3 or ABEC-  
14 5. I'm sure they could do very well with ABEC-1 but that's  
15 not the issue. They always ask for ABEC-3 and ABEC-5. And  
16 this is a good business, I can tell you.

17 (Laughter)

18 COMMISSIONER MILLER: Okay. That was a bad product to  
19 choose. Maybe there's another one.

20 MR. PEDEMONTI: One other comment. The 6203 that I  
21 passed around is used in every alternator in every car.  
22 That same 6203 is used on to support the rollers of a  
23 treadmill. So when you go exercise and you're on that  
24 treadmill, those rollers are operating on 6203 Class-1  
25 bearings, the same bearing that goes into an alternator of a

1 car.

2 COMMISSIONER MILLER: That's been very helpful.

3 I have another sort of big picture question which I  
4 hesitate to go down because I'm sure I'll end up having the  
5 light come on, but I'm going to head down that way anyway.  
6 The question is this. I think Mr. Wechsler may have  
7 referred to the Respondent's description of this industry  
8 as, you may have said it was fictional I think or something  
9 like that. A fictitious industry. So I want to get the  
10 real picture if I could. To the extent -- I knew this was  
11 going to happen and this is not a quick question.

12 I will come back to ask the companies that do have  
13 worldwide operations basically to describe their company's  
14 approach to their international operations. Basically the  
15 Respondents talked about the global rationalization of the  
16 industry and I just want to ask the companies here that  
17 participate in it to describe their company's operations.

18 Shall I go ahead and let them start?

19 CHAIRMAN OKUN: You may as well start.

20 COMMISSIONER MILLER: Mr. Brinkman, why don't we start  
21 with you?

22 MR. BRINKMAN: We're the largest ball bearing producer  
23 in the U.S.. We have basically four, the way NSK looks at  
24 our business globally is we have four regions. We have the  
25 Americas, we have Asia, we have Japan since we

1 are a Japanese-based company, and we have Europe. Each one  
2 of those areas based on the demands that are going on in the  
3 industry, et cetera, we have developed different marketing  
4 strategies, different product strategies, different  
5 manufacturing strategies to support those markets.

6 In the United States we have four plants. One in Iowa,  
7 two in Indiana, and one in Ann Arbor, Michigan. About 80  
8 percent to 90 percent of what we sell is made in the United  
9 States. So we do not have a low cost factory that we pull  
10 from in a different area of the world.

11 Now our Asia market does have other factories in that  
12 market that were built to support those markets. As Japan  
13 started to hollow out and companies started to move to  
14 Thailand and the Philippines and Singapore and other Asian  
15 countries, we followed and went into those countries as  
16 well. We also have manufacturing in China to support the  
17 Chinese marketplace as the growth of china is occurring, but  
18 we didn't build that factory to support the U.S. market.

19 COMMISSIONER MILLER: That's the kind of description of  
20 your company that I want and I will ask the other companies  
21 for it next time around.

22 Thank you.

23 CHAIRMAN OKUN: Commissioner Koplan.

24 COMMISSIONER KOPLAN: Actually this is a road I was  
25 about to go down so I appreciate you getting it started. I

1 wasn't sure whether you'd leave me anything on this  
2 question. I have a little bit left.

3 Let me pick up on that if I can this way. Respondents  
4 are arguing in their pre-hearing brief at page nine, and I'm  
5 quote, "The ball bearing industry has rationalized  
6 production globally with high end bearing production located  
7 largely in advanced economies like the United States and  
8 commodity grade bearing production located largely in  
9 developing countries, particularly in Asia and in Eastern  
10 Europe."

11 Later in the brief they state at page 20, "Indeed as we  
12 explained in the section above regarding the global  
13 rationalization of ball bearing production, commodity grade  
14 bearings are no longer produced in the United States to any  
15 significant degree."

16 I have wanted to hear from each of the industry  
17 witnesses that responded to me on my first round on this,  
18 and I know that began with you, Mr. Brinkman. What I'm  
19 trying to follow up on is I'd like to hear what global  
20 operations you all have, and do you produce low cost  
21 bearings, for example, in developing countries?

22 If I can pick u on this and go through the industry  
23 witnesses, and I know you started with me the first time,  
24 Mr. Brinkman, so --

25 MR. BRINKMAN: I'd be happy to follow up with that.

1 I think to answer your question in a different manner,  
2 what you specifically mentioned was that the comment was  
3 made that we do not make commodity products in the United  
4 States. That's totally totally false.

5 Our Clarinda, Iowa plant is the largest producer of  
6 608s in the United States. Those 608 bearings go into small  
7 electric motors as well as your skateboards. So we don't  
8 sell that marketplace. We believe that marketplace doesn't  
9 even require the precision level that we make in that  
10 facility, but those are what they would deem as commodity  
11 bearings and we make what we sell in Clarinda, Iowa.

12 Do we have other factories around the world that  
13 produce those? Absolutely. But they're not, those  
14 factories weren't built to support the U.S. marketplace.

15 On the other hand we have a factory in Ann Arbor,  
16 Michigan that produces integral shaft bearings that go into  
17 water pumps primarily for the auto industry. That's the  
18 only factory in NSK's global family that produces that  
19 product. So we do have factories that have very unique  
20 products that are not produced anywhere else in the world.

21 COMMISSIONER KOPLAN: Thank you.

22 I would mention, I can't get into the details because  
23 it's BPI but they do cite the details of a particular  
24 importer's questionnaire response as a basis for what  
25 they're saying. As I say, I can't get into the details

1 because it is BPI.

2 If I could also hear from Mr. Malmstrom from SKF.

3 MR. MALMSTROM: Yes, Mr. Commissioner. I really don't  
4 know what you mean by a low commodity bearing. By the way,  
5 I hate the word commodity because that's what the purchasing  
6 guys use all the time.

7 COMMISSIONER KOPLAN: Is there anything you like about  
8 my question?

9 (Laughter)

10 MR. MALMSTROM: We don't produce any bearings below  
11 ABEC-1 anywhere in the world. Unless it is a newly acquired  
12 factory, in particular in the former Eastern Europe.  
13 These bearings are not allowed to have an SKF trademark.  
14 Only bearings which are qualified, they come to our  
15 standards, have the right to have an SKF trademark. And as  
16 I said, all our bearings with an SKF trademark are ABEC-1 or  
17 higher.

18 The bearings, the factories that we have, and we have  
19 about 80 factories around the world, they are mainly used  
20 for domestic consumption.

21 So we also have a couple of Chinese plants. Today 100  
22 percent of the production is consumed in China. India is  
23 about 80 percent. Then in Europe we can unfortunately not  
24 import ball bearings to this country because, well we can  
25 but it's difficulty with low prices because as you all know,

1 members of the Commission, there is dumping on the --- ball  
2 bearings from Germany, Italy, and France.

3 COMMISSIONER KOPLAN: Thank you for that. I would also  
4 like to hear from Mr. Pedemonti from Timken.

5 MR. PEDEMONTI: We'll start with unground bearings. We  
6 make them in Syracuse, New York under the brand name  
7 Killian. We also have a small facility in Canada.

8 All ABEC-1 bearings manufactured by Torrington today  
9 are made in the United States. All our ABEC-7 bearings are  
10 made in our Shiloh facility in North Carolina, and we have a  
11 small manufacturing facility in England for ABEC-7 bearings.  
12 That's, most of our product is made in the United States.

13 COMMISSIONER KOPLAN: I was interested in hearing from  
14 Mr. Flynn, Mr. Pfizenmaier and Mr. Potts as well.

15 MR. FLYNN: Pat Flynn from Freeway Corporation. Our  
16 plant for bearings is 100 percent in the United States in  
17 Cleveland, Ohio. So we really don't come into the arena of  
18 international.

19 COMMISSIONER KOPLAN: Thank you.

20 Mr. Pfizenmaier?

21 MR. PFIZENMAIER: As far as Hoover, we are a wholly-  
22 owned subsidiary of Subaki Nakashima. In Japan there are two  
23 facilities manufacturing balls. We also have four  
24 manufacturing facilities in the United States -- Georgia,  
25 Tennessee, Michigan and Connecticut. We have one in Mexico.

1 We have one in Hungary and we have one in Poland.

2 The two Eastern European companies that we recently  
3 purchased within the last three years, Poland as a matter of  
4 fact last week, are to supply the European market.

5 The U.S. manufactures, again I say they supply the  
6 bearing industry and so goes the bearing industry so goes  
7 the ball industry. Our Japanese owners are also  
8 being affected very very strongly by Chinese imports. We  
9 also have an operation that we recently opened up in China  
10 to supply the Chinese market. But overall, we are being  
11 attacked on all fronts by the Chinese product as a direct  
12 ball, as well as the bearing industry.

13 COMMISSIONER KOPLAN: Thank you.

14 Mr. Potts?

15 MR. POTTS: Yes, we have the one plant in Pennsylvania,  
16 so everything we manufacture is out of that plant in  
17 Pennsylvania.

18 CHAIRMAN OKUN: Mr. Wechsler?

19 MR. WECHSLER: I just wanted to say that Mr.  
20 Malmstrom's criticism of the use of the word commodity was  
21 directed at my testimony, not your question.

22 COMMISSIONER KOPLAN: The record will show that.

23 MR. WECHSLER: In addition to the very specific factors  
24 that have answered the globalization fantasy of the  
25 Respondents where they suggest that this case is a stalking

1 horse for overseas production, related production. After  
2 several years of speculation there has finally been a  
3 significant non-transient appreciation of the Euro against  
4 the U.S. dollar, and that provides yet another macro reason  
5 beyond what you've just heard why such a benefit to related  
6 non-subject production is not in the offing.

7           COMMISSIONER KOPLAN: Thank you, Mr. Wechsler, and I  
8 thank each of you for your responses. That includes you,  
9 Mr. Malmstrom. I appreciate that very much.

10           I have this last question.

11           Respondents argue that Chinese ball bearings compete  
12 most directly in the United States with non-subject imports  
13 and not with domestically produced bearings. In support of  
14 this claim they state at pages 19 and 20 of their brief, and  
15 I quote, "The Commission staff asked purchasers of Chinese  
16 ball bearings whether the most competitive alternative to  
17 the Chinese ball bearings is most often imports from another  
18 foreign source or domestic ball bearings. Many purchasers  
19 were unable to answer this question because they do not  
20 purchase ball bearings from China, a fact that by itself  
21 demonstrates the market segmentation of the ball bearing  
22 industry. However, 18 out of 19 purchasers who were able to  
23 answer the question, or 95 percent, responded that imports  
24 from other countries were the most competitive  
25 alternatives."

1           Again, I'd like to hear from the industry witnesses  
2    comments on this statement. In particular I'm interested in  
3    the degree of competition between U.S.-produced bearings,  
4    subject imports, and non-subject imports. For example, in  
5    what sectors do you face the most competition from subject  
6    imports? Do non-subject imports compete in these sectors  
7    also? The more detail you can provide the better.

8           I see my yellow light is on, and that will take awhile,  
9    so I'd just like you to think about it until it comes back  
10   to me on the next round.

11           Thank you very much, Madame Chairman.

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1                                   P R O C E E D I N G S

2                   CHAIRMAN OKUN: I was just going to ask a non-  
3 subject --

4                   Mr. Brinkman, you're important question, so I  
5 might let you respond. In fact, I will go back and just  
6 have you respond to Commissioner Koplan's question about the  
7 competition was not on subject imports.

8                   MR. BRINKMAN: The question is: do we import any  
9 non-commodity products from those --

10                  CHAIRMAN OKUN: Well, other bearings. In other  
11 words, what I thought I heard you respond to was everything  
12 in the ABEC 1 -- and that's 99 percent what we make in the  
13 U.S. -- that's what we're selling. We're not getting that  
14 from our overseas -- from any of the overseas companies.

15                  Are you getting other products from them, other  
16 bearings subject products?

17                  MR. BRINKMAN: We do import products from our  
18 sister company, factories in Brazil, in Japan. We've  
19 occasionally imported products from China for specific  
20 customer requirements. We've also imported products from  
21 our other factories in Poland and Indonesia.

22                  But those products, again, would be in the  
23 ABEC 1 variety, etcetera.

24                  CHAIRMAN OKUN: They would?

25                  MR. BRINKMAN: Yes, absolutely.

1 CHAIRMAN OKUN: It would be ABEC 1.

2 MR. BRINKMAN: Now, the ABEC 7 product that we  
3 supply to the machine tool industry, as mentioned earlier,  
4 is exclusively produced in our factories in Japan, so as  
5 stem mentioned, you know, we are also subject to duties that  
6 we pay on that, substantial duties that we pay on that  
7 product.

8 CHAIRMAN OKUN: Okay. Mr. Pedemonti.

9 MR. PEDEMONTI: We don't have any facilities  
10 outside of the United States that make --

11 CHAIRMAN OKUN: I'm sorry. I knew you asked me  
12 that.

13 MR. PEDEMONTI: -- that one, so we don't import  
14 any.

15 CHAIRMAN OKUN: Okay. Sorry. Mr. Malstrom.

16 MR. MALSTROM: Yes. We import bearings from -- a  
17 lot from Europe, automotive wheel bearings. Often there is  
18 a combination that we produce part of the bearings here in  
19 the United States, and then we import the rest from Europe  
20 to get a balanced picture.

21 As I said before, we only import ABEC 5, 7,  
22 etcetera, for machine tool application, and those are  
23 produced in Italy.

24 CHAIRMAN OKUN: Okay, so you're ABEC 5 and 7 are  
25 what you're bringing in?

1 MR. MALSTROM: Yes.

2 CHAIRMAN OKUN: Okay.

3 MR. MALSTROM: The bearings for the aerospace  
4 industry are all produced in Jamestown and Falconer, New  
5 York, and they are -- they could be anything from ABEC 1 to  
6 ABEC 9 depending on the application, but they are not -- we  
7 don't import any bearings for aerospace applications. They  
8 all are produced here.

9 CHAIRMAN OKUN: Okay. Did I miss anyone on that?  
10 No, okay.

11 Then now if you could go to Commissioner Koplan's  
12 questions and, of course, what I'm most interested in is the  
13 price competition with non-subject imports, the nature of  
14 that competition and whether it varies by segments as well.

15 So we can either start with Mr. Brinkman because  
16 you've got your hand on the microphone -- go ahead.

17 MR. BRINKMAN: Sure.

18 If I understand your question correctly, we do  
19 compete with non -- you're talking about countries that are  
20 not named in previous --

21 CHAIRMAN OKUN: Right. I mean, obviously in this  
22 record there is a large number of non-subject imports of  
23 subject products. And one of the questions is, you know,  
24 how are those different. I mean, in other words, the case  
25 is not being brought against imports from those other

1 countries.

2 MR. BRINKMAN: What we found is that the -- we  
3 feel that out of tool and die, we'll plan a lot of our Ann  
4 Arbor plant. We can compete with fair competition. What we  
5 have seen is that the only true unfair competition in the  
6 marketplace has come from China.

7 We have not -- I mean, whether it be from a non-  
8 named country; whether it be Indonesia; whether it be  
9 Poland; whether it be Czechoslovakia; whether it be Romania,  
10 we compete with that product out of our domestic factories,  
11 and I think we compete head-to-head with those.

12 But what we have seen from China, it's  
13 astronomical the levels and the erosion of price from that  
14 country specifically.

15 CHAIRMAN OKUN: Let me just ask you on that.

16 MR. BRINKMAN: Sure.

17 CHAIRMAN OKUN: I mean, is that because you  
18 believe that the prices of the non-subjects are equivalent  
19 to U.S. prices or because Chinese products are just  
20 substantially "unselling" even the non-subject? I mean I'm  
21 trying to look at our record and make sure I understand  
22 what --

23 MR. BRINKMAN: I have an opinion.

24 CHAIRMAN OKUN: -- what it is about them.

25 MR. BRINKMAN: I have an opinion on that. I

1 believe that -- my opinion is that the Chinese manufacturers  
2 recognize that their product wouldn't be well received in  
3 the United States so that purposely price their product to a  
4 point where it would open up the eyes of the customer based  
5 in the United States and that they would go ahead and invest  
6 money in approving their product for those applications.

7           So for Chinese -- again, in my opinion -- to  
8 penetrate the U.S. market, they had to consciously come in  
9 below the market price in the United States to make the  
10 buying community open their eyes up and say, yes, I will go  
11 ahead and invest money to see if your product is what you  
12 say it is, to go ahead and use it. That's my opinion.

13           CHAIRMAN OKUN: Mr. Flynn?

14           MR. FLYNN: Yes. Just to follow up on that a  
15 little bit, going back to the information that we get from  
16 our customers as it relates to competition, it appears that  
17 you can take the competition that's manufactured in the  
18 United States, and China, and everywhere else.

19           What we found is that there's a stream of  
20 information that seems to be very, very consistent when we  
21 compare the Chinese to the other types of manufacturing and  
22 that usually they're somewhere in the area of 20 to 30  
23 percent or more cheaper than what our competition is both  
24 from other foreign sources or manufacturers in the United  
25 States.

1           This is something we have found that in order for  
2 a customer to move from one vendor to another, there has to  
3 be a reason for it, and it has to be financially viable.  
4 And what we're finding is that the Chinese are coming in --  
5 I said Chinese, not any other locations in the world -- are  
6 coming in with such attractive pricing that, basically, the  
7 purchasing agents come to us and say, "we really don't have  
8 any other choice. We are under a directive to cut costs,  
9 and it's such a large difference that we have to go with the  
10 Chinese."

11           Now you put your accounting hat on and you look at  
12 this and say, well, what are we doing wrong? How can they  
13 have the parts coming in here so cheaply. And I was the one  
14 that mentioned before -- and I stressed it twice, and I'll  
15 state it again -- that the landed -- that's the part coming  
16 in -- the landed Chinese imports are selling for less than  
17 the cost of raw material.

18           And we're not finding that with other  
19 manufacturers in the United States and, certainly, other  
20 imports from foreign parts of the world outside of China.  
21 That's a big deal.

22           Before we can even start to produce our product,  
23 the cost of materials makes us uncompetitive. And this is  
24 something only seen by us as we're dealing with Chinese  
25 competition; no where else.

1           CHAIRMAN OKUN: Are there industry witnesses that  
2 --

3           MR. PFIZENMAIER: As far as the Ball is concerned,  
4 as I mentioned, we were forced to closed our Washington  
5 facility because we could not compete with them at all. We  
6 opened up a facility in Mexico, and now that is doubtful  
7 whether we can still maintain that competition. So, it's  
8 price, price, price, and that's all they buy on.

9           CHAIRMAN OKUN: Mr. Pedemonti.

10          MR. PEDEMONTI: Yes. If you take a look at the  
11 preliminary info on Table 2-2 -- if you take a look on page  
12 2-11 where it talks about "lowest price," 19 respondents  
13 said that versus the U.S., the Chinese is always lowest.

14                 If you look at the column that says, "U.S. versus  
15 non-subject," 15 of 24 said we're comparable. And if you  
16 look at the last column that says, "Chinese versus non-  
17 subject," 10 out of 11 said the Chinese are always lowest.

18                 So we compete with all of these and by far Chinese  
19 prices are absolutely the lowest I've ever seen versus non-  
20 subject or versus ourselves.

21          CHAIRMAN OKUN: Mr. Malstrom.

22          MR. MALSTROM: There are a number of countries  
23 that export their ball bearings: the United States, Turkey,  
24 Romania, Poland, The Czech Republic, Russia, and Korea.  
25 Typically, their prices are anywhere between 5 and 15

1 percent lower than our prices.

2 All of them except Korea are not specifically  
3 focused on the automotive industry. Korea is very focused  
4 on the automotive industry, but again, the price difference  
5 is anywhere from 5 to 15 percent.

6 Nobody is even close to the Chinese prices which,  
7 as I mentioned before, could go as high as 60, typically  
8 between 30 and 60 percent.

9 CHAIRMAN OKUN: Okay. Mr. Potts.

10 MR. POTTS: My experience has been pretty much the  
11 same as Patrick's. They come in with such a low price that  
12 the purchasing agent feels obligated to give this a try, and  
13 we look at the price and we look at our own costing, and we  
14 see our material cost, and it's often below the actual  
15 purchase price of the material we would use without any  
16 processing or anything else. And we've only seen that from  
17 the Chinese.

18 CHAIRMAN OKUN: Okay. So do you as a producer, do  
19 you respond differently to the Chinese prices than the other  
20 non-subject? In other words, one of the things I think I've  
21 heard the industry witnesses say is that they have lost  
22 volume, kept their prices. Is that because you would not  
23 meet a Chinese price but you'd meet a non-subject price?

24 MR. POTTS: On many occasions, we would be unable  
25 to meet a Chinese price at all. You know, that would just

1 be a losing proposition for us to try to go that far.

2 CHAIRMAN OKUN: Okay, I'm just trying to figure  
3 out, is that different than with the other non-subjects? I  
4 mean --

5 MR. POTTS: It would be different from other non-  
6 subjects. You know, if it's more reasonable, we would try  
7 to somehow keep that customer, and as I read earlier that we  
8 have reduced price and cut margins and tried every way to  
9 keep them, but some of them it's just impossible to keep.

10 CHAIRMAN OKUN: Okay. My red light has come on.  
11 I think there were some other points, but maybe Commissioner  
12 Koplan will come back our non-subjects, but I will turn to  
13 Vice Chairman Hillman. Thank you very much for those  
14 responses.

15 VICE CHAIRMAN HILLMAN: Thank you.

16 Let me start, I hope, with a couple quick follow-  
17 ups. In response to Commissioner Miller's question about,  
18 you know kind of, what is high-end. I just want to make  
19 sure I'm understanding the answer that you gave.

20 You're basically describing a high-end bearing as  
21 anything that is higher than -- I mean, high-end and A-Beck  
22 ratings are directly correlated, and that high-end means  
23 higher than what A-Beck rating? That's what I wasn't clear  
24 on. Anything higher than one you would consider a high-end  
25 bearing? I see lots of heads nodding --

1 MR. PEDEMONTI: Yes.

2 VICE CHAIRMAN HILLMAN: -- in the affirmative.

3 MR. PEDEMONTI: Yes.

4 VICE CHAIRMAN HILLMAN: Okay. Fair enough. I  
5 just want to make sure.

6 And at the risk of further insulting Mr. Malstrom,  
7 just close your ears here, on this issue of what is a  
8 commodity bearing, I just want to make sure I understand it.  
9 Is commodity something that is less than ABEC 1, or would  
10 you consider ABEC 1 bearings to be commodity bearings; those  
11 of you that are prepared to utter the word commodity.

12 MR. PEDEMONTI: I agree wholeheartedly with to  
13 where Ms. Malstrom is. As a person who's been selling this  
14 product, the precision nature of an ABEC 1 bearing is more  
15 precise than the tolerance in your watch, okay, but yet the  
16 industry, for whatever reason, thinks of it as weak.

17 And it's very offensive to us who've been in this  
18 industry for a long time to think of our product as  
19 commodity.

20 VICE CHAIRMAN HILLMAN: Okay, but nonetheless, the  
21 word "commodity" is out there --

22 MR. PEDEMONTI: But the word "commodity" --

23 VICE CHAIRMAN HILLMAN: If you could describe A-  
24 Beck --

25 PEDEMONTI: -- was coined by Senior Lopez at --

1 VICE CHAIRMAN HILLMAN: -- are these ABEC 1  
2 bearings?

3 MR. PEDEMONTI: They are ABEC 1 bearings.

4 VICE CHAIRMAN HILLMAN: Okay. I just want to make  
5 sure I understand.

6 MR. MALSTROM: To clarify, the purchasing people,  
7 especially in the automotive sector, they use the word  
8 "commodity" for anything.

9 VICE CHAIRMAN HILLMAN: Okay.

10 MR. MALSTROM: No, no. I mean, for anything,  
11 whether it's spark plugs, or tires, or -- they have  
12 commodity groups. They could be tires, spark plugs -- they  
13 use the word "commodity."

14 It doesn't mean anything from a quality point of  
15 view. It's just a term that they use which we don't like.

16 VICE CHAIRMAN HILLMAN: I appreciate that. I  
17 appreciate that.

18 And then, sort of, other last thought, Mr.  
19 Pfizenmaier, in your response to this question about your  
20 overseas operations, I recall in your direct presentation  
21 you said that Hoover had moved equipment from its Indiana  
22 plant "out of country."

23 I'm just trying to make sure I understand. You  
24 listed a number of your overseas facilities. Where did your  
25 Indiana plant equipment go?

1 MR. PFIZENMAIER: To Mexico.

2 VICE CHAIRMAN HILLMAN: Thank you. Okay.

3 Do you obtain -- do you import balls from that now  
4 Mexico facility into the United States?

5 MR. PFIZENMAIER: Yes.

6 VICE CHAIRMAN HILLMAN: Okay. Thank you.

7 I guess if I could go to the issue of pricing,  
8 because obviously this is one of the things that's, you  
9 know, both difficult from a data perspective in terms of,  
10 you know, how much data we have on the record in any case  
11 like this where we have such a tremendous array of products  
12 it's very hard to find enough apples-to-apples comparison of  
13 the exact product.

14 And on the other hand, for all the reasons we've  
15 talked about, you know, there's a good deal of reluctance to  
16 look too heavy at average unit values given the wide, wide  
17 range of the values of the products.

18 I'm trying to understand a little bit more about  
19 why we do seem to see -- notwithstanding the large  
20 underselling margins of the Chinese product -- we do,  
21 nonetheless, see price increases in some of the products in  
22 our data.

23 I think you, Mr. Pedemonti, or perhaps it was Mr.  
24 Gridley, talked about this issue of the volume discounts and  
25 the fact that you're losing your high-volume accounts that

1 had been sold more of at a discount and, therefore, a higher  
2 percentage of your sales are not volume and, therefore, not  
3 discounted.

4 But I'm trying to understand how wide-spread that  
5 phenomenon is. So I wonder if everyone in the industry can  
6 comment on just, generally, do you give large volume  
7 discounts, and to what portion of your sales do you  
8 typically give volume discounts, and how has that changed in  
9 terms of losing any of these high-volume sales.

10 I need to be able to put some sense of  
11 quantification -- not really precisely -- and I would ask  
12 Mr. Applebaum in a post-hearing if there is more, kind of,  
13 detail on this issue of how much sales are subject to these  
14 volume discounts where you lost these sales.

15 But perhaps either Mr. Gridley or Mr. Pedemonti,  
16 if I could start with you. Help me understand how to put  
17 this issue of volume discounts and the loss of volume sales  
18 into some context.

19 MR. PEDEMONTI: A quick example is typically if  
20 you get an inquiry for 500,000 pieces of something, you  
21 might sell that for \$1.00, and if you get the same size and  
22 inquiry of 1,000 pieces, the price might be \$2.00.

23 If you look at the average price, and then you  
24 take away the 500,000 piece quantity, your average price is  
25 going to go up because you're left with the smaller

1 quantity.

2 VICE CHAIRMAN HILLMAN: And to make sure I  
3 understand it, that strikes me as a very great volume  
4 discount. I mean, 100 percent reduction in the price if  
5 it's volume. I just want to make sure I understand, is that  
6 level of discount for volume sales --

7 MR. PEDEMONTI: No. That was just an example.

8 VICE CHAIRMAN HILLMAN: Okay. So help me  
9 understand both the level of the discount. I mean, what  
10 percentage for the biggest of the sales. And then again,  
11 quantify it in a portion of your total sales, how many --  
12 what portion is typically subject to a volume discount?

13 MR. PEDEMONTI: I would say typically 75 percent  
14 of our sales are affected by volume discounts.

15 VICE CHAIRMAN HILLMAN: Okay.

16 MR. PEDEMONTI: I would say the volume discounts  
17 typically run between 5 and 15 percent on average.

18 VICE CHAIRMAN HILLMAN: Okay.

19 MR. PEDEMONTI: In competing with the Chinese,  
20 you're looking at 40 to 60 percent difference.

21 VICE CHAIRMAN HILLMAN: Okay, the margin of  
22 underselling by the Chinese?

23 MR. PEDEMONTI: Yes.

24 VICE CHAIRMAN HILLMAN: Okay.

25 MR. PEDEMONTI: And we have lost business because

1 of that.

2 VICE CHAIRMAN HILLMAN: Would others in the  
3 industry comment on whether they have volume discounts and  
4 what portion of their sales might be subject to that, and  
5 again, what this range of discount might be. I'm not  
6 looking for specific numbers, you know.

7 MR. BRINKMAN: I would say that that information  
8 is pretty representative.

9 VICE CHAIRMAN HILLMAN: Seventy-five percent of  
10 your sales are subject to a volume discount --

11 MR. BRINKMAN: Well, I mean, it --

12 VICE CHAIRMAN HILLMAN: The discounts are between  
13 10 and 15 percent?

14 MR. BRINKMAN: Most of our sales are to larger  
15 customers. I mean, as, you know -- the industry is kind of  
16 segmented. A small customer will normally buy their product  
17 through an industrial distributor, and that product -- I  
18 mean, so the channels of distribution are completely  
19 different.

20 An OEM customer, somebody who actually takes that  
21 bearing and puts it into something that they eventually  
22 sell, are the types of customers that we deal with. And  
23 those, because of their nature, tend to be higher volume  
24 users of product.

25 So I don't know if I would -- I don't think I've

1 ever deemed it as volume discount.

2 VICE CHAIRMAN HILLMAN: Right.

3 MR. BRINKMAN: I think it's market appropriate is  
4 the way we price our product.

5 VICE CHAIRMAN HILLMAN: Okay. Others want to  
6 comment on this volume discount issue?

7 MR. MALSTROM: No, it's about the same. Even  
8 distributors have different discounts depending on the size  
9 of distribution. But just to give you an example, Vistian,  
10 which is a parts supplier partly owned by Ford, they  
11 announced two weeks ago that they want to reduce the number  
12 of supplies from 1,500 to 500 which means that theoretically  
13 each surviving supplier has three times the volume.

14 And for the benefit of doing that, they're  
15 offering to pay the savings up front 10 percent in cash.  
16 So, that's kind of a volume discount, you can see. And  
17 these are typical. I mean, 10, 15 percent, but not 30, 40  
18 percent.

19 VICE CHAIRMAN HILLMAN: Okay. Mr. Pfizenmaier?

20 MR. PFIZENMAIER: As far as the ball, yes, volume  
21 discount is probably close to 80 percent of our total  
22 business, but you made one mention that you're seeing price  
23 increases. I haven't seen a price increase in 10 years.

24 VICE CHAIRMAN HILLMAN: Okay. Again, obviously --

25 MR. PFIZENMAIER: That's a history statement.

1           VICE CHAIRMAN HILLMAN: -- this is one of these  
2 pages that's very difficult because so much of the data in  
3 our record currently is -- this is proprietary. So some of  
4 the details on the pricing, obviously, we can go into in the  
5 public -- in the private section.

6           MR. PFIZENMAIER: That's just a general statement.

7           VICE CHAIRMAN HILLMAN: Fair enough. I appreciate  
8 that.

9           I guess, though, this whole issues, I mean, raises  
10 for me this question generally needing to have a better  
11 understanding from you all about the nature of price  
12 competition and how it occurs because this argument about  
13 the volume discount obviously starts with the premise of  
14 discount off of what?

15           I mean, if 75, 80 percent of your customer base  
16 are these large-volume customers, you know, you can look at  
17 the glass half-full, the glass half-empty. I mean, is it a  
18 discount for them or is there a mark-up for the small  
19 suppliers.

20           I mean, it sort of depends on where you start from  
21 how you gage this which leads me to try to understand a  
22 little bit better how you price your product and, if you  
23 will, the relationship between the spot market versus the  
24 contract market.

25           As I understand it, you know, the majority of your

1 product is sold by contract, negotiated contract, and yet  
2 there clearly is a spot market out there. Help me  
3 understand, again, sort of a little bit more of how the  
4 price competition occurs within your contract negotiations  
5 and how much does the spot market inform that?

6 Does everybody look at the spot market price when  
7 they're sitting down to negotiate with you and say, well,  
8 the spot market price is "x" and, therefore, I want "this"  
9 in my contract?

10 MR. BRINKMAN: We all have what we would deem as  
11 price sheets or, you know, what our products have sold for,  
12 or our customer service group internally -- if a customer  
13 calls up that is not a current customer, they have a level  
14 of pricing that they can offer to a customer with no  
15 approval from anybody within the organization. And that's  
16 historically based on a cost-plus basis, whatever your costs  
17 are, then we want to make this margin, etcetera.

18 When you're looking at contracts, they become  
19 very, very complex, and the nature of it, the products, the  
20 -- do I have open capacity on that line? Do I need to get  
21 my accounting group involved because I have overhead there?

22 I may take a contract at a loss strictly because I  
23 already have this overhead that I have to absorb, so it  
24 becomes very complex. And I think Stem's comment is very  
25 appropriate as to what Vistian's doing.

1           They're saying, "okay, I have three times the  
2 amount of business. If I give you three times the amount of  
3 business, what kind of discount will you give me off your  
4 current price?"

5           Well that -- you have to look at a variety of  
6 factors there. Can I sell it to someone else? If I can  
7 sell it to someone else at a higher price, you're going to  
8 do that, needless to say, and that's what we're in business  
9 to do is to make money.

10           If I don't and I'm sitting on idle capacity, I may  
11 feel that that's a good opportunity for us. So I think it's  
12 -- I don't know if I'm addressing your question.

13           VICE CHAIRMAN HILLMAN: So I just understand that  
14 you basically start from a list price which would presumably  
15 be informed in some way by --

16           MR. BRINKMAN: That would be strictly for a drop-  
17 in order --

18           VICE CHAIRMAN HILLMAN: Okay.

19           MR. BRINKMAN: -- for someone that really isn't  
20 part of our customer list.

21           VICE CHAIRMAN HILLMAN: So your negotiated  
22 contracts really bear no relationship to the list price?

23           MR. BRINKMAN: None whatsoever.

24           VICE CHAIRMAN HILLMAN: Okay.

25           MR. BRINKMAN: None whatsoever.

1                   VICE CHAIRMAN HILLMAN:  Would everybody agree that  
2 your negotiated contracts are not at all based on your list  
3 prices?

4                   MR. PEDEMONTI:  Yes.  What he described -- we  
5 process probably 40,000 inquiries a year of people who call  
6 up and want our product, and we have an established price on  
7 our computer screen that anybody can quote.  So that's one  
8 transaction that takes place.

9                   When you get into large contracts, typically what  
10 happens, the larger one will say to you, "oh, for this next  
11 two to three years, we want a five percent price reduction  
12 year after year," and you struggle with that.

13                  VICE CHAIRMAN HILLMAN:  Five percent off of what?

14                  MR. PEDEMONTI:  Off of the present price that they  
15 are paying.

16                  VICE CHAIRMAN HILLMAN:  That's in their contract.

17                  MR. PEDEMONTI:  Okay, which is typically the  
18 market price for high-volume product, okay?  So if you have  
19 a screen price of, let's say, \$1.50 for 100 pieces of  
20 something.  If you were to buy a million, the price might be  
21 \$1.00.

22                  So you're starting from \$1.00 for the high-volume  
23 price, and from that present price you'll say, "oh, I want  
24 another five percent for the next two years, each year."

25                  Now, the other thing that they will do -- you have

1 all this business. They say, "okay, here's what we want to  
2 start to process, and you have to give us five percent per  
3 year off of what we are presently paying. And oh, by the  
4 way, here are 15 sizes that we have competitive quotes from  
5 the Chinese on, and they're 50 to 60 off." You need to put  
6 those into the equation and try to figure out how to solve  
7 it.

8 VICE CHAIRMAN HILLMAN: Okay. I see that the red  
9 light is on, so I may come back to this question in the next  
10 round. Thank you.

11 MR. APPLEBAUM: Oh, and we will respond to your  
12 general question about volume discount and pricing  
13 recognizing you may ask further questions about it as you  
14 asked in post-hearing brief.

15 CHAIRMAN OKUN: Commissioner Miller.

16 COMMISSIONER MILLER: Thank you.

17 I, too, am interested in some of the pricing  
18 information, but I think between Commissioner Hillman's  
19 questions and the confidentiality issues, I may ask those  
20 questions in the in camera session.

21 I appreciate my colleagues having finished my last  
22 line of questioning. I think they did a pretty good job of  
23 finishing it off, so I don't need to go back there. And I  
24 appreciate all your answers.

25 I think I've gotten a better understanding of the

1 ABEC rating issue. I hate to say it, but there's one other  
2 thing I want to try to make sure I have a clear  
3 understanding of, and that's the size issue.

4           It's actually something I read in the statistical,  
5 the Commerce Department study. Mr. Applebaum, I take note  
6 of your comments. It's not an ABMA study, although the  
7 summary suggests that the ABMA was obviously pretty involved  
8 with this -- I mean, I just want to make sure that your  
9 comments don't mean that the ABMA has a big factual problem  
10 with what's in this study.

11           MR. APPLEBAUM: No. My comment was intended to --  
12 I do not know why it was cited 11 or more times. In ABMA  
13 study, it is the Department of Commerce study. On  
14 individual points we may not agree with everything, and we  
15 could respond to that.

16           The ABMA did -- and Mr. Rohn can elaborate if you  
17 want -- did as I understand it did, and once it was done,  
18 did encourage the DOC to release it publicly. And  
19 eventually I think it went on their web site. Is that  
20 correct, David?

21           MS. ROHN: Right.

22           COMMISSIONER MILLER: Okay. I just wanted to make  
23 sure you didn't have a big problem factually with what's in  
24 here.

25           MR. APPLEBAUM: No. It was just -- I just --

1           COMMISSIONER MILLER: No, I understand you may  
2 have some, you know --

3           MR. APPLEBAUM: Some individual differences --

4           COMMISSIONER MILLER: Yes.

5           MR. APPLEBAUM: -- but the main point was that  
6 it's a Department of Commerce study --

7           COMMISSIONER MILLER: Right.

8           COMMISSIONER MILLER: -- not an ABMA study, and I  
9 --

10           COMMISSIONER MILLER: Right. Okay. Well, let me  
11 just go to my factual question though, then. I see  
12 references in here that suggest to me that there is not a  
13 lot of U.S. production, at least in this study a lot -- and  
14 this is public, so I can use it -- in the "under 30  
15 millimeter sizes of bearings," the 9 to 30 millimeter sizes.

16           And to be fair, I think the respondents cite this  
17 report a fair amount in talking about their view of the  
18 global industry. But let me, just on this very specific  
19 question, the 9 to 30 millimeter sizes, is that a size range  
20 in which the companies present here participate, you know,  
21 produce in the U.S.?

22           Or maybe I could just ask generally the question:  
23 What is that size range? What market is that for the most  
24 part? Is it a lower-end bearing in terms of its dollar  
25 value, for example?

1           MR. BRINKMAN: I don't think you could really say  
2 that a size is based on -- that it's a lower end. I mean,  
3 the size isn't the reference here. I don't if anybody has  
4 their catalog with them or anything. I don't know what  
5 we're talking about there, but is that a 6200 and smaller,  
6 roughly?

7           MR. GRIDLEY: 6200 is --

8           COMMISSIONER MILLER: Use your microphone back  
9 there, please, whoever is speaking.

10          CHAIRMAN OKUN: Mr. Gridley made the comment that  
11 6200 is below 30 millimeter.

12          MR. BRINKMAN: In the bearing industry, we  
13 normally go by bore size.

14          COMMISSIONER MILLER: Okay.

15          MR. BRINKMAN: Okay? That's how we -- I mean, and  
16 actually this all means something. I mean, when you get  
17 over a 6204, you multiply the bore times five millimeters,  
18 and that gives you -- so, I mean, like a 6205 is a 25  
19 millimeter bore bearing, okay? A 6206 is a 30 millimeter  
20 bore bearing. When you get below 203, you kind of throw it  
21 all out the window, but that's a different story.

22          But to say that -- so what they're referencing is  
23 that there are few manufacturers of bearings less than a  
24 6000 or 6200 size. We make those sizes in Clarinda, Iowa.  
25 We make 608s which would fall into that category, 627

1 bearings, 6000s, 6200s would all be under 32 millimeter O.D.

2 COMMISSIONER MILLER: So you see that as being --

3 MR. BRINKMAN: We're directly --

4 COMMISSIONER MILLER: That is a -- you would  
5 describe the smaller size as being a large part of the U.S.  
6 market, a large part of Europe production?

7 MR. BRINKMAN: Every skateboard in the country  
8 uses a 608 which is an 8 millimeter bore which is less than  
9 a 30 millimeter O.D. So I mean -- and if you look at it  
10 from a consumption point of view, it's one of the largest  
11 consumed bearings in the United States. It's used in almost  
12 all windshield wiper motors, etcetera, would be in that  
13 category under 32 millimeter O.D.

14 And we have seen severe competition from Chinese  
15 in that area as well as in larger sizes. And in that area,  
16 we do produce those products in the United States in  
17 Clarinda, Iowa.

18 COMMISSIONER MILLER: Anyone want to respond for  
19 Timken?

20 MR. PEDEMONTI: Yes. Paul Pedemonti. Our MPB  
21 operations makes that size range, and one of the largest  
22 volume sizes is the dental drill bearing. So every time you  
23 go to have your teeth drilled, that drill is running on MPB  
24 bearings which are less than 30 millimeters.

25 COMMISSIONER MILLER: Okay. Just to make sure

1 that I'm not missing something, Mr. Applebaum, I would  
2 invite you to address page 29 of the report that talks about  
3 -- I mean, it says more than 90 percent of the 9 to 30  
4 millimeter sizes are imported from east Asian countries.

5 But maybe I'm missing something in terms of maybe  
6 they're only talking about a subset of ball bearings, I  
7 mean, I don't know. I would invite you to respond to that.

8 MR. APPLEBAUM: We will respond and address that  
9 issue.

10 MR. MALCOM: Madam Commissioner, may I make a  
11 short remark?

12 COMMISSIONER MILLER: Yes, Mr. Malcom.

13 MR. MALCOM: All the bearings that I refer to, the  
14 automotive bearings, are above that size.

15 COMMISSIONER MILLER: Okay.

16 MR. MALCOM: Above 30 millimeter. They are actual  
17 40 and 55 millimeter, most of them -- all of them.

18 COMMISSIONER MILLER: Okay, so for SKF, you are in  
19 the higher --

20 MR. MALCOM: Yes.

21 COMMISSIONER MILLER: The larger size.

22 MR. MALCOM: The smaller ones, as I mentioned,  
23 they were transferred out in the '98, '99 period.

24 COMMISSIONER MILLER: Okay.

25 MR. MALCOM: Closed them down and transferred

1 them.

2           COMMISSIONER MILLER: Okay. One issue -- and I  
3 know Vice Chairman Hillman posed some questions to you  
4 earlier on the data which were helpful. There's one issue  
5 on the data that I'm not sure if I heard the answer, and if  
6 I did, I apologize.

7           It has to do with the import data and the fact  
8 that the import data includes, as I understand it, imports  
9 of green parts. That's not correct? Or is it correct? I'm  
10 trying to understand when we look at our import data -- I  
11 take it that your position is we --

12           MR. STEWART: Not on complete bearings. That's  
13 not true on complete bearings, Commissioner Miller. There  
14 is a -- my recollection is that the category for rings  
15 doesn't distinguish between heat-treated and not heat-  
16 treated, and so for that particular category, that would  
17 probably still be a true statement; although, Mr. Wechsler  
18 and Mr. Szamosszegi can undoubtedly clarify that.

19           But the way your statistics are put up now that  
20 you have complete bearings and you separately look at balls,  
21 the only category that would be relevant would be parts  
22 other than balls which is where presumably rings would be  
23 included.

24           COMMISSIONER MILLER: Okay.

25           MR. STEWART: So it's not -- in the discussion

1 that we had in our pre-hearing brief where we looked at  
2 imports of complete bearings, it's obviously not an issue  
3 there because rings and balls are not included in those  
4 import statistics, and they're not included in the domestic  
5 value of complete bearings.

6 COMMISSIONER MILLER: Okay. So it is your view,  
7 then, that the Commerce Department data on imports is not  
8 overstated? In terms of any concern we had about that in  
9 the preliminary, it's your view we don't have that problem  
10 any more.

11 MR. STEWART: Depending on how you choose to look  
12 at the data --

13 COMMISSIONER MILLER: Okay.

14 MR. STEWART: As I understand it -- and again, I  
15 didn't put the statistics together on this -- my  
16 recollection was that the category for rings does not  
17 distinguish between heat-treated and not heat-treated.

18 So to the extent you are looking at statistics  
19 that are parts other than balls, separate from complete  
20 bearings, it would potentially still be an issue, and you do  
21 you have information in terms of imports of non heat-treated  
22 rings as I understand the questionnaire response.

23 COMMISSIONER MILLER: Okay, but if you're looking  
24 at the complete bearings, it should be -- it's your view  
25 that that data, the import data, is not at all overstated.

1 MR. STEWART: That's right. It's a non issue if  
2 you look at complete bearings.

3 COMMISSIONER MILLER: Okay. Do either Mr.  
4 Wechsler or Mr. Szamoss -- I'm sorry. We see you enough. I  
5 should be able to pronounce that, but it's always a  
6 challenge.

7 MR. WECHSLER: Actually, the trick is to pretend  
8 he's an Irishman and think of it as Sam O'seki.

9 COMMISSIONER MILLER: Thank you. Mr. Szamosszegi.

10 MR. SZAMOSSZEGI: Perfect. I basically agree with  
11 everything that Mr. Stewart said. There is an HTS category  
12 in the parts for rings. That HTS category includes, does  
13 not distinguish between, heat-treated and non heat-treated  
14 rings.

15 So if you look at ball bearings and parts thereof,  
16 there are going to be some green rings in there. If you  
17 look at just complete ball bearings, there won't be any  
18 green rings in there.

19 COMMISSIONER MILLER: Okay. I appreciate all of  
20 the answers to my questions. Thank you, very much.

21 CHAIRMAN OKUN: Commissioner Koplan.

22 COMMISSIONER KOPLAN: Thank you, Madam Chairman.

23 Let me come back first, if I could, to a question  
24 that I asked about globalization. I won't use the word  
25 "commodity," Mr. Malmstrom, I'm just coming back to the

1 globalization question. But I wanted to come back to Mr.  
2 Pedemonti on that question because he responded to me in the  
3 last round.

4 I'm looking at a letter from Mr. Stewart on  
5 February 24th of this year at which time he informed us that  
6 on February 18th Timken completed its acquisition of  
7 Ingersoll Rand's Engineered Solutions business.

8 And then I'm excerpting from the letter that says,  
9 "what was formerly the Torrington Company is now Timken,  
10 U.S., Corporation which is wholly owned by the Timken  
11 Company," and I'm wondering when you answered my question  
12 with regard to globalization, rationalization, were you  
13 speaking on behalf of Torrington before that occurred, not  
14 taking into account that you're now a part of Timken?

15 MR. PEDEMONTI: When I answered that Class One  
16 bearings being manufactured today, most of them made in the  
17 United States, that was under Timken because Timken  
18 basically makes tapered roller bearings. Their MPP division  
19 makes ball bearings, but those are made in New Hampshire.

20 COMMISSIONER KOPLAN: Okay. Thank you for that.

21 Then let me just come back for a moment to my non-  
22 subject question that I read at the end of the last round.  
23 Let me just say this: what I am looking for -- and Mr.  
24 Grace -- and I didn't go back to the transcript and see the  
25 excerpt from Respondent's brief that I was quoting from, but

1 what I'm looking for are the details of your competition  
2 with the non-subjects.

3 I appreciate hearing from you that you can  
4 complete on a level playing field with them and that they're  
5 fairly traded, but I'm interested in the nature and the  
6 extent of that competition, as much detail as I can get.

7 And I would be happy to take it for the post-  
8 hearing because obviously the non-subjects are a significant  
9 presence in this market, and i'm interested in understanding  
10 from you all, since I've got you here now, as much detail as  
11 to the nature of that competition, specifics of what you're  
12 competing with them on and as much as you can give me from  
13 your records. And I'll take that post-hearing.

14 If I can -- yes, Mr. Salonen.

15 MR. SALONEN: Commissioner Koplan, Eric Salonen.  
16 Just one comment: this all arises out of the comment from  
17 Mr. Greenwald's brief and the question from the --

18 COMMISSIONER KOPLAN: Right.

19 MR. SALONEN: -- purchaser's questionnaire, and  
20 it's I think, at least my view, that that question is taken  
21 out of context because it asks purchasers, if you purchase  
22 Chinese products, which do you consider to be the most  
23 competitive alternative. It doesn't ask most competitive in  
24 what sense.

25 If it's asking what's competitive in terms of

1 price, well, then not surprisingly, non-subject imports from  
2 other countries that are lower priced will be considered to  
3 be the most competitive alternative.

4           It does not ask whether you would consider the  
5 Chinese to be interchangeable or competitive with a domestic  
6 product based on end uses or applications. So I think that  
7 that's something else that should be taken into  
8 consideration, that the entire argument, really, is based on  
9 taking that question and the responses out of context.

10           And again, as Mr. Pedemonti pointed out, the  
11 responses from purchasers who compared Chinese and domestic  
12 product by quality, some of them are very comparable.

13           COMMISSIONER KOPLAN: That could be included as  
14 part of the response to my question post-hearing.

15           MR. APPLEBAUM: We will in the post-hearing brief  
16 respond to your question to the extent we can in the nature  
17 of competition with the non-subject imports.

18           COMMISSIONER KOPLAN: Thank you, Mr. Applebaum.

19           And with that, I have no further questions. I  
20 want to thank you all very, very much for your testimony. I  
21 very much appreciate it. Thank you, Madam Chairman.

22           CHAIRMAN OKUN: Thank you.

23           Let me turn, if I could. One of the arguments  
24 that Respondents made in their brief and Mr. Greenwald made  
25 in his opening statement has to do with what is on the

1 record and what are the facts before us with regard to price  
2 competition. And he characterizes some of the allegations  
3 based on web sites and press releases.

4 And I assume for post-hearing that you will in  
5 detail go through the allegations that he'll raise this  
6 afternoon and what they've already raised. But let me just  
7 throw out one that if you could respond here that would be  
8 helpful on.

9 Pages 24 and 25 of your pre-hearing brief,  
10 Petitioners argue that, "Chinese ball bearings actively  
11 compete in the automotive industry." And they give as an  
12 example, General Bearing Corporation's contract with Ford.

13 The press release that you provided evidence of  
14 this supply arrangement states, and again I quote, "having  
15 recently achieved QS9000 for our West Nyak manufacturing  
16 plant, we fully expect to expand our presence within the  
17 automotive industry."

18 General Bearings West Nyak plant is in New York.  
19 Now, I'm aware of the fact that General Bearings also has a  
20 Chinese facility that has been qualified by Ford. My  
21 question is whether Petitioners know as a fact that General  
22 Bearing has began to supply Ford with Chinese product. Is  
23 there anyone here who could respond to that?

24 MR. APPLEBAUM: Evidently no one can respond here.  
25 We'll seek to do that for the post-hearing brief. I would

1 comment, as you've heard from NSK and others about direct  
2 competition in the automotive sector today, and that is  
3 worse on the record.

4           And the questionnaire responses, not just the  
5 companies here but others, have ample documentation of  
6 competition in the automotive sector and others, and direct  
7 competition with the Chinese.

8           The references to the web sites and the  
9 promotional materials are simply to contradict the notion  
10 they can't compete in various products and also looking to  
11 the future of what China is capable of as well as what  
12 they're doing now.

13           CHAIRMAN OKUN: Right. I mean, I know I think  
14 some of that perhaps would go to a threat argument, but  
15 again, I think it helps in our deliberations to, you know,  
16 not only see what they say they can do but are they, in  
17 fact, doing it and is it reflected in the record which I  
18 think is the most difficult part in this particular case.

19           MR. APPLEBAUM: I think a general bearing witness  
20 is coming later in the day, and you can put that question --  
21 my information is, but it could be wrong, is that General  
22 Bearing does not produce bearings in the United States and  
23 that they would be supplying that from China. That was our  
24 understanding.

25           But we'll seek to clarify it, but obviously they

1 had a witness coming this afternoon as well.

2 CHAIRMAN OKUN: Okay, well, I mean, again, I think  
3 there will be other issues raised that I think it would be  
4 helpful to have a response to along that line.

5 Then the other question I have, and I rarely go  
6 down this road, but I'm going to do so in this case and note  
7 before I do, Mr. Greenwald, which doesn't mean that I'm  
8 necessarily going to take it in consideration.

9 But in this case, we now have a Chinese producer  
10 found de minimus. We have a large percentage of producers  
11 that participated and received an eight percent margin and a  
12 PRC wide rate of around 60 percent.

13 My question for you, and I guess it is a legal  
14 question although I'm also interested in how the industry  
15 responds to this, which is: if all these Chinese products  
16 were fairly traded -- in other words, the margins were in  
17 place -- would the U.S. manufacturers be able to take those  
18 sales.

19 And I mean, you know where I'm going here. I  
20 mean, the price spread we see -- and a lot of this is  
21 confidential, again, in the record, but we can say the  
22 ranges go up to 85 percent under selling margins, the  
23 dumping margins that Commerce has determined do not.

24 If they were all fairly traded, what would be the  
25 impact on the U.S. Industry?

1           MR. APPLEBAUM: I take it, Chairman Okun, you're  
2 looking only at the margins of the so-called "mandatory  
3 respondents" which were 7, 8 percent range. We would note  
4 the country-wide rate is nearly 60 percent, and there are  
5 many potential entrants, if not already companies there.

6           I'll ask the industry to respond and --

7           CHAIRMAN OKUN: Mr. Applebaum, on that -- and I do  
8 not have this figure yet, but I think you should in your  
9 post hearing look at that as well which is the percentage  
10 that is covered by, I'd say, less than 10 percent duty  
11 margins. But go ahead. I mean, I think that is a large  
12 category as I understand it at this point.

13          MR. GRACE: The percentage figures are -- one  
14 could look at what was submitted to the Commerce Department,  
15 but that's under APO which we can't provide to you. That's  
16 the problem. I don't think there's -- at least we're not  
17 aware of any way to provide that information to you.

18          MR. WECHSLER: Just in terms of the analytical use  
19 of that data, there are some constraints in going where your  
20 question seems to go. And I'll point out that the actual  
21 margins that will be applied and are applied after one-year  
22 reviews frequently have literal or no relationship to the  
23 deposit margins, particularly with China.

24          So if you give them too much weight on them being  
25 low now, or relatively lower for some companies, you

1 discount the possibility that when they're actually under  
2 supervision going into the future that they may not be able  
3 to get those margins on annual reviews.

4           And part of the process of being subjected to that  
5 microscope once you are -- searching for a word better than  
6 convicted -- but once you're found to have been dumping has  
7 a good deal of restraint on behavior that can be fast and  
8 loose beforehand. So I think there's a real problem in  
9 taking it that way.

10           I will say that if you're in a market situation  
11 where there's been overall -- I'm speaking macro terms -- a  
12 2 percent price decline, and you're looking at the  
13 possibility of imposing on the major single competitor an  
14 overall 8 to 10 percent price increase, that that's a very  
15 significant factor.

16           It doesn't mean the domestic industry will  
17 recapture all the lost sales, but it will recapture many of  
18 the swing sales, and it'll put a very substantial crimp on  
19 the ability of the Chinese to make further advances. All of  
20 those matter a lot.

21           CHAIRMAN OKUN: Mr. Stewart.

22           MR. STEWART: Thank you, Madam Chairman, just a  
23 technical clarification: there were only three companies  
24 examined in the Commerce Department proceeding. Under their  
25 new methodology with China, if a company who has exported to

1 the U.S. files a Section A, they will get the average of the  
2 companies who are investigated.

3           You are correct that there are a large number of  
4 companies in the notice who receive 7 to 8 percent margin.  
5 Only three of those companies were investigated. So it  
6 would be correct that in the first year the cash deposits  
7 will be what those rights are if there's an order in place.

8           As you know as well, it is also the case that a 7  
9 percent margin may have entries where there are no dumping  
10 in margins of up to 100 percent or more on particular items.  
11 Since the producers are not aware of which products had  
12 margins, it is not possible for them to be able to  
13 anticipate what kind of an economic affect an order put in  
14 place would have.

15           It could have a significant affect on some lost  
16 business, and it might have no affect on other lost  
17 business.

18           CHAIRMAN OKUN: I appreciate all those comments.  
19 And again, in prior cases it has not been something that I  
20 have placed a great weight in when we look at the magnitude  
21 of the dumping margin.

22           However, in this case, the reason the question  
23 intrigued me is just that the under-selling margins are so  
24 large, and I'm just trying to determine what that means for  
25 price competition, I mean, whether there are -- and again,

1 in my -- as you know, I may have voted in the negative in  
2 the original -- or in the preliminary determination, I did  
3 not rely on market segmentation.

4 So it is not whether it's market segmentation for  
5 me, it is the issue of whether there is, in fact,  
6 competition and that these sales would be going to -- that  
7 they would pick up any but for the unfairly priced goods.

8 So I would encourage you to brief in however  
9 manner you'd like to in post-hearing, but I appreciate,  
10 again, the comments which go to what the dumping margins  
11 mean and how we should consider that.

12 MR. APPLEBAUM: We will deal with that in the  
13 post-hearing brief. One comment in supplement to Mr.  
14 Stewart's comments with which I agree it's that the three  
15 companies that were examined, at least our position before  
16 the commerce department was they were not representative of  
17 the industry, and indeed, two of the Chinese respondents  
18 themselves agreed with us.

19 You have no ability to change that, obviously, but  
20 the industry does not believe that those three companies  
21 represent the threat from China which includes all of the  
22 rest of the companies over there, which there are a great  
23 many.

24 CHAIRMAN OKUN: Right. Well, again, we get the  
25 dumping margins from Commerce, and we don't look behind

1 them. And it does -- I mean, I do understand the argument  
2 as it goes to what it would mean in the future.

3 I see that I'm going to run out of time. I've  
4 ended on this as the last question. I'll just say for post-  
5 hearing, which is: given that I reached a negative  
6 determination in the prelim, and I think that, you know, the  
7 record sets out the issues that I had concern with.

8 Both can change in the end, so what I would ask is  
9 that you brief fully the issues that I focused on in my  
10 negative determination. Provided for me what you believe  
11 has changed in the record, and you've done some of this  
12 already orally, and I will look for more of it.

13 Keep in mind that I did not, in fact, rely on  
14 market segmentation to reach that determination, so I will  
15 be looking to that. And again, I appreciate all the  
16 industry's presentations today and the background that they  
17 can provide.

18 And with that, I will turn to Vice Chairman  
19 Hillman.

20 VICE CHAIRMAN HILLMAN: Thank you. Again, just  
21 one more quick follow up on this pricing issue because,  
22 again, I'm just trying to make sure I understand you sense  
23 of how the price competition occurs.

24 Mr. Pedemonti, I believe in your direct testimony  
25 you commented on multi-year contracts that had price changes

1 built into the contract that have occurred over the life of  
2 the contract.

3           Again, I'm trying to understand again how common  
4 that is. What is the price escalator or de-escalator geared  
5 to? I mean, what do the contracts typically say that you  
6 look at in determining whether the prices are going to go  
7 down over the life of the contract or is it something that  
8 has been negotiated at the outset.

9           And, do the contracts provide that the prices can  
10 go both down and up or can they only go down within the life  
11 of the contract?

12           MR. PEDEMONTI: I could talk for hours on this  
13 since I've negotiated a hundred of these.

14           VICE CHAIRMAN HILLMAN: I only have five minutes  
15 here, Mr. Pedemonti.

16           MR. PEDEMONTI: Basically, if you have a contract  
17 in place today and it is up, let's say, the end of this  
18 year, typically the customer will start negotiations and  
19 say, "okay, for another two- to three-year contract, our  
20 expectation is that you will offer us a five percent price  
21 reduction per year to keep the business that you have."

22           VICE CHAIRMAN HILLMAN: So each year it's expected  
23 to go down by five percent.

24           MR. PEDEMONTI: By five percent.

25           VICE CHAIRMAN HILLMAN: And that five percent

1 number is simply what they've negotiated. It's not by  
2 looking at the spot market or geared to any index or  
3 anything?

4 MR. PEDEMONTI: No. That is basically where they  
5 come from. The next thing they will do is they will do some  
6 homework and look at the landscape, and in many cases today  
7 they will say, "and here are 16 to 20 sizes that you have  
8 Chinese competition on, and you need to address that price  
9 level as well as the five percent."

10 So you have this request from them, and typically  
11 when you go through the negotiation, they give you an  
12 estimated usage of what they are going to buy. There is no  
13 guarantee that they will buy that usage.

14 We often try to say, "okay, if you buy that usage,  
15 this is the price. If you buy more, we will entertain the  
16 opportunity to reduce the price, but if it's not the  
17 estimate, we would like to get a price increase."

18 We never get that, absolutely ever. They  
19 basically say, "here's the estimated usage. If it's more or  
20 less, that's the way it is." So there's no guarantee on  
21 usage.

22 The other things that they try to put in there is  
23 if you are not found competitive in price, quality or  
24 delivery, we can exit this contract in 60 days notice. So  
25 what we have always tried to do is put in a phrase that

1 talks about total acquisition cost.

2           You know, it has to be the same quality, same  
3 delivery performance, same technical support, but basically  
4 most of these contracts start with an up-front price  
5 reduction of about five percent, and then on selected line  
6 items, you have to meet specific competitors.

7           In this case, over the last couple of years it has  
8 been Chinese competition.

9           VICE CHAIRMAN HILLMAN: Okay. A couple of follow-  
10 up questions on that. When you say, "it's been five  
11 percent," it's been five percent as of when? I mean, in  
12 what year did you start seeing this five percent request?

13           MR. PEDEMONTI: Maybe Mr. Brinkman can help me.  
14 When did Mr. Lopez show up at General Motors?

15           MR. BRINKMAN: About 1991.

16           MR. PEDEMONTI: 1991 it started.

17           VICE CHAIRMAN HILLMAN: So since 1991 on there's  
18 been a consistent request for a five percent reduction.

19           MR. BRINKMAN: Three to five.

20           MR. PEDEMONTI: Three to five percent -- in that  
21 range.

22           VICE CHAIRMAN HILLMAN: Okay.

23           MR. PEDEMONTI: And we've had some customers that  
24 now are requesting 10 percent.

25           VICE CHAIRMAN HILLMAN: Okay, and you mentioned

1 also that there was this clause that within 60 if you're not  
2 price competitive. Has anyone actually invoked that clause  
3 and broken the contract?

4 MR. PEDEMONTI: Yes.

5 VICE CHAIRMAN HILLMAN: And again, can you give me  
6 a sense of the amount of volume that would have been subject  
7 to that kind of break in the contract?

8 MR. PEDEMONTI: This particular case was probably  
9 a \$3 - \$4 Million piece of business.

10 VICE CHAIRMAN HILLMAN: Okay, but it's happened  
11 once?

12 MR. PEDEMONTI: I've had it happen probably three  
13 or four times and major accounts.

14 VICE CHAIRMAN HILLMAN: Okay. Mr. Brinkman, you  
15 were smiling when I asked my question, so I take it you have  
16 views on this subject as well, so let me hear from you.

17 MR. BRINKMAN: Very, very similar. As I stated  
18 before, I've been specifically involved in the automotive  
19 business and a large OEM for about the last 10 or 12 years  
20 even though I've been with the company for the last 20.

21 And we have seen this pricing pressure escalate  
22 since Mr. Lopez came to General Motors and kind of changed  
23 the whole make-up of purchasing in the United States. And  
24 that spread not only to the auto industry but to all bearing  
25 consuming industries throughout the United States.

1           So it has become common place that all customers,  
2 all contracts today when negotiated, have annual reductions  
3 in them. And as stated, they range anywhere from two,  
4 three, five, and in some cases 10 percent.

5           Beyond that, they also have similar situations  
6 that we're dealing with where they said, okay, this is what  
7 we expect, but at the same time we have these Chinese  
8 competitors out there that are 30, 40, and 50 percent lower.  
9 We will move that product to them unless you can meet those  
10 levels.

11           At the same time, in the last -- I would venture  
12 to say -- the last three years, we saw an influx of what  
13 they call on-line bidding, and many of our customers have  
14 started to sue the Internet to send our commodity product on  
15 the internet to see what they can price it for.

16           So they do not take into consideration engineering  
17 support, or quality records, or inventory caring costs, or  
18 all of the EDI requirements. Electronic data interchange of  
19 information is how most of the auto companies process their  
20 orders. There's cost associated with that. There's  
21 software costs associated with design work with the auto  
22 companies.

23           That gets all thrown out the window and it becomes  
24 strictly a placing issue, and they literally are doing it in  
25 some cases on line, print out a sheet and say you have to

1 meet these levels or we'll move the business to these other  
2 people.

3 I also have the same similar situations where we  
4 have not seen any price increases at any customers in that  
5 time frame at all.

6 VICE CHAIRMAN HILLMAN: Okay. And again, these  
7 price reductions are keyed to any sort of index --

8 MR. BRINKMAN: They're not keyed to what --

9 VICE CHAIRMAN HILLMAN: -- hot market, market  
10 intelligence. They're just a number, right.

11 MR. BRINKMAN: If we're dealing with -- I mean,  
12 you know, part of what we do in the United States as well is  
13 we negotiate overseas contracts, so I may -- for a General  
14 Motors, I may be involved in negotiating the contract in  
15 Europe for General Motors, etcetera.

16 Those may have exchange rate clauses in them,  
17 etcetera, but beyond that, no, they -- I think what happens  
18 is that a director of purchasing at a General Motors comes  
19 forward and says, "I need 10 percent of my purchase price  
20 out this year, so you commodity buyer for bearings, you have  
21 to go and get 10 percent out of the bearing commodity."

22 So they do that any way they can. They bring in  
23 competition. They, you know, beat us over the head. They  
24 threaten the loss of business is historically how it's done.

25 VICE CHAIRMAN HILLMAN: Now again, same question.

1 How many have actually invoked this clause in the contract  
2 that say we can cancel it if you're not meeting  
3 appropriately the competition from China?

4 MR. BRINKMAN: We've had similar situations where  
5 I would venture to say it's probably been in the  
6 neighborhood of 1/2 a dozen who've invoked it. Now, at that  
7 point we have an opportunity to respond to it meaning that  
8 we have a contract in place with a price on record which may  
9 have been 5 percent below the previous year.

10 If an unfair Chinese competitor comes in and  
11 offers a 30 percent reduction, they say, "okay, we're giving  
12 you notice. We're going to move this business in 60 days  
13 unless you meet that price level."

14 At that point in some cases we met that level to  
15 keep the business. We already had the raw material in  
16 place, etcetera. I mean, we already had the inventory that  
17 was there. Had we lost that, you know -- we had to look at  
18 the financial implications of that as well. In some cases  
19 we did walk away from it. But it has been more --

20 VICE CHAIRMAN HILLMAN: Both of you in your  
21 answers to me have invoked only the Chinese. Are any of  
22 these contracts clauses, you know, that talk about meeting  
23 competition, are they ever citing other domestic producers  
24 or other foreign suppliers?

25 MR. BRINKMAN: Specifically to answer your

1 question, in the ones that have invoked that contract, it  
2 has only been based on the Chinese.

3 VICE CHAIRMAN HILLMAN: Okay. Mr. Pedemonti?

4 MR. PEDEMONTI: I would say the same thing. Over  
5 the past couple years, it's been the Chinese and nobody  
6 else.

7 VICE CHAIRMAN HILLMAN: Okay.

8 MR. MALCOM: Only the Chinese, in our case.

9 VICE CHAIRMAN HILLMAN: Mr. Applebaum, in the  
10 post-hearing -- again, I'm just trying to get a little  
11 better sense of the magnitude of this. So if there is  
12 anything further that you can do to help me generally get a  
13 better sense of, you know, the kind of the volume that would  
14 be subject to these price-declining contracts and the degree  
15 to which people have invoked -- again, I'm not trying to ask  
16 for a huge amount of data as much as just an ability to put  
17 it in some amount of context -- so just some general ball-  
18 park notion of what percentage of the volume are we talking  
19 about is subject to multi-year contracts with price de-  
20 escalator clauses in them and, then again, some sense of the  
21 volume that would have been subject to these breaks in a  
22 contract as a result of these "meet the competition" kind of  
23 clauses.

24 Again, I'm not asking for a huge survey of every  
25 contract out there, but just a general estimate if you can

1 give it to me of what portion of the sales we're talking  
2 about are subject to this type of contract.

3 MR. APPLEBAUM: We'll do that, and I take it it  
4 will be satisfactory if we focus on a representative number,  
5 because in --

6 VICE CHAIRMAN HILLMAN: Correct. I'm --

7 MR. APPLEBAUM: -- in the one week we won't be  
8 able to fold them out.

9 VICE CHAIRMAN HILLMAN: I'm not trying to ask for  
10 every contract and every detail.

11 MR. APPLEBAUM: Right.

12 VICE CHAIRMAN HILLMAN: I'm trying to get just a  
13 general feeling for what kind of volume, you know --

14 MR. APPLEBAUM: All right.

15 VICE CHAIRMAN HILLMAN: -- you're talking about.  
16 And obviously this is more on the bigger contracts that I'm  
17 looking at. I'm just trying to put this issue in some  
18 appropriate context.

19 And with that, I thank you all very much for your  
20 answers. They've been extremely helpful.

21 CHAIRMAN OKUN: Mr. Miller.

22 CHAIRMAN MILLER: Thank you. I have no further  
23 questions. I will say because your last response to me, Mr.  
24 Stewart, on the question of the imports, and it got me  
25 focused again on which is the right set of numbers to look

1 at, complete bearings and parts.

2           And I know we're going to see changes in the data  
3 coming forward. I understood your comments about looking --  
4 you feel the most accurate picture is to look at the  
5 complete bearings.

6           And I guess I just want to raise the issue again  
7 for purposes of any post-hearing submission if you want to  
8 address it because as I thought about it more in light of  
9 Mr. Stewart's last answer to me about the import data, I  
10 realized in looking at complete bearings, I was actually  
11 missing some part of the subject imports.

12           That's not what I want to do in a case, so that  
13 kind of troubled me and got me looking again at just which  
14 data set in the end I will focus on. So I'm still sort of  
15 struggling with this, and I just wanted to say you can  
16 comment further now or in any post-hearing submission.

17           I just want to make sure I'm looking at the best  
18 set of data when I'm trying to understand how the industry's  
19 being impacted by the imports.

20           MR. SZAMOSSZEGI: Just quickly -- this is Andrew  
21 Szamosszegi -- I didn't mean to imply that you should ignore  
22 those other imports, rather that if you want to look for  
23 apparent consumption sake, it may be useful to look at  
24 complete bearings separately and also look at parts  
25 separately just to get a sense for the trend.

1           You can always put them back together at the end,  
2 but I think it's helpful to look at them both separately as  
3 well.

4           MR. GRACE: But I think the point that you were  
5 making is that if you aggregate them, you do have double  
6 counting and that does affect the picture.

7           MR. SZAMOSSZEGI: Right.

8           COMMISSIONER MILLER: Thank you. It's a  
9 complicated case. Even if we've done hearings before, it's  
10 always a little different. I appreciate all your help in  
11 educating me today. Thank you.

12          CHAIRMAN OKUN: Other questions, Commissioner  
13 Koplan?

14          COMMISSIONER KOPLAN: No. I have no other  
15 questions. I just want to thank you again for your  
16 presentation.

17          CHAIRMAN OKUN: All right. Let me turn to staff  
18 to see if staff has questions for this panel.

19          MR. McCLURE: Jim McClure, Office of  
20 Investigations. Ms. Jones of the General Counsel staff has  
21 a question.

22          MS. JONES: I'd just like to ask in your post-  
23 hearing submissions if you could address any of the  
24 remaining like-product issues in terms of the factors the  
25 Commission traditionally uses for either the like-product

1 analysis or the semi-finish product analysis.

2           And also, to the extent that there is internal  
3 consumption or transfers to related parties involved in  
4 domestic production, if you could please address the issue  
5 of whether or not the Commission should be applying it's  
6 captive production analysis, again, in terms of the factors  
7 the Commission has traditionally used. Thank you very much.

8           MR. McCLURE: Staff has no further questions.

9           CHAIRMAN OKUN: Thank you very much, Mr. McClure.

10           Let me turn to Respondents to see if Respondents  
11 have questions of this panel.

12           MR. GREENWALD: One brief question, and I hope for  
13 a really brief answer. And the question maybe is best  
14 addressed to Torrington.

15           Are there ground bearings that are not ABEC rated,  
16 and if so, what quality are they, how do you look at data on  
17 that point?

18           MR. PEDEMONTI: If I understand the question, are  
19 there ground bearings that are not ABEC rated. Do you mean  
20 that all surfaces are ground, that the races are ground, or  
21 do you mean only part of the bearing is ground?

22           MR. GREENWALD: All surfaces.

23           MR. PEDEMONTI: To my knowledge, all bearings that  
24 we make that are ground are ABEC 1 or higher. Now, we do  
25 have cases where there are some ground bearings that certain

1 surfaces are not ground, they are burnished, and we would  
2 typically not classify them as an ABEC 1 bearing.

3 MR. GRACE: Thank you.

4 CHAIRMAN OKUN: I take it that's the only  
5 question, Mr. Greenwald?

6 MR. GREENWALD: Yes, it is.

7 CHAIRMAN OKUN: Okay. Very well, then this looks  
8 like an appropriate time to take a lunch break. I want to  
9 remind all parties before we depart that the room is not  
10 secure, so please take any information that contains  
11 business proprietary information with you. We will  
12 reconvene at 1:30.

13 (Whereupon, a brief recess was taken.)

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1 that put the testimony you heard in perspective. The first  
2 is the size of the market. We don't know what the number is  
3 and we won't until all the data are in, but I think it's  
4 fair to say and I think I can say in a public sense that  
5 somewhere between \$2 Billion and \$3 Billion annually is the  
6 size of the U.S. market.

7           China is a very small part of that very large  
8 market. If you listened closely to this mornings testimony,  
9 you would have the impression that the volume of Chinese  
10 imports, and particularly the increase -- time and again  
11 companies talked about the increasing volume of imports from  
12 China -- you have the sense that was somehow going to  
13 overwhelm the U.S. industry.

14           Let me put that in perspective, and I hope I did  
15 the calculations right. I believe that the data on China's  
16 imports are public, and no matter what you use, what data  
17 set you use, you are going to be talking about an increase  
18 in, let's say at the upper end, a \$13 Millon range over  
19 three years.

20           When you take the size of the market and you  
21 divide it by -- or, I'm sorry. You take these imports and  
22 you divide it by the size of the market, the ratio is .35 to  
23 .5 percent. That's what we're talking about, and I don't  
24 believe on those sorts of numbers this Commission has ever  
25 gone affirmative in any sort of case.

1           Now, if that were all, you know, I think that in  
2 and of itself commands a negative determination, but in  
3 fact, there are other issues. I'm going to go over them  
4 very briefly and then you can address -- Mr. Hoo will  
5 address them and answer your questions.

6           We talked in our brief about the dominance of a  
7 handful of multinational enterprises that produce in the  
8 U.S. and also produce overseas. That characterization, I  
9 think, was described in a fiction in Mr. Wechsler's  
10 testimony.

11           But if you listen closely, it's perfectly clear  
12 that it's not a fiction. As I understood the testimony, NSK  
13 has said yes, indeed, it does produce small size bearings  
14 off shore and does indeed export -- import them into the  
15 United States.

16           I understand one of the ironies of one of these  
17 sorts of proceedings that -- I hope I have the company right  
18 -- I think it's SKF took a line of what I would call,  
19 probably incorrectly, commodity grade bearings because it  
20 was tight on space in its U.S. plant for production of  
21 higher-end, higher-priced, bearings and shipped the  
22 production equipment to Argentina.

23           Okay, but to rub salt into the wounds, I gather  
24 that SKF is looking for GSP treatment for its exports of  
25 ball bearings from Argentina to the United States.

1           Finally, just to sort of illustrate the multi-  
2 national dimensions of these companies and also how wrong,  
3 just flat wrong, some of the testimony was, let me focus a  
4 bit on Hoover.

5           Hoover is a subsidiary of a Japanese company,  
6 Subaki Nakashima. Subaki Nakashima has described its  
7 rationalization as follows: "in the steel ball  
8 manufacturing section, we are aiming at enhancing the  
9 production capacity of Subaki Hoover Hungary and also  
10 putting on track Subaki Tai Chung," that's in China, "whose  
11 factor is currently under construction in Tai Cheng, China,  
12 thereby achieving the goal of performing manufacture at the  
13 optimal location by choosing among our asian, America, and  
14 europe facilities and strengthening our operating  
15 foundations."

16           "We are striving to enhance our international  
17 competitiveness of all our products in regard to quality  
18 cost, turn-around time and the like, and aggressively expand  
19 our global business activities on a world-wide basis."

20           That doesn't sound much like the testimony you  
21 heard this morning. But let me take it a step further.  
22 Also in the public record are data on all imports, from  
23 China and other sources.

24           Hoover is in the ball production business. If you  
25 look at page IV-7 on Table 4-3, you will see ball imports by

1 source. Look at the value. Look at the quantity. It  
2 doesn't much matter. Value, in fact -- well, let me talk  
3 value, but also keep an eye on quantity.

4 China's value increases moderately but falls  
5 between 2001 and 2002. Imports from other sources in value  
6 stay about the same. That's not true. They go up 2  
7 million. That is, they increase more than the imports from  
8 China.

9 But when you look at the quantity figures, it's  
10 much more dramatic. In fact, what is happening is what the  
11 Hoover spokesman said, that is Hoover has made a decision as  
12 part of it's rationalization to move its production  
13 facilities to China and I believe I heard this morning  
14 Mexico.

15 What you have going on here is a story about  
16 multi-national enterprises that have targeted China and do  
17 not have a good reason to do so other than the fact that  
18 they would very much like to see dumping duties imposed on  
19 imports from China.

20 Now, it is true that the U.S. industry has gone  
21 through, has seen a lot of its indicators go down as was  
22 described this morning. It is equally true that that is  
23 what happens in recessions.

24 You heard, I think accurately, a description of  
25 what's happening in different market segments. But the

1 point is that it was Mr. Koplan who said that isn't it true  
2 that the decline sort of mirrored the decline in  
3 consumption. That's right.

4           What you have is industry performance that is  
5 shaped by economic conditions, and this industry is  
6 sensitive because it supplied so many other end user's  
7 industries to what's happening in manufacturing.

8           Now let me turn briefly to market segmentation.  
9 As I said, the amount of bearings at issue from China  
10 relative to the size of this market is insignificant. But  
11 in fact, they do -- Chinese and U.S. producers do supply  
12 different market sectors. They supply different purchasers.  
13 All this will come out in the confidential section. They  
14 produce different products.

15           And on that, obviously bearing type is one. The  
16 bearing type is normally ABEC rating. It also is are we  
17 talking about an angular contact, thrust, the linear ball  
18 bearing. When you look at the numbers, it's very clear that  
19 a large segment of the U.S. industry is, in fact, fully  
20 insulated from competition with China.

21           I'd like to address a bit and then have Mr. Hoo  
22 address at greater length bearing quality. Listening to the  
23 back and forth, it did seem to me there was a real  
24 commission interest in whether or not all ABEC 1 bearings  
25 are equal. The answer to that question is no.

1           What the ABEC does is it sets some dimensional  
2 features, the geometry of the bearings as I understand it.  
3 But there's a lot more that goes on that Mr. Hoo will talk  
4 about.

5           There are differences in customers that are  
6 supplied. You can go through the largest customers, and  
7 what you will find is it's not entirely a complete  
8 segregation, but the segregation between customer groups  
9 supplied by imports from China and the domestic industry are  
10 very, very different.

11           Finally with regard to pricing, we will get into  
12 this in detail in the afternoon or in the confidential  
13 session.

14           If there is a case the petitioners can be made, it  
15 is the argument that somehow a very small quantity of  
16 imports from China relative to the U.S. industry has driven  
17 a great deal of industry pricing. That simply is not true.

18           And I would remind you what you heard today about  
19 long-term contracts and price de-escalation clauses with end  
20 users and then look at the pricing data in the record -- you  
21 have it there -- and compare what happens when you look at  
22 prices to distributors and prices to end-users.

23           With that introduction, let me turn the microphone  
24 over to Mr. Hoo of General Bearing.

25           MR. HOO: Good afternoon Respectable

1 Commissioners. I appreciate very much the opportunity to  
2 come here to testify not only on behalf of General Bearing  
3 but on behalf of Chamber of Commerce, Department of  
4 Mechanical and Electrical Products section of basic  
5 mechanical parts from which the bearing is part of a basic  
6 mechanical part.

7 My name is Joseph Hoo, H-O-O. I am currently the  
8 Vice President of General Bearing for China Affairs. I  
9 started to build joint ventures, manufacturing plants, for  
10 General Bearing in China since 1988. I have a total of 43  
11 years experience in the bearing industry.

12 Now, today we're in petition by a group of the  
13 Bearing companies accusing the Chinese ball bearing industry  
14 dumped our products in the U.S. market. Who are these  
15 petitioners?

16 I think, Honorable Commissioners, you know them  
17 very well because these are the people in the past 10 years  
18 coming in and out this hearing room so often that you know  
19 them.

20 Sometimes they come as petitioner, sometimes they  
21 come as perpetrator. So you don't even know, like the TV  
22 show, who's the police, who's the robber. Because I'm  
23 convinced that these people -- sometimes they fight each  
24 other. Sometimes they get together, fight an outsider, and  
25 this is the case, they're fighting the Chinese.

1           Now, may I suggest to the Commissioners that China  
2 today, the bearing industry is not only the respondent you  
3 receive, 45 companies -- they're owned by the Chinese -- but  
4 these same group of foreign international companies, they  
5 are investing heavily, expending fast in their Chinese  
6 manufacturing plant. This part is not covered by your staff  
7 report.

8           Let me give you some of the names that you can  
9 immediately recognize. These are the same people that this  
10 morning spoke and these people petitioned in these --  
11 petitioned to you accusing China of dumping.

12           These are people, Sanyo Steel of Japan, investing,  
13 forging, in China. Sanyo Steel supplied 70 percent of  
14 bearing steel to the Japanese bearing companies. Okeida  
15 Company in Japan setting up a forging plant. Naganishi,  
16 part of the ABMA, they have planned a new wave, is setting  
17 up a plant in China.

18           Subaki Nakashima. Early this morning, they used  
19 their name, Hoover, is setting up a plant in China. Tayo  
20 has been in China operating for over five years. NSK has  
21 three plants operating in China.

22           Koyo Seiko has three plants operating in China.  
23 Timken and Torrington together, they have three plants  
24 operating -- two operating in China. They broke ground on  
25 one additional plant, joint venture with NSK last month.

1           NTN has built two plants in China. Ena FAG  
2 Bearings, they have three plants in China. Natchi has at  
3 least one plant in China. Minibear has at one plant in  
4 China. SKF has four plants already -- three plants already  
5 operating. The fourth plant is about to be started a  
6 production very soon.

7           All together, these international companies  
8 invested 29 plants in China, so we are talking about the  
9 bearing, Chinese bearing. These people must be counted  
10 because China is giving these people the same, if not  
11 better, conditions to operate in China than the Chinese.

12           Also these people, 29 of them, many of them they  
13 do not look like Chinese like I am, but they are Chinese --  
14 part of the Chinese bearing industry.

15           Last year the number one exporter of Chinese ball  
16 bearing is a company called Minibear who is a petitioner in  
17 this case. The number two exporter of Chinese ball bearings  
18 in China is Koyo Seiko.

19           Minibear exported \$41 Million U.S. dollars worth  
20 of ball bearings. Koyo Seiko exported \$12 to \$40 Million  
21 U.S. dollars of Chinese ball bearings. Their export in  
22 dollar value are far exceed any -- I hate to use the word  
23 "legitimate" or "bona fide" Chinese, which I am -- they are  
24 more than any Chinese bearing companies now.

25           The second point I want to make is that the

1 Chinese export to the U.S.A. actually is a very small part  
2 of the U.S. consumption, and we do not compete with U.S.  
3 ball bearings.

4 Use the latest information from you staff report.  
5 Table IV-4. The total Chinese export to the U.S. in year  
6 2002, which is the highest in the past three years, is only  
7 \$126 Million U.S. dollars.

8 And if you count the total which is maybe, the  
9 report says, "we are 17.5 percent of the total U.S. ball  
10 bearing imports." However, that's represent -- we do not  
11 have from the U.S. Bureau of Census, the industrial report  
12 for the year 2002 yet.

13 But you use the numbers of year 2001, the Chinese  
14 export represent only slightly over 4 percent of the U.S.  
15 total shipment. Total shipment means the domestic shipment  
16 plus the import. We're only 4 percent of it.

17 MR. HOO: Now let's go into different sectors. We  
18 claim that we do not compete with the U.S. ball bearing  
19 industry. The staff report reports there are two major  
20 sectors of the industry which support the most important  
21 customers of the U.S. domestic industry. One is automotive.  
22 One is aerospace.

23 In the sector of aerospace, our export to the USA  
24 is zero. In the sector of ball bearing exports, following  
25 the table, Roman IV-15, \$11.5 million in import of

1 automotive bearings are from China. To begin with, the U.S.  
2 automotive ball bearing market is at least \$1.2 billion U.S.  
3 dollars, so the whole China \$11 million imported constitutes  
4 less than one percent of the total U.S. consumption.

5 Out of the automotive bearings that China exported  
6 to the USA, they concentrate in only two types of bearings.  
7 One is a steering bearing, which this morning some other  
8 gentleman testified which is only steering with a low end  
9 application. Another being accused by the domestic  
10 manufacturer is the hub, bearing.

11 Let's look at the factors. Generation one, yes.  
12 Now, for the steering bearing I'm going to read to you an  
13 affidavit signed by the president of General Bearing  
14 Corporation.

15 "Affidavit signed by David L. Gusack, being duly  
16 sworn, deposes and says, 1) I am president of General  
17 Bearing Corporation and make this affidavit in response to  
18 the allegation of the American Bearings Manufacturers  
19 Association (Petitioner) relating to GBC's sales to Ford  
20 Motor Company and the General Motors Corporation.

21 "2) While it is true that General Bearing has  
22 entered into a supply agreement with Ford's Visteon  
23 division, based on our communication with the Visteon  
24 personnel it is our clear understanding that the GBC product  
25 being sold to Visteon replaced a product made in Japan. In

1 year 2002, GBC shipped a total of approximately 4,540,000 in  
2 ball bearings for steering systems in Visteon.

3 "3) The Petitioner's allegation relating to GBC's  
4 relationship with GM are misleading and inapplicable. The  
5 agreement with GM referred to by Petitioner covered tapered  
6 roller bearings, not ball bearings. Moreover, GM has  
7 reneged, and GBC has not sold a single bearing to GM under  
8 that agreement."

9 Because of the time I got this report, I'm going  
10 to present to you another affidavit signed by the U.S.  
11 president of the company Wangxiang. It's being  
12 investigated. It's being reviewed by the DOC staff.

13 Wangxiang exported during the period of  
14 investigation \$3.8 million U.S. dollars of automobile wheel  
15 hub units. Less than \$100,000 is in generation three hub  
16 units. This is in a six month period. You projected for a  
17 year. They say the first half of the year is less than the  
18 second half. Therefore, they estimate the total year export  
19 is \$5 million U.S. dollars.

20 You add that to the General Bearing's \$4.5  
21 million. That comes to \$9.5 million. The total Chinese  
22 export to the U.S. market in automotive -- this is per your  
23 staff report -- is only \$11.5 million, so the percentage,  
24 basically what everybody talked about, this Chinese  
25 automotive bearing invasion into the USA, is limited to

1 these two bearings.

2           One, I stated we were supplying to Ford replacing  
3 a Japanese supplier. Two, our automotive wheel bearing is  
4 limited over 99 percent in generation one. What is  
5 generation one? This is the first generation of wheel  
6 bearings developed by General Motors.

7           These type of bearings stopped being used in U.S.  
8 cars 10 years ago. Every U.S. car today running is equipped  
9 with generation three bearings. The generation one bearing,  
10 therefore, what we export to the U.S., is only for those  
11 cars which are 10 years old, running, breaking down. They  
12 need a replacement bearing. There is no other U.S.  
13 manufacturer today making the generation one bearing. If we  
14 do not ship this generation one hub bearing to the USA,  
15 those old cars must be junked. This is our exposure, our  
16 involvement in the U.S. automotive market.

17           Now, there are other markets in which we're  
18 involved besides this. One is we make bearings for  
19 rollerblade skates. Yes, we make those bearings, and we  
20 developed that market with the Chinese bearing. There won't  
21 be a U.S. rollerblade industry existing today because if you  
22 look at the U.S. industrial report a bearing in that size  
23 range from China on the average would sell at 40 cents. A  
24 domestic bearing made is average price -- this is not  
25 confidential information -- we get from the U.S. industrial

1 report is \$1.60, so you're talking about over \$1 a bearing  
2 more if the rollerblade were to use domestic made bearings.

3           Each pair of roller shoes uses 16 bearings, which  
4 means if the rollerblade shoes were made in the USA, were  
5 using U.S. made ball bearings, each pair of shoes would cost  
6 \$16 more. That will make that industry totally not livable  
7 in the USA. The result will be the whole shoe, including  
8 the bearings, including the shoe, everything, will be made  
9 in some third world countries because adding \$16 to a pair  
10 of rollerskates is just not viable in the market.

11           The third bearing is a wheelchair bearing, which  
12 we make and which before we made it was a bushing, was a  
13 high bearing. Now, we reduced the cost of that. We got  
14 most of that business.

15           Another example. In the vacuum cleaner there is a  
16 brush. Those brush bearings, now they are predominantly  
17 Chinese because for a brush used in a vacuum cleaner you  
18 can't afford to add another \$10 or \$20 to that. Therefore,  
19 these are market requirements.

20           We've developed this market. We consider this is  
21 also a contribution to the human beings in improving the  
22 quality of life. We admire Henry Ford. Henry Ford did not  
23 invent the automobile, but in the 1930s he made the Model T  
24 affordable to his assembly line workers. That is our model  
25 of the hero. Without Henry Ford making the automobile

1 affordable to all his plant workers, the U.S. industry won't  
2 be the same as today.

3           We work with the users. We ask them the  
4 application. We do not design, for example, a wheelchair  
5 which goes from zero to 60 mile in five seconds. We do not  
6 design a rollerblade which can carry one ton of a monster  
7 kid, so we use whatever is practical. We ask the customer  
8 what you can afford. We're working from you.

9           We did not learn this marketing technique from the  
10 textbook of the infallible Karl Marx. We learned from the  
11 American sales lady. When you walk into a shirt shop she  
12 asks you how much you want to spend on your shirt, sir. We  
13 don't ask people to pay what they cannot pay. Therefore, we  
14 have developed.

15           Again, we replaced many of these applications, not  
16 bearings from USA, but bearings made in Singapore.  
17 Singapore has a bearing plant operating by Minebea in  
18 Thailand. Thailand has a bearing plant operating by SKF and  
19 others.

20           The statistics will show that although the Chinese  
21 gained a little bit, eight percent in the past three years,  
22 the decrease is from Singapore, from Thailand, from Japan.  
23 The total import of ball bearings in the U.S. market has  
24 decreased 18 percent during the period, so we did not hurt  
25 the domestic manufacturer, but we replaced these

1 international companies who chose to manufacture the  
2 bearings from a cheaper platform.

3 Now, the last I want to put in my few minutes is  
4 the Chinese market. The Chinese economy is booming. In the  
5 last year, China made 1.2 million cars. There are American  
6 cars made in China. Buick is one, and Chrysler-Jeep is  
7 another, respectable Petitioners. Those American cars made  
8 in China are still using ball bearings imported from USA.

9 As a matter of fact, we have a chart to show here.  
10 In 2001, ball bearings exported from China was \$636 million  
11 U.S. dollars. In year 2002, there is an increase of eight  
12 percent, but the Chinese ball bearing imports, there is an  
13 increase in one year of 30 percent.

14 In other words, because of our development, our  
15 economy, we import more ball bearings than export at a much  
16 higher rate. Keep on going on this, and China in a few  
17 years will be a net importer of ball bearings, not  
18 exporters. We, therefore, do not have the capacity or the  
19 will to invade the U.S. market and flood it with bearings,  
20 with Chinese made bearings. We just are not able to do  
21 this.

22 Besides this, what are the bearings that we are  
23 making? We are making the low end. Again, some other  
24 gentleman objected to using the words commodity bearing.  
25 Now, what is the difference between commodity bearings and

1 the high end bearings? I'll show you.

2           This is a cover taken from a Timken book. The  
3 cover says in 100 years they are from Missouri to Mars. We  
4 cannot reach Mars. As you'll see today, we have difficulty  
5 even swimming over the Pacific Ocean.

6           Now, you look at, as I end this, ball bearings  
7 from Timken Company, what they make. Number one, page 1,  
8 gas turbine engine aircraft gear box bearing. We do not  
9 make. Second page, aircraft accessory bearing. We do not  
10 make. Page 3, aerospace instrument bearings. We do not  
11 make. Page 4, high precision disk drive and machine tool  
12 bearing. We do not make.

13           What do we make? You look at the brochure of  
14 every SKF company. There are 18 pictures of what their  
15 bearings are used -- in space, in deep oil drilling, in  
16 propelling huge machines, electrical generator, antenna, a  
17 tunnel drilling machine, all this. All these bearings we do  
18 not make. This is what we say we cannot damage now or in  
19 the future the ball bearing industry of the USA.

20           What we do today? We replace some other non-  
21 subject bearings made in countries already by the plants  
22 operating international. Year 2002 is the first year we  
23 joined the WTO, and we opened up our market. As you see,  
24 our import of ball bearings jumped 30 percent.

25           We were told. We were convinced by a lawyer who

1 represented us. Ambassador Barshefsky, at the time she  
2 worked for the U.S. Government. He told us if you want to  
3 join WTO you have to be fair to the others. You have to  
4 allow other people to assess your market. Yes. Only when  
5 you are fair to the others you will be treated fairly.

6 We have lived up to our end of the bargain, as you  
7 can see. Respectable Commissioners, we ask you to grant us  
8 fairness. Thank you.

9 MR. GREENWALD: I think that just about does our  
10 time, so we will sit here and wait for questions. Thank  
11 you.

12 CHAIRMAN OKUN: Very well. I'd like to thank you  
13 and thank you, Mr. Hoo, for appearing here today, for your  
14 willingness to be with us and present your testimony.

15 I am going to begin the questioning. After that  
16 presentation, I had to start with a boring data question,  
17 but I guess I'll have that, although I have a number of  
18 questions based on your testimony that I'd like to go back  
19 to.

20 Mr. Greenwald, I'll start with you first on this  
21 issue of the de minimis company that was identified and try  
22 to get your best understanding of what data that is and  
23 whether we have enough information on the record to separate  
24 this out accurately.

25 MR. GREENWALD: We are going to try and work

1 through that. The problem comes, I believe, from the fact  
2 that the company's name is Cixin Ningbo or Ningbo Cixin, one  
3 of them. There is ambiguity in the questionnaires. We will  
4 try and resolve that right now. I don't have a hard answer  
5 for you, but I hope to in the postconference brief.

6 CHAIRMAN OKUN: Okay. I'm just curious. What  
7 will resolve that for you?

8 In other words, we've looked at the  
9 questionnaires, the foreign questionnaire data. We have the  
10 names. Is it different? Is it because Commerce gave it a  
11 different --

12 MR. GREENWALD: The question will be whether or  
13 not there were indirect exports, whether it was exported  
14 under any other exporter's name. I don't know.

15 I mean, when we go to the confidential session you  
16 will see that in our own analysis of the data we have made  
17 an assumption that we can exclude that company's exports  
18 from the analysis, but we're not 100 percent confident in  
19 the assumption. It is a working assumption at this point.

20 CHAIRMAN OKUN: Okay. All right. I appreciate  
21 that, and we will look to make sure that we have the most  
22 accurate data when we get our final report.

23 Then on the other data related questions, of  
24 course, the Petitioners were asked to comment on this this  
25 morning. I'd also like you to comment on it in terms of the

1 four categories of data that the Commission collected --  
2 complete ball bearings, ball bearing balls, parts of ball  
3 bearing other than balls and a basket category.

4 Which categories, in your view, should the  
5 Commission examine when making its determination?

6 MR. GREENWALD: Well, I think you have to examine  
7 all the ball bearing categories, including the parts and the  
8 balls, simply because that's part of the subject  
9 merchandise, as I understand Commerce's determination.

10 When you get into baskets, the danger is you get  
11 into products that contain bearings, as opposed to bearings,  
12 and that is enormously distortive of the data. I thought  
13 that the data in the staff report that I looked at was  
14 pretty good. It comported with our view. Again, if I can  
15 take bearings, balls and other parts, I think that's the  
16 aggregate you're looking at.

17 CHAIRMAN OKUN: As opposed to complete ball  
18 bearings being the --

19 MR. GREENWALD: When I say bearings, I mean  
20 complete ball bearings. Was it complete ball bearings on  
21 their own?

22 CHAIRMAN OKUN: To be a category to look at in  
23 terms of not having the double counting.

24 MR. GREENWALD: I mean, the saving grace here is  
25 that it doesn't really much matter. There are some

1 interesting issues. If you only look at ball bearings on  
2 the domestic side, you ought to only look at ball bearings  
3 on the import side and do a ball bearing to ball bearing  
4 analysis.

5 My preference would be, and we'll brief this at  
6 greater length, and the U.S. industry should be the  
7 aggregate of its production of all covered products, of all  
8 the domestic like product, and that the imports should be  
9 that group --

10 CHAIRMAN OKUN: Okay.

11 MR. GREENWALD: -- so there's a coincidence  
12 between the two.

13 CHAIRMAN OKUN: Okay. Then the other issue, and  
14 one I think Petitioners expanded on this morning, which is  
15 the issue about the questionnaire data, what's reflected in  
16 the staff report and the official Commerce data, which, as  
17 Petitioners characterized, show a decreasing universe of --  
18 excuse me. The questionnaire data showing a decreasing  
19 universe of imports covered.

20 What's your view on that I guess, first of all?

21 MR. GREENWALD: I was looking at the data. It is  
22 not nearly as decreasing as you were led to believe. There  
23 is a table -- I think it's public, but I'm not sure -- in  
24 the staff report that has shipments, importers' shipments by  
25 volume and value, Chinese merchandise. That is pretty

1 complete. What you see is a time lag between imports and  
2 the like.

3 I should say that we have used the Commerce  
4 Department data simply because it is fuller, but the  
5 representations made about the accuracy of the imports as  
6 data, especially on a shipments basis, I think were  
7 misleading by the other side.

8 CHAIRMAN OKUN: Okay. But if we were to rely on  
9 official Commerce statistics, would you find problems with  
10 that?

11 MR. GREENWALD: Again, I think the short answer is  
12 no. I'd be inclined to give you a longer answer, but I  
13 suspect you don't want it.

14 CHAIRMAN OKUN: Okay. Just to make sure we're all  
15 clear here.

16 The final one. In response to a question I  
17 believe by Commissioner Miller regarding green parts, I  
18 believe the answer was that the green parts would not be  
19 included in Commerce import data for complete ball bearings.  
20 I'm just trying to make sure I understand how everyone views  
21 the green parts.

22 MR. GREENWALD: That was a little facile. Terry  
23 Stewart is a very capable lawyer who gives quick responses.

24 What he meant by that is if you just look at the  
25 complete ball bearing data then you ignore the issue of

1 merchandise that's not subject, but is in the import  
2 statistics. In order to get a feel for what is going on,  
3 you have to look at what is going on in these green parts.

4 Now, whether at the end of the day you compare  
5 ball bearings domestically to imports is one thing, but  
6 certainly when you're looking at import trends that do  
7 include, as they are in the Commerce statistics, green parts  
8 you have to take those green parts out.

9 CHAIRMAN OKUN: Okay. All right. There may be  
10 another data question out there, but I will leave them and  
11 turn to some other questions that I wanted to cover.

12 I'll turn to you, Mr. Hoo, if I could. You have  
13 presented a couple of affidavits for us to check for the  
14 record. Were those already submitted, or are those ones  
15 that will be submitted?

16 MR. GREENWALD: We can submit it in the  
17 postconference brief. We can submit them as soon as we  
18 leave so that Petitioners have more time to look at them,  
19 whatever the Commission wants, but they're not on the record  
20 yet.

21 CHAIRMAN OKUN: They're not on the record? Okay.  
22 I believe it would be helpful if they could be circulated  
23 today and perhaps prior to the closed session so that if we  
24 have some additional questions we could ask those. I would  
25 ask that you do that.

1           Mr. Hoo, specifically on that you responded with  
2 regard to the General Bearing Corporation's contract with  
3 Ford, I believe, one of the affidavits went to. I just want  
4 to make sure I understand what that affidavit was. It may  
5 have been different.

6           I had asked a question of Petitioners earlier  
7 regarding a press release they had cited, but I believe we  
8 were talking about -- I'm not sure this is the same thing,  
9 so I'm just trying to be very clear here.

10           When you were talking about General Bearing and  
11 what they were supplying to Ford, you were talking about  
12 product in which year? If you can just use your microphone,  
13 please?

14           MR. HOO: Yes. This is going on currently.

15           CHAIRMAN OKUN: Okay.

16           MR. HOO: This has been going on for maybe three  
17 to four years. This is the only ball bearing that we are  
18 supplying to Visteon or the Ford organization.

19           CHAIRMAN OKUN: And supplying from China?

20           MR. HOO: Made in China, shipped to the USA supply  
21 to replace a bearing before us that Ford imported from  
22 Japan.

23           CHAIRMAN OKUN: Okay. And that knowledge of where  
24 it was imported from is based on?

25           MR. HOO: What Ford purchasing told us. That

1 sentence is in the affidavit.

2 CHAIRMAN OKUN: Okay. Again, I just wanted to be  
3 clear on that.

4 Had General Bearing supplied those same parts from  
5 another plant prior to that, or this was a new --

6 MR. HOO: No. This was a new --

7 CHAIRMAN OKUN: Okay.

8 MR. HOO: The Ningbo plant. From our Ningbo  
9 plant. We did not supply that bearing before.

10 CHAIRMAN OKUN: Okay. Okay. All right. I think  
11 I understand that.

12 The other question, and I'm not sure. My yellow  
13 light is on. I think I'll come back and figure out what I  
14 can ask in the open session regarding one of these  
15 questions.

16 I'll turn to Vice Chairman Hillman, but thank you  
17 for those responses.

18 VICE CHAIRMAN HILLMAN: Thank you, and I would  
19 join the Chairman in thanking you very much for your  
20 appearance here this afternoon and for all the information  
21 provided in the prehearing brief. It's most helpful.

22 I guess, Mr. Greenwald, I will also start with  
23 this data question, to some extent the same one I posed to  
24 the Petitioners this morning, and that goes to the issue of  
25 whether we should be looking at this case on a units/volume

1 basis or a value basis.

2 Obviously you're very familiar with Commission  
3 precedent on this issue, but I wanted to know whether you  
4 think there's anything about this case that would suggest  
5 that we should be changing that analysis and moving to  
6 looking at units or other measures.

7 MR. GREENWALD: I can understand why Petitioners  
8 would want you to. I cannot understand what possibly makes  
9 this case different from any other bearing case.

10 The fact of the matter is that there is a huge  
11 range of bearings sold at hugely different prices with  
12 smaller bearings tending to be much, much cheaper, and  
13 anything that is volume based on terms of the analysis runs  
14 the risk of a very substantial distortion.

15 VICE CHAIRMAN HILLMAN: Next, to some extent a  
16 data question, but at least trying to understand how you  
17 think we should be assessing the overlapping competition.  
18 Obviously an awful lot of your argument relates to whether  
19 the Chinese and the U.S. are really in the same marketplace,  
20 if you will, or in different pockets of it.

21 Would you say we should be focusing more on the  
22 market segments into which products are sold or more on the  
23 size and ABEC number of the bearing itself? Which is the  
24 better indicator of the overlap in competition?

25 MR. GREENWALD: The market is far better.

1 VICE CHAIRMAN HILLMAN: The market segment?

2 MR. GREENWALD: Far better. I mean, the size, you  
3 have sort of a broad brush size range. A miniature bearing,  
4 a very tiny bearing, those mentioned made of product used in  
5 dental drills, will be different from another product  
6 similar sized used in another application. Neither ABEC  
7 nor, unfortunately, size give you the answers you're looking  
8 for.

9 The data on end use are better, but they're not  
10 perfect. Let me give you an example. I think that there's  
11 a category that has surgical instruments, if I'm not  
12 mistaken, and then wheelchairs. It's kind of a health  
13 category. Well, you heard Mr. Hoo talk about wheelchair  
14 bearings. There is an aggregation of bearings in that area.

15 Even in automotive there are differences. General  
16 Bearing supplied a steering wheel bearing, which is a lot  
17 less sensitive than a bearing in one of the critical  
18 operating parts where heat has to be higher.

19 I thought there was some equivocation today in the  
20 morning session on the answer to the question you asked  
21 about essentially are all ABEC bearings of the same size  
22 created equal. The answer to that is no. There are  
23 important other differences.

24 For example, you might have an ABEC-1 bearing in -  
25 - I don't know -- a wheel unit. I mean, now you're getting

1 out of my league, but I do know that there are important  
2 differences even within motor vehicles in what type of  
3 bearing is used in what application, and quality extends far  
4 beyond just an ABEC rating, which is dimensional or  
5 tolerances.

6 VICE CHAIRMAN HILLMAN: All right. If I could  
7 then turn to you, Mr. Hoo? I appreciated your testimony and  
8 wondered if you could comment on the point that Timken was  
9 raising in one of the charts that they put up and is in  
10 Exhibit 6 of their brief, which is this chart that shows  
11 particular part numbers that Timken makes and then lists,  
12 you know, the various Chinese companies, including yours,  
13 and, you know, marks off all of the products that are also  
14 made in China. I mean, it's an extensive exhibit. I'm not  
15 aware that it's confidential information.

16 I'm wondering if you could comment on what that  
17 should say to us about the degree of overlap. In other  
18 words, there's many, many of these part numbers that Timken  
19 is saying that they make and that they are also listing your  
20 company as also making as an indicator that there really is  
21 a significant amount of overlap in the products that you are  
22 making and the products that Timken is making.

23 MR. HOO: Yes. Ball bearing is one of the  
24 industrial products which worldwide has been standardized.  
25 A 6203 bearing made in any country will have the same

1 dimensions because this is not only American standard. This  
2 is an ISO standard by the International Standard  
3 Organization.

4           For the convenience of the users, every company,  
5 including Timken, including Torrington, SKF, NSK, all the  
6 companies in the world, they put up these conversion charts  
7 to say if you were using NSK 203 they put some digits  
8 afterwards, KK. NKN calls it 203-LL, and we call it 203-  
9 2RF. We are just telling the user they are the same  
10 dimensions. That's all.

11           This kind of a chart has been existing at least  
12 almost close to 100 years. Every company is trying to tell  
13 the user that what is our basic dimension, and they are  
14 comfortable. If you take out a 6203 bearing from your  
15 current machine, you put my 6203 bearings in. It will fit.  
16 That's all the purpose.

17           VICE CHAIRMAN HILLMAN: It will fit?

18           MR. HOO: Yes.

19           VICE CHAIRMAN HILLMAN: Okay. Well, I'm trying to  
20 get a better sense of what that suggests to us.

21           If there are a lot of these part numbers that  
22 appear to have a lot of Chinese companies also making the  
23 same part and if they can, as you say, fit right in and fill  
24 the need that that particular bearing has been doing, why  
25 does that not suggest that you are not, you know, very

1 directly and heavily competing with the U.S. producers of  
2 all of those part numbers?

3 MR. HOO: That chart only gives the dimension. In  
4 other words, if you use a 6203, the outside diameter is 42  
5 millimeters, the bore is 17 millimeters, the width, but the  
6 bearings -- besides dimension, there are many other  
7 important characteristics such as what temperature the  
8 bearing can stand, what type of grease the bearing contains,  
9 what type of a seal the bearing uses, what material of the  
10 cage the bearing uses. All these affect the application.

11 To say we furnish the bearing of the same  
12 dimension doesn't mean the bearing can be instantaneously  
13 substituted.

14 VICE CHAIRMAN HILLMAN: Okay. These  
15 characteristics that you've just described, you know, the  
16 type of grease, the type of casing and everything, would  
17 those affect the bearing's ABEC rating?

18 MR. HOO: No.

19 VICE CHAIRMAN HILLMAN: No.

20 MR. HOO: The ABEC is only a geometry. It's  
21 geometry. An OD ABEC-1 for a 30 to 50 millimeter, you can  
22 go from zero to minus 11, 11/millionths of a meter or .011  
23 of a millimeter. If it's an ABEC-3, it goes from zero to  
24 nine. If it's an ABEC-7, it goes from zero to six. In  
25 other words, the tolerance is being reduced. That's all.

1 VICE CHAIRMAN HILLMAN: Okay.

2 MR. HOO: It doesn't cover all other important  
3 quality characteristics.

4 VICE CHAIRMAN HILLMAN: Okay. Just so I  
5 understand it, you're saying for all of these items where  
6 there's a check that Timken makes them and a check that the  
7 Chinese makes it that there are nonetheless, in your view,  
8 significant differences between even the same part number  
9 between the product that Timken or the other U.S. producers  
10 are producing and the part that you are producing?

11 MR. HOO: Yes. Yes.

12 MR. GURLEY: If I could interrupt? This is John  
13 Gurley. I'm counsel for Peer Bearing Company. I think this  
14 chart actually proves the point that Mr. Greenwald has been  
15 trying to make. I mean, it's preposterous to think that  
16 Timken is competing for business with say General Motors  
17 with Jiangxian Yi Axle Electron Material Company, a company  
18 nobody has ever heard of.

19 These products do have the same size and same  
20 basic physical characteristics, but they're going to  
21 different end uses.

22 VICE CHAIRMAN HILLMAN: Okay. Okay.

23 MR. GREENWALD: One other final point on the  
24 chart. I thought the chart looked impressive, but what I  
25 cautioned you about was distinguishing between hard evidence

1 and stuff that's pulled off brochures and websites.

2           This case is not about products that China doesn't  
3 import to the United States. It's not about what China  
4 produces. It's about what China exports.

5           VICE CHAIRMAN HILLMAN: Again, I have to say, I  
6 mean, your argument strikes me as you're saying, you know,  
7 that the U.S. producers have ceded the sort of low end,  
8 typically small sized commodity bearings. That's sort of  
9 how I heard it, and that's the market that the Chinese are  
10 in.

11           Yet if I look at our data on the under 30  
12 millimeter less than ABEC-1 ratings, that is a very  
13 substantial part of what our data is showing is U.S.  
14 production, so it suggests to me that the U.S. industry is  
15 still very much in that market.

16           Given that the red light is on I will come back to  
17 this issue, but that's where -- I hear your argument. I'm  
18 just not sure I'm squaring it with the data that I'm seeing  
19 in terms of where the U.S. industry is, as opposed to where  
20 you're suggesting the Chinese imports are.

21           CHAIRMAN OKUN: Commissioner Miller?

22           COMMISSIONER MILLER: Thank you, Madam Chairman.  
23 Thank you to the panel and to Mr. Hoo in particular for  
24 traveling to be with us.

25           Mr. Greenwald, would you like to add to the Vice

1 Chairman's question now? Do you want to go on --

2 MR. GREENWALD: Sure.

3 COMMISSIONER MILLER: -- to address her point  
4 about the ABEC?

5 MR. GREENWALD: ABEC is one parameter. Everybody  
6 has been saying it's dimensional. It is not synonymous with  
7 quality. It is part of a system that in this case deals  
8 with what Mr. Hoo calls geometry.

9 There are lots of other factors that enter into  
10 the equation. The easiest way for me to address this is to  
11 look at the auto sector. There was a lot of talk about  
12 autos. You have heard precisely what the applications are  
13 and, mind you, also the volume of exports from China to the  
14 United States in the auto segment.

15 China isn't a factor in most accounts and most  
16 applications. That is very clear from the data. I mean,  
17 you can look at accounts. You can look at specific end  
18 uses. I don't see how on this record you could reach a  
19 conclusion that, for example, if I can talk about autos  
20 again, there's any evidence in the record to support that  
21 China is a factor or has been a factor in the auto market  
22 except for some very limited applications.

23 ABEC ratings are part of this range of quality  
24 issue, but it's only the beginning.

25 COMMISSIONER MILLER: Mr. Kearns?

1           MR. KEARNS:  If I could just add one thing real  
2 quickly?  I think there's some confusion, too, about what's  
3 not ABEC rated, what falls in that category.

4           My understanding is that there are some  
5 specialized bearings that would fall in that category, and  
6 ABEC has certain standards for certain standardized  
7 bearings, so if you make a very sophisticated bearing that,  
8 you know, is kind of custom made for one or two customers  
9 there's a chance at least that that is not going to be ABEC  
10 rated, so don't think that just because it says Not ABEC  
11 Rated means it's a very poor quality bearing not as good as  
12 an ABEC-1.

13           COMMISSIONER MILLER:  Okay.  I may want to follow  
14 up more on it.  On the other hand, at the same time I don't  
15 want to put too much emphasis on this market segmentation  
16 issue because at least for me it was not the deciding issue  
17 in my original decision.  On the other hand, it's obviously  
18 an important issue in this case, so that's why, you know,  
19 I've spent as much time on it today, even though it wasn't  
20 defining.

21           I'm going to point to another issue in the record  
22 that I think is not very supportive are information from  
23 purchasers, in my view, did not clearly make this separation  
24 that you all are trying to make.  I mean, the purchasers  
25 describe the Chinese and U.S. material as being comparable.

1           I think I'm afraid to even read anything from the  
2 table, but I'm pretty sure it's fair to say that more often  
3 than not. Okay. Let's just say more often than not. Do  
4 you have any explanation?

5           MR. GREENWALD: Sure.

6           COMMISSIONER MILLER: I thought you might.

7           MR. GREENWALD: When you look at the purchasers'  
8 questionnaires, there are several groups. There are some  
9 that don't purchase Chinese at all, and they gave answers,  
10 but you say gee, what basis? They simply have no  
11 operational experience with the Chinese. There are others  
12 that don't purchase U.S. There are some that purchase both.

13           I think when you read those purchasers'  
14 questionnaires closely and you get away from the sort of  
15 check off answers what you find is again segmentation in  
16 where the bearings go and what they're used for.

17           It may be that somebody who is filling out one of  
18 your questionnaires says well, yes, Chinese bearings are the  
19 same as the U.S. bearings, but that is manifestly not the  
20 case. I mean, you can look at the distribution of bearings  
21 among radial and other, for example, and that is an  
22 important difference. You can look at not across the board,  
23 I mean, and there is some overlap.

24           I always worry about overstating the case, but  
25 when you look at the questionnaire responses you can see

1 ABEC ratings where imports from China really are tiny. I  
2 mean, they're almost infinitesimal when you look at size.

3 Fundamentally, I mean, it does seem to me that the  
4 most important purchaser questions and the one that mattered  
5 the most and the one that Petitioners don't really want you  
6 to look at was the question what was the most competitive  
7 alternative bearing, and on that I think it is close to  
8 unanimous that the most competitive alternative to the  
9 imports in this case, the subject imports, are non-subject  
10 imports.

11 COMMISSIONER MILLER: Okay. I know you pointed  
12 that out in your brief, and I also do appreciate the  
13 analysis you did of the purchasers, those who purchased both  
14 versus the number that only purchased one or the other. I  
15 did see it, and I think that is helpful.

16 I want to ask Mr. Hoo his perception of demand in  
17 the United States in the last few years and what you think  
18 that's meant both for China's, your company's exports and  
19 the U.S. industry in general, if you could. Could you just  
20 describe?

21 You heard the Petitioners talking this morning  
22 about their view of demand in the auto sector and then the  
23 industrial aftermarket -- I think that may be the way it was  
24 referred to -- and industrial OEM as well. Can you just  
25 characterize your view of demand conditions in the United

1 States for the last few years, the last three years?

2 MR. HOO: Yes. Consumption of ball bearings  
3 generally follows the general economic condition of the  
4 country. If your GDP is increasing by a given percentage  
5 then your consumption of ball bearings will increase  
6 accordingly or vice versa.

7 We feel, however, there is some small other  
8 factors. For example, if the U.S. started to import a large  
9 volume of automobiles from overseas, each automobile with an  
10 automatic transmission uses about 50 bearings, so when you  
11 import a million cars you are in essence importing 50  
12 million ball bearings with the cars.

13 Now, for example, the U.S. applies this. Industry  
14 is trying to penetrate a huge Chinese consumer market that  
15 wanted to sell washing machines, refrigerators, air  
16 conditioners, fans, whatever in China. Now, if they started  
17 to move some of these plants into China then, of course,  
18 these plants will purchase only Chinese made bearings in  
19 China. They will not be using ball bearings produced in the  
20 USA.

21 Therefore, you may see a drop in the U.S.  
22 consumption because some of these appliances now exported  
23 directly from the USA will be made overseas, so the whole  
24 thing follows generally only the economic development of  
25 that country.

1 COMMISSIONER MILLER: Okay. Mr. Kearns?

2 MR. KEARNS: If I could just had add real quickly?  
3 We also have a chart on page 25 of our brief that shows  
4 based on Census Bureau data what is happening in the  
5 transportation equipment sector of the economy and the  
6 machinery sector. Transportation equipment is both auto and  
7 aircraft.

8 Basically the first point is that it very much  
9 confirms what Petitioners have said in that machinery is  
10 slower. It's experiencing more harm than the transportation  
11 equipment sector, but I would also ask that you compare that  
12 data to the condition of the U.S. industry.

13 COMMISSIONER MILLER: Okay. All right. The  
14 yellow light is on. I'm going to come back for just one  
15 minute to the several questions that were asked about the  
16 data because for me I think my original decision was very  
17 much based on the numbers that I saw for the domestic  
18 industry and the import share and such.

19 That's one of the reasons I keep asking these  
20 questions about now which data sets do I want to look at. I  
21 know it's not a simple answer, but I only raise it again to  
22 invite you, as you said you already will in your posthearing  
23 brief, to sort of help me again on where I'm getting the  
24 best, most accurate picture of the condition of the U.S.  
25 industry and the imports from China, how they've having an

1 impact on it.

2 One thing you mentioned a little while ago, which  
3 I've been asking this question about green parts. You said  
4 in response to the question I think from Vice Chairman  
5 Hillman that you have to take them out. I'm not sure we  
6 have the data to do that, so help me on that, too.

7 MR. GREENWALD: I believe you do have the data.

8 COMMISSIONER MILLER: Okay.

9 MR. GREENWALD: We'll get into that in the  
10 confidential session.

11 COMMISSIONER MILLER: Okay. The red light is on.  
12 Thank you. I appreciate all your answers.

13 CHAIRMAN OKUN: Commissioner Koplan?

14 COMMISSIONER KOPLAN: Thank you, Madam Chairman.

15 First, Mr. Hoo, I want to compliment you on your  
16 testimony today. I have one question for the open session,  
17 and let me direct it to you if I could.

18 In Appendix 1 of the prehearing brief submitted on  
19 your behalf, there is included, and this has been mentioned  
20 this morning, a publication entitled Statistical Handbook of  
21 the Ball and Roller Bearing Industry. That's a Department  
22 of Commerce report.

23 That report states at page 31, and this was  
24 submitted with your brief, that, and I quote, "China's  
25 impact has been to force bearing prices down in the United

1 States not just for ball bearings, but also other bearing  
2 types, simply by offering potential customers a low-price  
3 option. This has the effect of setting a lower price floor  
4 from which to begin negotiating." That's the quote.

5 Now, Petitioners used this quote that came with  
6 your brief in a section of their brief entitled Aggressively  
7 Priced Chinese Ball Bearings Are Depressing Overall U.S.  
8 Prices For Ball Bearings to support their argument that the  
9 prices of Chinese ball bearings are depressing U.S. ball  
10 bearing prices overall.

11 What is your response to their argument that is  
12 based in part on what has been submitted in your brief?

13 MR. HOO: Okay. We claim we are competing mostly  
14 with other what you call non-subject bearings. Please, we  
15 look at --

16 COMMISSIONER KOPLAN: Are you saying that the  
17 statement I read from the report that's with the report  
18 that's with your brief is inaccurate?

19 MR. HOO: It's misleading. Yes.

20 COMMISSIONER KOPLAN: It's misleading?

21 MR. HOO: Yes.

22 COMMISSIONER KOPLAN: Okay.

23 MR. HOO: Please look at this chart.

24 COMMISSIONER KOPLAN: That was the one you  
25 referred to in your direct testimony?

1           MR. HOO: Right. The Singapore average price for  
2 ball bearing is 43 cents, from Thailand it's 42 cents, from  
3 China it's 44 cents. If we only replace the current user,  
4 the supplier from Singapore and Thailand, we have not  
5 damaged one little niche of the American ball bearing  
6 industry.

7           Look at SKF. SKF has a plant in Indonesia. This  
8 is the U.S. Census. This is from the Department of Commerce  
9 statistics. Indonesia, 36 cents; Malaysia, 69 cents;  
10 Poland, 66 cents; China, 44 cents. The Chinese price is  
11 higher than the Thailand and Indonesia prices. If you look  
12 at Torrington, if you look at NSK, from Indonesia, 36 cents;  
13 from China, 44 cents a bearing. NTN from Thailand, 42  
14 cents; from China, 44 cents,

15           We claim and we state that we are replacing  
16 another offshore source. As long as U.S. total imports stay  
17 pretty much stable or with a very slight increase -- as a  
18 matter of fact, in the past three years the U.S. import of  
19 ball bearings has decreased 18 percent. We are not hurting  
20 anything of the domestic ball bearing manufacturing  
21 industry.

22           COMMISSIONER KOPLAN: I appreciate your response,  
23 but I don't know that it responds to my specific question.

24           What I'm trying to get at is whether you are  
25 offering price options to potential customers that are

1 suppressing U.S. prices. That table is not comparing what  
2 would be before a potential customer, your price versus a  
3 U.S. price, for example.

4 MR. HOO: Okay.

5 COMMISSIONER KOPLAN: I paid attention to the  
6 table that you posted, but I don't think that it gets to  
7 this question for me.

8 MR. HOO: Okay.

9 COMMISSIONER KOPLAN: Maybe Mr. Greenwald would  
10 like to get in on that.

11 MR. GREENWALD: Well, I would like to talk about  
12 pricing in the closed session. Mr. Hoo does not have the  
13 benefit of the pricing data that you have. Now, I will just  
14 say in a conclusory --

15 COMMISSIONER KOPLAN: But I'm only referring to  
16 this, which is public.

17 MR. GREENWALD: No. I understand that.

18 COMMISSIONER KOPLAN: Right.

19 MR. GREENWALD: What my answer would be for  
20 reasons we'll get into, I think that is a statement without  
21 any support. I assume that the source are the gentlemen  
22 that appeared before you today.

23 COMMISSIONER KOPLAN: No, no, no. The statement  
24 that I read from is from your exhibit.

25 MR. GREENWALD: No. It's our exhibit, but it is a

1 Commerce Department -- we say Commerce Department/ABMA.

2 ABMA says Commerce Department.

3 It is a Commerce Department survey that was done I  
4 believe in conjunction with or with the support of ABMA,  
5 and, to my knowledge, what you see here without any --

6 COMMISSIONER KOPLAN: Let me just ask you a quick  
7 question.

8 MR. GREENWALD: Yes?

9 COMMISSIONER KOPLAN: Mr. Applebaum indicated that  
10 there's a later version of this exhibit that's come out  
11 since. Is that your understanding?

12 MR. GREENWALD: I don't know. I have not seen it.

13 What I can answer and what I'd like you to do, if  
14 you don't mind, is ask the question, the exact same question  
15 in the context of the pricing data that you have in the  
16 record that we can talk about in the confidential session.

17 COMMISSIONER KOPLAN: Certainly. I'd be happy to  
18 do that. Thank you very much. Thank you, Mr. Hoo.

19 Madam Chairman?

20 CHAIRMAN OKUN: Thank you.

21 Mr. Hoo, I wanted to ask you a couple questions  
22 about your testimony when you were talking about where it is  
23 that the Chinese bearings are competitive. One of the  
24 places you talked about was the rollerblade market, and you  
25 talked about the prices of Chinese bearings and that

1 relative to U.S. being essentially too expensive to make  
2 these rollerblades be competitive, I guess. I'm  
3 paraphrasing, so you can jump in.

4 My question is is that a market -- to your  
5 understanding, you said the Chinese developed that market.  
6 Was that a market? Do you have any knowledge of whether the  
7 U.S. formerly supplied bearings to the rollerblade and then  
8 lost it to the Chinese?

9 MR. HOO: No. To my best knowledge, no U.S.  
10 manufacturer has ever in the past, today or the future made  
11 or attempted to make that bearing.

12 CHAIRMAN OKUN: Okay. And it wasn't made in  
13 Thailand or Singapore? You're just saying the Chinese  
14 supplied these bearings to the manufacturers?

15 MR. HOO: I cannot go that far because the  
16 rollerskate industry in the beginning imported a lot of  
17 these bearings through Hong Kong, and I don't know whether  
18 maybe the Chinese was -- certainly the biggest majority of  
19 these bearings shipped through Hong Kong to the USA, but  
20 there might be the same bearing made by Thailand, made by  
21 Singapore, coming into the USA.

22 Particularly these rollerskates became suddenly a  
23 fad. I don't know whether that's the correct English word.  
24 Everybody wants to buy, so they are shipping all these  
25 bearings by air freight to the USA. They couldn't get

1 enough. There were buyers coming with briefcases of cash in  
2 China, the Ningbo area. They said you have these bearings?  
3 I buy in cash.

4 During those periods of short supply there might  
5 be some bearings made in Singapore, made in Thailand that  
6 came also in the USA, but certainly there's no U.S.  
7 manufactured that ever appeared.

8 CHAIRMAN OKUN: You were talking earlier about  
9 which type of bearings? You talked about two. I apologize.  
10 I had to walk out of the room.

11 MR. HOO: Wheelchair bearings.

12 CHAIRMAN OKUN: Wheelchair. Is that a similar  
13 situation? I mean, was that a market that the Chinese  
14 developed or one where --

15 MR. HOO: Well, originally the U.S. wheelchairs  
16 were using either bushings or unground bearings. They were  
17 not very maneuverable. We worked. The biggest manufacturer  
18 of wheelchairs, they wanted the chair to be more  
19 maneuverable, less friction, so that the patient sitting on  
20 the chair can move much easier.

21 We developed the bearing for it. We were not  
22 aware from the beginning there was any domestic competitor  
23 of that bearing.

24 CHAIRMAN OKUN: Okay. I was listening to your  
25 comments and thinking of them in the context again of us

1 trying to look at the Chinese bearings, the prices and  
2 whether in these other sectors that the Petitioners spoke to  
3 in automotive whether those are the sectors again where the  
4 Chinese being the lowest price, with very low prices, would  
5 become the market, that people would turn to the market for  
6 some of the reasons you indicated.

7 I guess I want to ask this question maybe to Mr.  
8 Greenwald in a threat context, which is even if you say that  
9 at this point the Chinese have not become competitive or are  
10 not taking market share from the domestic producers in the  
11 markets that really matter for them, what do we make of the  
12 threat of such?

13 MR. GREENWALD: There's very little evidence on  
14 the record. Again, the best way to answer that question is  
15 to go to the questionnaire responses of big purchasers or  
16 ask do they or are there any imports that are anticipated  
17 from China. They all answer as they answer.

18 The Chinese market is booming, as you saw from the  
19 data. China is taking in now a lot of ball bearings. It's  
20 very close to being a net importer rather than a net  
21 exporter. The pricing is, as far as I can tell from the  
22 data, certainly from unit value volume, stable or rising.

23 The rise in imports is not in any sense by my  
24 reckoning material, so when you talk about, and I understand  
25 that people talk about threat. In many ways it's the

1 easiest thing to talk about, but you have to have some hard  
2 evidence that backs it up. Other than very soft allegations  
3 -- press releases, references to publications -- there's  
4 nothing to support it.

5 CHAIRMAN OKUN: I appreciate those comments.

6 I wanted to return to one area that Vice Chairman  
7 Hillman had explored which was something I was interested  
8 in, again going back to the chart with all the numbers on  
9 it.

10 The one thing I had wanted to ask, and, Mr. Hoo,  
11 maybe you could talk about that, was this morning when we  
12 had asked the domestic industry about some of the different  
13 things these bearings could be used for I believe that what  
14 they said was the 6203 bearing could be used for both an  
15 automobile and a treadmill.

16 I'm just trying to again go back to this issue of  
17 you're saying the standard size would be the 6203, but then  
18 the applications are influenced by the other factors that  
19 you described. Would that be accurate for the 6203 in your  
20 view?

21 MR. HOO: Yes. 6203 is a bearing. You go by the  
22 ISO standard. It has a 42 millimeter OD, 17 millimeter ID,  
23 a certain width.

24 Regardless of the bearing and where it's made,  
25 they all share the basic dimensions, but if you use the

1 bearing on the automobile alternator I understand three  
2 Japanese manufacturers, they use a different steel to begin  
3 with because that bearing must withstand a much higher  
4 temperature.

5           Number two, it has a different seating arrangement  
6 so that the grease, even at the high temperature, will not  
7 leak out and will stay in the bearing, plus there are other  
8 -- for example, the friction force between the seal and the  
9 inner ring. There are many other requirements.

10           A normal 6203 will definitely not meet those  
11 severe application conditions. Therefore, the same 6203  
12 ABEC-1, the same dimension bearing, can be made cheaply for  
13 a commodity type application or to be made very  
14 sophisticated for a high, more reliable application.

15           CHAIRMAN OKUN: With a price premium for that?

16           MR. HOO: So price has no comparison. Yes.

17           CHAIRMAN OKUN: Okay. I know we've gone over this  
18 again and again, but I'm just trying to make sure I  
19 understand what I'm looking at in the record.

20           Mr. Greenwald, this might be more to you and to  
21 the other counsel. With regard to when we're looking at our  
22 pricing data which we collected, and we have a 6203-ZZ  
23 radial ball bearing single road deep through. I mean, all  
24 the dimensions on there. Would the product reflected in  
25 there be going to different applications?

1           MR. GREENWALD: I strongly suspect the answer is  
2 yes.

3           CHAIRMAN OKUN: Mr. Hoo, do you agree? You seem  
4 to know your industry.

5           MR. HOO: Yes. Yes, definitely.

6           CHAIRMAN OKUN: I mean, I know we can't recreate a  
7 record at this point. Is there anything that could have  
8 been further broken out to have been able to see that?

9           MR. GREENWALD: What you have is a matrix, I'm  
10 afraid, and nothing is dispositive. You have a matrix that  
11 has uses. You have product types that are by ABEC. You  
12 have bearing types, radial versus the others. At every  
13 point in this matrix you will see differences.

14           I don't know how you would have got in one  
15 snapshot, just in one question, what seems to me so clear  
16 from aggregating the answers to the various questions that  
17 are in the questionnaire responses.

18           CHAIRMAN OKUN: Okay. Thank you for those  
19 responses.

20           Let me turn to Commissioner Miller. Oh, I'm  
21 sorry. Vice Chairman Hillman. I'm looking right past.  
22 Sorry.

23           VICE CHAIRMAN HILLMAN: I hope just a couple quick  
24 follow ups.

25           Mr. Hoo, I really appreciated your testimony about

1 the auto bearings and found it very helpful. I wonder if  
2 you could describe the auto bearings that you sell in China.  
3 Are you selling a number of the bearings, of your bearings,  
4 into the Chinese auto market?

5 MR. HOO: Yes.

6 VICE CHAIRMAN HILLMAN: Are they the same bearings  
7 that you're shipping here to the United States?

8 MR. HOO: No. For example, our company, we sell  
9 front and rear wheel bearings to the Volkswagen models made  
10 in China. This is by far the biggest model of automobile  
11 produced in China.

12 They use in the rear wheel two separate tapered  
13 roller bearings, in the front wheel a generation one tapered  
14 roller bearing. Those kind of a bearing arrangement was  
15 stopped by General Motors say 35 years ago. Maybe I'm  
16 mistaken by a given five years, but those bearings are no  
17 longer used in the U.S.

18 VICE CHAIRMAN HILLMAN: What you're describing are  
19 tapered bearings?

20 MR. HOO: Tapered. In the front wheel there's  
21 some generation one ball bearings, some generation one  
22 tapered. Both.

23 VICE CHAIRMAN HILLMAN: Okay.

24 MR. HOO: Both are used. Yes.

25 VICE CHAIRMAN HILLMAN: Now, other than that are

1 there other ball bearings that you are selling in China --

2 MR. HOO: Yes.

3 VICE CHAIRMAN HILLMAN: -- that are different from  
4 what you're selling in the United States?

5 MR. HOO: Yes, because the automobile design, the  
6 automobile models being produced in China first brought in  
7 by Volkswagen, the Santana, is a very old model. Those  
8 bearings that are used in that model are no longer used in  
9 the USA.

10 The newer model I mentioned, American Chrysler-  
11 Jeep and Buick, General Motors Buick, they use a very modern  
12 bearing, and we are not supplying any because the automobile  
13 companies, they need a history established. They want to  
14 make sure the bearings they put in is going to last 10 to 15  
15 years. Otherwise they're going to suffer a recall.

16 Before we can establish that even though we make a  
17 bearing physically it could be very dimensionally very close  
18 to what they are using, but there's no chance our bearing  
19 will be used because General Motors will say you have no  
20 past history established with us.

21 The same thing. We could not ship those bearings  
22 to the U.S. market because no automobile company is willing  
23 to risk a huge recall without knowing the history of our  
24 bearings.

25 VICE CHAIRMAN HILLMAN: I appreciate that answer.

1 I mean, that's very helpful.

2 I have to say I'm trying to square it a little bit  
3 with some of the exhibits that the Petitioners put in their  
4 brief. I mean, one of them highlights, you know, how Ningbo  
5 General Bearing achieved Ford's Q-1 -- Quality One -- status  
6 and QS9000 certification.

7 The exhibit goes on to quote Ford as saying that  
8 General Bearing -- that your company's capability to meet  
9 the strict manufacturing criteria of the U.S. automobile  
10 industry and that you have a new 49,000 square foot plant  
11 that has high tech automated production lines.

12 Some of what we're seeing indicates, you know,  
13 that there's something on the record suggesting that you  
14 are, if you will, qualified, certified to do this, if you  
15 will, somewhat more higher end. I wondered if you could  
16 comment on how those certifications relate to the ability to  
17 provide bearings for particular applications.

18 MR. HOO: We have and I read to the Commissioners  
19 an affidavit made, signed, sworn by our president.

20 VICE CHAIRMAN HILLMAN: Yes. I see that now.

21 MR. HOO: Our supply of ball bearings to Ford  
22 Motor Company is limited to one application, which is  
23 steering. This morning there were some gentleman from some  
24 company -- I only say his back -- saying that steering is  
25 you just oscillate. You don't rotate. Therefore, there's

1 no problem.

2 In each automotive application of bearings there  
3 is a different quality requirement.

4 VICE CHAIRMAN HILLMAN: Okay. And a different  
5 qualification? I mean, that's what I was trying to  
6 understand.

7 MR. HOO: Right.

8 VICE CHAIRMAN HILLMAN: This is suggesting that  
9 you have this Q-1 status, and I'm just trying to understand  
10 a little bit more. How far does that get you? It gets you  
11 obviously the right to sell these particular steering  
12 bearings. Not the right, but the opportunity to sell these  
13 steering bearings.

14 MR. HOO: Correct.

15 VICE CHAIRMAN HILLMAN: Does it get you any  
16 further than that? I mean, Ford has said you're a  
17 Q-1, you know, QS9000 supplier. That means what?

18 MR. HOO: We're talking about one application of  
19 ball bearings. We have another application of non-ball  
20 bearings supplied to Ford. The Q-1 only certifies that we  
21 have a good quality control system. That's what the quality  
22 is.

23 VICE CHAIRMAN HILLMAN: Okay.

24 MR. HOO: We're consistent. Therefore, one year  
25 we ship, and Ford first is sampling and inspecting our

1 supply. After a certain period of time they feel our  
2 quality control system is reliable. Therefore, they award  
3 us a Q-1 award, which means from now on our shipment of that  
4 particular bearing into Ford they don't have to go through  
5 incoming inspection anymore.

6 VICE CHAIRMAN HILLMAN: Okay. Now, if  
7 you --

8 MR. HOO: Each bearing must be qualified on its  
9 own merits.

10 VICE CHAIRMAN HILLMAN: That's what I needed to  
11 understand. If you then wanted to sell them a different  
12 bearing for a different application, you would have to go  
13 through all over again another qualification process, even  
14 though they already kind of know you as a company and you  
15 have gotten this Q-1 status for the steering bearings.

16 If you were to try to do some other kind of  
17 bearing for them, you're saying you would have to go through  
18 a completely separate qualification process for that?

19 MR. HOO: Yes, ma'am.

20 VICE CHAIRMAN HILLMAN: And typically how long  
21 does that qualification process take?

22 MR. HOO: That would take about -- if there is a  
23 road test involved, they have to put in first it's tested as  
24 a component and then tested on the road, so the whole  
25 process may take at least two years, maybe three years. It

1 took us almost two to three years to get the first not so  
2 sophisticated steering column bearing qualified.

3 VICE CHAIRMAN HILLMAN: Okay. Are you seeking to  
4 qualify other bearing types with U.S. auto makers now?

5 MR. HOO: At the moment we're trying to qualify,  
6 first of all, the automobiles made in China because these  
7 automobiles are using imported bearings. We wanted to get a  
8 share of those bearings to establish a good record and a  
9 reference before we begin thinking about exporting bearings.

10 VICE CHAIRMAN HILLMAN: Okay. So you're not  
11 seeking any qualifications with U.S. auto makers in the  
12 United States at this point?

13 MR. HOO: First of all, we are trying to defend  
14 our homeland. Then we started --

15 VICE CHAIRMAN HILLMAN: Okay.

16 MR. HOO: -- thinking about invasion.

17 VICE CHAIRMAN HILLMAN: I'm not going to call it  
18 an invasion. Are any U.S. auto makers in the United States  
19 testing any of your other bearings, ball bearings?

20 MR. HOO: We have asked, for example, General  
21 Motors to test a very non-sophisticated we call them a  
22 bearing, a strut bearing, S-T-R-U-T. That's it. In the  
23 U.S. it's only \$1.20 a bearing. It's very simple.

24 VICE CHAIRMAN HILLMAN: Okay.

25 MR. HOO: Yes. We'd like to at least for those

1 automobiles made in China start with a not so sophisticated  
2 application to start to use our bearings.

3 VICE CHAIRMAN HILLMAN: Okay. Last question. You  
4 are obviously describing a significant expansion in Chinese  
5 demand for bearings, I mean, if there is a lot of auto  
6 production and other things, and yet when I look at our data  
7 in terms of what we're looking at, what our data would  
8 suggest in terms of Chinese capacity to produce bearings,  
9 Chinese actual production levels of bearings, it's showing  
10 that in 2003 and 2004 it's going to go down and down, both  
11 the capacity to produce bearings and the actual production  
12 of bearings, which doesn't strike me as particularly  
13 consistent with the idea that there is all of this demand.

14 I'm just wondering whether maybe the data that we  
15 have is not very good. I know you mentioned that you're  
16 also, you know, familiar with some of the bearing  
17 associations within China. I'm just wondering whether you  
18 think there are other sources on the Chinese bearing  
19 industry that might have better data on this because our  
20 data is showing a decline in Chinese capacity, a decline in  
21 production. They're not realistic.

22 MR. HOO: The data you have are limited to the  
23 target of this investigation. There are bearing companies  
24 established, owned by the Chinese. I read to you a list of  
25 29 bearing factories invested by these multinational

1 companies.

2           If you take into consideration they will come in  
3 dressed like Chinese and then the whole of China because we  
4 are a country, and we like to treat all investors fairly,  
5 equitably, so they enjoy every bit of the benefit that a  
6 local Chinese bearing company enjoys. They will very soon  
7 come in.

8           Already I point out that Koyo Seiko is exporting  
9 \$40 million of ball bearings a year from China. Minebea is  
10 exporting \$41 million U.S. dollars of ball bearings from  
11 China. Those Chinese, and we certainly accepted them as  
12 Chinese.

13           Maybe China after USA is the most open,  
14 economically open market country in the world now thanks to  
15 the effort by Charlene Barshefsky and Mr. Novak and Mr.  
16 Greenwald. They were working hard for the U.S. Government.

17           VICE CHAIRMAN HILLMAN: I knew that would be  
18 brought up at some point, Mr. Greenwald.

19           MR. HOO: You give him credit for it. Now we ask  
20 him do whatever you promised us.

21           VICE CHAIRMAN HILLMAN: Thank you very much.

22           MR. GREENWALD: Commissioner Hillman, I think it  
23 is true that if you look at the base, your database on  
24 Chinese producers, foreign producers' questionnaires,  
25 certainly I didn't see an awful lot of the affiliates that

1 Mr. Hoo is talking about, and that may be the difference.

2 CHAIRMAN OKUN: Now, I'll turn to Commissioner  
3 Miller.

4 COMMISSIONER MILLER: I do have one follow-up that  
5 I want to ask. It may be for you to begin with, Mr. Hoo,  
6 but I think I'll probably put a question to the Petitioners.  
7 Regarding the Ford account, which you and Vice Chairman  
8 Hillman have also been talking about and I've been looking  
9 at the different press releases that the company put out,  
10 you said that it is Mr. Gussack's understanding that these  
11 bearings were being imported, were coming from Japan prior  
12 to purchasing them from General Bearing. Do you know  
13 whether there were U.S. producers that were competing for  
14 that particular sale?

15 MR. HOO: I cannot answer that. I don't know that  
16 is a fact.

17 COMMISSIONER MILLER: Okay, that's fine.

18 MR. HOO: But, I did see the bearing that Ford  
19 gave us, says this is the bearing, and we clearly saw the  
20 bearing said "Japan" on it.

21 COMMISSIONER MILLER: Okay. Mr. Applebaum or Mr.  
22 Stewart, if you, since you've raised this particular account  
23 in your original pre-hearing brief, could supply any  
24 information that you have that demonstrates to your  
25 knowledge that U.S. companies with U.S. production were

1 competing for the Ford account, I would appreciate it.

2 MR. APPLEBAUM: We will seek to gather that  
3 information. Also, I was going to do this later, in lieu of  
4 a question, urge the staff, since we had not seen this  
5 affidavit, that they to confirm the information that's been  
6 presented here directly with the Ford Motor Company, because  
7 you've been receiving a lot of claim facts and I don't know  
8 if they're true or not, which only the Ford Motor Company  
9 could confirm, they're not coming directly from Mr. Hoo.  
10 But, we will seek to provide you with any information on  
11 whether U.S. companies competed for that business.

12 COMMISSIONER MILLER: Right, because you did  
13 present this particular example in your brief.

14 MR. APPLEBAUM: We did.

15 COMMISSIONER MILLER: So, I would appreciate it.  
16 I have no further questions, at this point.

17 CHAIRMAN OKUN: Mr. Koplan?

18 COMMISSIONER KOPLAN: No.

19 CHAIRMAN OKUN: Let me turn to staff, to see if  
20 staff has questions of this panel.

21 MS. JONES: I'd just like to repeat the same  
22 request I made to the Petitioners earlier today, namely in  
23 terms of addressing any like product or captive production  
24 issues, in terms of the specific factors that the Commission  
25 usually uses. Thank you.

1 MR. GREENWALD: We'll do that.

2 MR. MCCLURE: Staff has no further questions.

3 CHAIRMAN OKUN: Thank you. Let me turn to  
4 Petitioners, to see if Petitioners have questions for this  
5 panel.

6 MR. APPLEBAUM: We have no questions.

7 CHAIRMAN OKUN: Okay. Then that will conclude the  
8 open public presentation of the Respondents. We will now  
9 take a few moments to clear the room, to go to the closed  
10 session, and we will reconvene once the secretary has  
11 notified us that the room has only APO.

12 (Whereupon, at 3:16 p.m., the open session  
13 adjourned.)

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1 set forth what they claim to the United States potential  
2 customers what they can produce and make available in the  
3 United States.

4           In my long experience with the ITC, that's always  
5 been evidence of what an industry can do, not just the  
6 importing industry, but the U.S. industry as well, and I  
7 think when Timken -- I'm sorry -- Torrington provided you  
8 the comparison of all the other -- the Chinese companies  
9 with their own priced list, it's our information that they  
10 are claiming to be able to produce all those products in  
11 most applications.

12           So one of the reason why this data is more  
13 important than normal is is something that has already been  
14 said, but it wasn't confidential information in the APO  
15 session, which is that we may have to rely on what the  
16 Chinese sell and are capable of selling from that kind of  
17 data more than usual because they haven't come here to  
18 present it directly.

19           We had one charming gentleman from China testify  
20 for the Chinese industry, otherwise it was distinguished  
21 counsel from Wilmer, Cutler & Pickering. You would  
22 ordinarily expect to see here U.S. customers, U.S.  
23 distributors of Chinese product, and there are many U.S.  
24 companies who Chinese facilities, who sell Chinese bearings  
25 in the United States. One of them was Peer, which had

1 counsel appearance today, but none of their executives were  
2 here. They are the kind of people that could have been  
3 answering the questions that you would rather hear from them  
4 than just counsel and the like.

5         So I would suggest to you that there is very hard,  
6 clear, strong evidence on the record, it's not soft, and we  
7 are not -- when we put the promotional and advertising and  
8 website material of the Chinese into the record, we are not  
9 creating that, we are taking it straight from them. We are  
10 taking from them what it is they claim they can do, and more  
11 importantly, what they are representing to the United States  
12 ball bearing consuming industry they are capable of doing.

13         We believe that you have heard direct testimony  
14 about head-to-head competition. We think you have got many  
15 direct verifiable lost sales allegations. You have got what  
16 is normal in one of these cases.

17         One thing on the global rationalization which we  
18 have already commented in our pre-hearing brief, we will do  
19 further is we don't agree with the allegations there, but I  
20 would point out to you that even if they were true, which  
21 they are not, they don't have any relevance under this  
22 statute you are interpreting today.

23         The only issue before you is whether the United  
24 States industry producing ball bearings and parts is  
25 materially injured or threatened with such injury by

1 Chinese dumped imports, and it doesn't matter what's going  
2 on in China or Europe or Asia and the like.

3 But of course, we don't agree, in any event, with  
4 the allegations.

5 I will conclude with a comment I made at the  
6 preliminary closing because Mr. Hoo once again complained  
7 that the United States wasn't carrying out its fairness  
8 obligations under the WTO.

9 The WTO does have an antidumping code. China, just  
10 as the United States is with its exports, is responsible for  
11 not violating the antidumping act of the United States, and  
12 I think you now have a record before which indicates that at  
13 least in this instance Chinese imports have materially  
14 injured and threatened the U.S. industry with that injury.

15 Thank you.

16 CHAIRMAN OKUN: Thank you.

17 Mr. Greenwald.

18 MR. GREENWALD: You don't really want to hear more  
19 rhetoric, do you? So I'm going to close with two points.

20 One is the evidence is what the evidence is.  
21 Second, on some of the affidavits, we would have taken them  
22 a little more seriously because some of them are from  
23 purchasers if the purchasers had actually provided you with  
24 a purchasers questionnaire response. That to me is the  
25 difference between hard data and soft data.

1           So if petitioners want to improve the record, the  
2 best thing they could do instead of relying on affidavits is  
3 actually get some of the people that are willing to give  
4 affidavits to actually respond to the Commission's  
5 questionnaires.

6           Thank you.

7           CHAIRMAN OKUN: Thank you.

8           Post-hearing briefs, statements responsive to  
9 questions and request of the Commission, corrections to the  
10 transcript must be filed by March 13, 2003, closing the  
11 record and final release of data to parties is March 26,  
12 2003, and final comments are due March 28, 2003.

13           If there is no other business before us, this  
14 hearing is adjourned.

15           (Whereupon, at 5:10 p.m., the hearing in the  
16 above-entitled matter was adjourned.)

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C O N T E N T S

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Ball Bearings from China  
**INVESTIGATION NO.:** 731-TA-989  
**HEARING DATE:** March 6, 2003  
**LOCATION:** Washington, D.C  
**NATURE OF HEARING:** Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

**DATE:** 3/6/03

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

**SIGNED:** Carlos Gamez  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

**SIGNED:** Gabriel Rosenstein  
Signature of Court Reporter