





## APPEARANCES (CONT'D)

Congressional Appearances:

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THE HONORABLE CLAIRE MCCASKILL, United States  
Senator, Missouri  
THE HONORABLE TIM RYAN, U.S. Representative,  
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Organization and Witnesses:

In Support of the Imposition of Antidumping  
and Countervailing Duty Orders :

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1 answers to questions to business proprietary  
2 information.

3           Please speak clearly into the microphones  
4 and state your name for the record for the benefit of  
5 the court report. Finally, if you'll be submitting  
6 documents that contain information you wish classified  
7 as business confidential, your request should comply  
8 with Commission Rule 201.6.

9           Mr. Secretary, are there any preliminary  
10 matters?

11           MR. BISHOP: No, Madam Chairman.

12           CHAIRMAN OKUN: Very well. Will you please  
13 announce our first congressional witness.

14           MR. BISHOP: The Honorable Sherrod Brown,  
15 United States Senator, Ohio.

16           CHAIRMAN OKUN: Good morning, Senator Brown.  
17 Welcome back.

18           MR. BROWN: Thank you, Madam Chair. It's  
19 good to be back. So often after these Commission  
20 meetings, hearings, we get good news from you and I'm  
21 so appreciative. I really can say with all  
22 genuineness that the decisions that you make as a  
23 Commission have translated directly into jobs in my  
24 state on a number of occasions, and I thank you for  
25 that. From companies that make everything from steel,

1 to paper, to aluminum, to seamless pipes, the critical  
2 relief this Commission has provided to Ohio industries  
3 has, in fact, translated into jobs.

4 I'm happy to report that after having many  
5 oil country tubular goods -- the OCTG category we talk  
6 about -- mills shut down for a good portion of the  
7 year 2009, these mills are active again, they're  
8 regaining their footing in the marketplace. Last year  
9 I attended the groundbreaking of the V&M Star steel  
10 expansion in Youngstown, Ohio, for all intents and  
11 purposes, a new steel mill in Youngstown, Ohio, which  
12 will create more than 300 new manufacturing jobs and  
13 additional jobs in the construction of the \$650  
14 million investment.

15 The expansion would not be possible,  
16 undoubtedly would not have been possible, without the  
17 relief of this Commission, a decision that ensured  
18 that our domestic producers could serve domestic  
19 markets. Increasingly, a number of the cases before  
20 this Commission involve subsidized imports from China,  
21 but critical trade relief for dozens of Petitioners  
22 was at risk of being revoked since the December  
23 Federal Appeals Court ruling that you're all aware  
24 with. The Commerce Department lacked the authority to  
25 apply countervailing duties on imports from countries

1 with nonmarket economies, like China.

2           So I'm especially pleased to testify today,  
3 just a couple of days after Congress passed  
4 legislation to fix this problem, a bill I worked on  
5 with Chairman Baucus and Senator Thune, bipartisan  
6 legislation and other senators from my state, Senator  
7 Portman. We were able to expedite consideration of  
8 that legislation, something that doesn't always happen  
9 in the United States Senate these days. It gives  
10 clearer authority to the Commerce Department to apply  
11 this critical trade remedy. Without congressional  
12 action, Petitioners would not be without a major tool  
13 in our trade enforcement kit.

14           Like the troubling pattern of subsidized  
15 imports we saw with oil country tubular steel, we see  
16 similar patterns with steel wheels imported from  
17 China. Steel wheels are produced for our country's  
18 transportation sector, for trucks, for trailers, for  
19 buses, for cars. Hayes Lemmerz, one of the two  
20 Petitioners in this case, make steel wheels at its  
21 Akron, Ohio plant. That industry is an important  
22 consumer of flat-rolled steel. In 2010, domestic  
23 consumption of steel wheels totaled 3.1 million,  
24 equating to the use of approximately 125,000 tons of  
25 steel.

1           That consumption is based on a supply chain  
2 found in my home state of Ohio, which is home to many  
3 of the steel producers which sell to the steel wheels  
4 industry. These manufacturers are facing unfair  
5 subsidies that put jobs at risk, put the growth of  
6 these companies at risk. As noted in the Commerce  
7 Department final countervailing duties determination  
8 on circular welded steel pipe in 2008, it's estimated  
9 that 95 -- 95 -- percent of the Chinese steel industry  
10 is either government-controlled or government-owned.

11           These cases are part of a pattern that can  
12 be traced back more than 10 years ago when the United  
13 States Senate passed the Permit Normal Trade Relations  
14 legislation with China. Back then there was great  
15 enthusiasm from proponents of PNTR who heralded its  
16 passage as a boom of economic opportunities yet to  
17 come for U.S. workers and U.S. businesses. Members of  
18 Congress were told repeatedly and without equivocation  
19 how 1.2 billion Chinese customers would soon purchase  
20 goods from these members' congressional districts and  
21 these senators' states.

22           We heard this from free trade advocates in  
23 Washington and on Wall Street through a rather  
24 comprehensive corporate lobbying campaign. We read in  
25 newspaper editorials and advertisements how China PNTR

1 would promote reform and stability in China and the  
2 region, underscoring the rule of law. As a member of  
3 the House at the time, I voted against China PNTR  
4 because I simply didn't believe what proponents were  
5 selling. More than 10 years later, we're seeing just  
6 how wrong they were.

7           Instead of abiding by the same set of WTO  
8 rules, China received the benefits of WTO membership  
9 while blatantly ignoring its rules. The results are  
10 record trade deficits. In the auto parts industry,  
11 for example, we've seen the bilateral trade deficit  
12 with China go from about \$1 billion a year to almost  
13 \$10 billion a year, about an 800 percent increase.  
14 Our bilateral trade deficit overall with China hit a  
15 new record of \$295 billion. It's no secret that  
16 China's trade policies and market distortions have  
17 wreaked havoc in numerous sectors in the U.S. and  
18 around the globe.

19           Ohio companies and Ohio workers have lived  
20 through more than a decade of unfair trade. Not the  
21 entire reason, but a contributing factor towards 12  
22 years, 12 consecutive years, from 1997 into 2010, of  
23 manufacturing job decline in Ohio, and overall in the  
24 United States. The steel wheels sector is not alone  
25 in their challenge to fight back these injurious

1 practices. Through use and enforcement of U.S. trade  
2 remedy laws, this industry and its workers can receive  
3 the necessary relief to reinvest, to retool and to  
4 regain our place in the marketplace.

5           The laws you're in charge of enforcing seem  
6 to be the only mechanism we have to force some measure  
7 of responsibility and reality into China's behavior,  
8 but far too many workers and companies don't have the  
9 capacity or the means to petition the International  
10 Trade Commission for relief. Meanwhile, China's  
11 predatory and protectionist practices continue which  
12 pose serious challenges to our nation's economic  
13 recovery and growth.

14           That's one reason why I applaud President  
15 Obama's Executive Order to establish an interagency  
16 trade enforcement unit, which I hope fulfills that  
17 void, and I'm hopeful that Congress in the upcoming  
18 months funds it. If we, as a nation, are to reach the  
19 President's goal to double exports, we must have an  
20 aggressive trade enforcement strategy, including  
21 bringing more cases in front of this Commission. No  
22 one is asking that we do what China does: Break the  
23 rules, subsidize our industries, rig the game in our  
24 favor.

25           All that's being asked is we enforce the

1 basic rules that have been part of the global trading  
2 system since its inception. All that I would urge you  
3 to do, and you've done your jobs so well, I think, in  
4 the past, is give our workers and our businesses a  
5 chance to compete on a level playing field. The steel  
6 wheels industry is an important contributor to the  
7 sector that we rely on to transport goods and grow our  
8 economy. If they can't compete on a level playing  
9 field, we, as a nation, have difficulty competing on  
10 one. Thank you for your work, and thank you for your  
11 hospitality and time.

12 CHAIRMAN OKUN: Thank you. Let me see if  
13 there are questions for you, Senator. With that, we  
14 want to wish you a good day.

15 MR. BROWN: Thank you, Madam Chair.

16 MR. BISHOP: Madam Chairman, at this time,  
17 that concludes our congressional witnesses.

18 CHAIRMAN OKUN: Thank you. Then let's  
19 proceed with our opening statements.

20 MR. BISHOP: Opening remarks on behalf of  
21 Petitioner will be by Roger B. Schagrín, Schagrín  
22 Associates.

23 CHAIRMAN OKUN: Good morning, Mr. Schagrín,  
24 and welcome.

25 MR. SCHAGRIN: Good morning, Chairman Okun

1 and Members of the Commission. The disease of Chinese  
2 overcapacity. This Commission has seen it in steel  
3 products, pipe and tube products, paper products and  
4 we'll see it throughout auto and truck parts.  
5 Unfettered access to cheap government-financed credit,  
6 combined with plenty of government subsidized  
7 encouragement with state-insured downside risk leads  
8 to massive amounts of overcapacity in China.

9           The result is surplus capacity for export,  
10 which harms producers of the same products in other  
11 parts of the world. Unfortunately, the Commission  
12 knows precious little about the Chinese steel wheels  
13 industry. This is not because of a lack of aggressive  
14 fact-finding by the Commission staff, but instead,  
15 because of the failure of the Chinese industry to  
16 participate in this final investigation. One out of  
17 two mandatory dumping Respondents at Commerce did not  
18 file a final injury questionnaire response.

19           Half -- half -- of the separate rate  
20 applicants to the Department of Commerce did not file  
21 responses. Amazingly, after their legal status to be  
22 a party to this investigation and obtained APOs was  
23 challenged, counsel for the CCCME told this Commission  
24 that it was also representing eight Chinese steel  
25 wheel producers, only to further amend their

1 appearance the next day by withdrawing on behalf of  
2 four Chinese steel wheel producers when they realized  
3 not only had they not completed foreign producer  
4 questionnaires, but presumably, they never did intend  
5 to.

6 I've only practiced before this Commission  
7 for 30 years and I do get deeply upset when anyone  
8 shows disrespect to this Commission, but make no  
9 mistake about it, this is not my Commission, it is the  
10 Commission of you six Commissioners and your staff.  
11 While the statute and the SAA are permissive in terms  
12 of applying adverse facts available, the failure of  
13 this Commission to apply the provision will continue  
14 to encourage foreign producers and their counsel to  
15 refuse to cooperate in investigations when cooperation  
16 would be adverse to their interests.

17 Now let's get to the facts on the record.  
18 Between 2008 and 2010, at a time when Chinese imports  
19 were increasing their market share, particularly in  
20 the latter part of 2010, every injury indicator for  
21 this industry declined. Imports from China took a  
22 majority of the U.S. after market for steel wheels,  
23 robbing the U.S. industry of its most profitable  
24 industry segment. Chinese imports undersold U.S.  
25 products in every one of 86 price comparisons.

1           They also began making significant inroads  
2 into the OEM trailer sector of the market, which is  
3 governed by just annual contracts. This is the  
4 segment in which most of the lost sales were confirmed  
5 by your staff, adding up to tens of millions of  
6 dollars of lost activity for this industry. I will  
7 not deny that changes in demand have had a more  
8 significant impact on this industry than changes in  
9 imports from China. Let the Respondents put that in  
10 their posthearing briefs.

11           I suffer from the disease of telling the  
12 truth. Let's look at the counterfactual. Since the  
13 filing of these petitions in March of last year, the  
14 domestic industry has regained massive volumes of  
15 after market sales and achieved price increases for  
16 the first time during the POI. These led, in turn, to  
17 recoveries in employment and profitability.

18           So ask yourself, if this industry obtained  
19 significant benefits from the imposition of extremely  
20 large antidumping and countervailing duties against  
21 imports from China, how could there not have been at  
22 least material injury when these unfairly traded  
23 imports were taking the majority of the after market?  
24 Finally, let's turn to threat. The U.S. domestic  
25 industry manufactures wheels for both the OEM and the

1 after market. The same is true of the Chinese  
2 industry.

3           The Chinese industry has yet to penetrate  
4 the OEM truck market. This is largely because these  
5 multiyear contracts are just coming due in 2012 and  
6 2013. Now, Respondents ask you to believe that there  
7 is no chance that large, multinational companies that  
8 already source numerous parts from China will take  
9 advantage of the massive Chinese excess capacity to  
10 make quality products and sell them at dumped and  
11 subsidized prices.

12           Ford essentially said in their prehearing  
13 brief that domestic producers should sell at the most  
14 competitive prices, including dumped Chinese prices,  
15 so that Ford can remain competitive. Respondents ask  
16 you to believe that pressure from Chinese wheel makers  
17 won't affect the domestic industry as OEM contracts  
18 are being renegotiated. This demands that this  
19 Commission live in a reality distortion field that few  
20 can populate.

21           In conclusion, this record demonstrates that  
22 this industry suffered material injury between 2008  
23 and 2010, that the relief afforded by the finding of  
24 these cases contributed to an improvement of this  
25 industry, and that without relief the threat of

1 material injury by reason of surging imports that will  
2 massively undersell domestic prices will be both real  
3 and imminent. Thank you.

4 CHAIRMAN OKUN: Thank you. Mr. Secretary, I  
5 understand we have another congressional witness.

6 MR. BISHOP: That is correct, Madam  
7 Chairman.

8 CHAIRMAN OKUN: Let's go ahead and fit him  
9 in before turning to our next opening statement.

10 BY MR. BISHOP: Our next congressional  
11 witness is The Honorable Tim Ryan, United States  
12 Representative, 17th District, Ohio.

13 CHAIRMAN OKUN: Welcome, Congressman.

14 MR. RYAN: Good morning. Thank you. First,  
15 let me say thank you on behalf of the people of Ohio.  
16 We have benefitted greatly in the past few years from  
17 several rulings from the Commission and we want to say  
18 thank you because it has helped our community in many  
19 ways. Good morning to all, and Chairman Okun and the  
20 Members of the Commission. I'm Tim Ryan. I represent  
21 the 17th Congressional District in Ohio. It's a  
22 pleasure to return to the Commission to appear in  
23 support of the steel wheels industry.

24 Akron is the largest city in my  
25 congressional district, and as you may know, it was

1 once known as the rubber capital of the world and was  
2 home to numerous tire and wheel manufacturing  
3 businesses. Unfortunately, most of those plants have  
4 been shut down over the years to the detriment of our  
5 dedicated local workforce. I am pleased that Hayes  
6 Lemmerz, which was recently acquired by major  
7 international wheels company Maxion Wheels, is still  
8 operating a wheels plant built by Goodyear Tire in  
9 1927.

10           Too often in the United States the assumed  
11 best course of action is closing and dismantling any  
12 factory that is old, when in reality the ideal  
13 alternative is to retool and modernize by putting new  
14 machinery in the old buildings. In fact, that is the  
15 very reason these investments are critical to keeping  
16 the lifeblood of American manufacturing flowing. It  
17 is our duty to provide hard-working Americans the  
18 opportunity to maintain their quality of life, to  
19 provide for their children, to contribute to their  
20 communities through payments of taxes, as well as  
21 nonmonetary ways.

22           In addition to three executives from the  
23 company, I am particularly pleased that Dave Vorshak  
24 from the USW Local 2L in Akron, the president, is here  
25 today. Dave is emblematic of the people who live in

1 my congressional district, who live in the City of  
2 Akron, the City of Youngstown near Cleveland, which  
3 continues to be heavily reliant on manufacturing jobs.  
4 Dave has a family of four, he has a job that provides  
5 good wages, healthcare and a pension program that can  
6 provide for him and his family later in life.

7           These jobs have been disappearing from my  
8 state and district for years, not because  
9 manufacturers in northeast Ohio are uncompetitive, but  
10 because they cannot compete with the unfairly derived  
11 benefits enjoyed by the government of The Peoples  
12 Republic of China. The \$295 billion trade deficit in  
13 manufactured goods from China in 2011 is proof of  
14 that. The short-sighted decisions in the matter of  
15 GPX International Tire Corp. v. The United States  
16 underscores the gravity of this issue.

17           We must continue to fight subsidized  
18 imports. The ruling threatened to limit the  
19 application of U.S. countervailing duty law with  
20 respect to merchandise exported from nonmarket  
21 economies, like China. I am hopeful that sooner,  
22 rather than later, we will take significant lasting  
23 action against Chinese subsidies and currency  
24 manipulation to be felt in palpable ways by hard-  
25 working Americans.

1           It is heartening to know that Maxion  
2 executives have pledged that with relief they will  
3 further invest into the Akron facility. This is  
4 important for the entire community and beyond. I am  
5 confident that with relief, additional hiring in this  
6 facility and the subsequent expansion of U.S.  
7 production can replace the unfairly traded imports  
8 from China. As a member of Congress, I can tell you  
9 that the hard-working people of my district are  
10 suffering due to the fact that trade with China is  
11 grossly unfair.

12           You have found in favor of trade fairness to  
13 U.S. workers in the past, and I respectfully ask that  
14 you rule similarly today. A good example, as I wrap  
15 up, is a steel facility in Youngstown, Ohio that has  
16 benefitted from the oil country tubular ruling that  
17 you made many months ago. Because of that ruling,  
18 Vlorek, a French company, is now in the process of  
19 building \$650 million steel mill in Youngstown and  
20 Gerard, Ohio, and primarily because of the ruling that  
21 was made here. So I thank you for everything and hope  
22 you'll be with us on this one as well. Thank you.

23           CHAIRMAN OKUN: Thank you. Let me check  
24 with my colleagues, see if there are any questions.  
25 Thank you very much.

1 MR. RYAN: Thank you.

2 MR. BISHOP: Madam Chairman, at this time we  
3 will continue with opening remarks. Opening remarks  
4 on behalf of Respondents will be by Adams C. Lee,  
5 White & Case.

6 CHAIRMAN OKUN: Welcome, Mr. Lee.

7 MR. LEE: Good morning, Madam Chairman,  
8 Commissioners. My name is Adams Lee of White & Case  
9 and I'm appearing today on behalf of Zhejiang Jingu, a  
10 Chinese producer and exporter of steel wheels. Since  
11 the preliminary determination, the Commission has  
12 collected a significant amount of additional  
13 information that prove how highly segmented the U.S.  
14 steel wheel market is. Our witnesses this afternoon  
15 will describe what is happening in each of the OEM and  
16 after market segments and how competition between  
17 subject imports and the domestic industry is  
18 nonexistent or quite limited.

19 They will describe how Accuride and Hayes  
20 are largely focused on the big four OEM truck and big  
21 three trailer customers. They will describe why  
22 subject imports are not sold to these OEM customers  
23 and why that's not going to happen any time in the  
24 near future. They will describe how subject imports  
25 are primarily in the after market segment, and

1 although Accuride and Hayes are also in the after  
2 market segment, their after market operations have  
3 consistently been very small compared to their OEM  
4 operations.

5           The Commission has long recognized that  
6 attenuated competition does not mean no competition.  
7 As you listen today, we urge you to consider whether  
8 the tail is wagging the dog. In this case, the tail  
9 is the limited amount of demand from the large number  
10 of small customers that are primarily in the after  
11 market segment and the dog is the much larger demand  
12 from the seven biggest OEM truck and trailer  
13 customers.

14           We urge the Commission today to filter  
15 through the rhetorical flourishes and check whether  
16 Petitioners' testimony today is actually consistent  
17 with the record evidence collected in this case or is  
18 based on mere conjecture. For example, we ask the  
19 Commission to question Petitioners' repeated claims  
20 that the improvement in interim 2011 was really due to  
21 the filing of the petition or the department's  
22 preliminary determinations, or if it was really due to  
23 increased OEM truck and trailer demand that has  
24 recovered with the improved economy.

25           The interim 2011 period goes through

1 September. DOC's preliminary CVD determination was  
2 issued in September. The AD determination was issued  
3 in November. Most importantly, we ask you to consider  
4 whether it's reasonable to argue that the petition  
5 filing or the preliminary determination have caused a  
6 chilling effect on subject imports when subject  
7 imports in 2011 were over 40 percent higher than in  
8 interim 2010, which tracks the increase in overall  
9 demand.

10 We also ask the Commission to see to what  
11 extent, if any, Petitioners this morning discuss how  
12 changes in overall demand should affect the  
13 Commission's analysis and how they try to prove  
14 causation. When Petitioners claim that subject import  
15 volumes or market shares are increasing, do they know  
16 what's happening with overall demand? Do they know  
17 what domestic industry volumes and market shares are  
18 doing at the same time?

19 First, the record actually shows that  
20 subject import volumes did not increase, as 2010  
21 volumes for subject imports were actually less than  
22 they were in 2008 at the beginning of the period.  
23 Second, any increases in subject imports from 2009 to  
24 2010 and into 2011 were due to increases in overall  
25 demand, just as the decreases from 2008 to 2009

1 reflect decreases in overall demand reflecting the  
2 general overall economic condition.

3           Finally, there clearly was no causal  
4 connection between subject import trends and the  
5 domestic industry's condition as the domestic industry  
6 did poorly, just as subject imports declined, and  
7 improved even when subject imports were increasing.  
8 We ask the Commission to question what kind of  
9 supporting evidence Petitioners provide to support any  
10 claims that they're threatened with injury by reason  
11 of the subject imports.

12           Petitioners are offering numerous loose  
13 claims regarding the number of unaccounted Chinese  
14 foreign producers, the size of the China market for  
15 steel wheels, or the significance of third country  
16 actions. We strongly urge the Commission to look  
17 closely at the record evidence that contradict  
18 Petitioners' claims. We also ask the Commission to  
19 consider Petitioners' claim that they're vulnerable in  
20 light of their healthy financial condition that  
21 they're showing at the end of the period and with  
22 demand projected to increase in the near future.

23           Although Petitioners will argue there was  
24 pervasive underselling by the subject imports, the  
25 data clearly shows the underselling did not result in

1 any significant gain of subject import market share  
2 that was at the expense of the domestic industry.  
3 Even as overall demand rose and fell over the period  
4 of investigation, market share and pricing for both  
5 the domestic industry and subject imports remained  
6 generally consistent over the entire period in all  
7 market segments.

8           The domestic industry at the end of the  
9 period is doing well and cannot be considered to be  
10 suffering any present material injury. Finally,  
11 notwithstanding Petitioners' speculation about the  
12 Chinese market and the Chinese steel wheel producers,  
13 there's no threat of injury in light of forecasts for  
14 continued increases in OEM truck and trailer builds  
15 and --

16           CHAIRMAN OKUN: Mr. Lee? I'm sorry, but  
17 your red light has come on. Can you just finish up  
18 with the sentence?

19           MR. LEE: The record also shows that the  
20 domestic industry is not threatened with injury by  
21 reason of subject imports. Thank you.

22           CHAIRMAN OKUN: Thank you.

23           MR. BISHOP: Will the first panel, those in  
24 support of the imposition of antidumping and  
25 countervailing duty orders, please come forward and be

1 seated. Madam Chairman, all witnesses have been  
2 sworn.

3 CHAIRMAN OKUN: Thank you.

4 CHAIRMAN OKUN: Mr. Schagrín, it looks like  
5 your panel are all seated. As I'm sure you're aware,  
6 Senator McCaskill is expected probably in a half hour,  
7 so we'll just interrupt at some point to allow her to  
8 testify.

9 MR. SCHAGRIN: Yes. Thank you again, and  
10 good morning Chairman Okun, members of the Commission.

11 Let me start by just expressing my regrets  
12 that Congressman Visclosky was unable to join us this  
13 morning speaking on behalf of the Congressional Steel  
14 Caucus. He of course is a tireless advocate for  
15 American industry and American workers, and as you  
16 have already heard, the steel wheels industry is a  
17 major consumer of flat-rolled steel. Unfortunately  
18 Congressman Visclosky lost his mother earlier this  
19 week. I wanted to express our condolences for him and  
20 let him know that our prayers are with him at this  
21 time of family loss.

22 Secondly, you are going to hear from a  
23 domestic witness panel this morning of executives,  
24 labor, and distributors, who have a combined  
25 experience in the auto and truck parts industries of

1 over 200 years. I am not an expert in auto and truck  
2 parts, so I envision that this will benefit the  
3 Commission from hearing a little from counsel today  
4 and very much from experts.

5 I believe you will hear from these industry  
6 experts a very different perception of competition  
7 between Chinese wheels and U.S. produced steel wheels  
8 than that just related to you by Mr. Lee on behalf of  
9 the Chinese producers.

10 With that, let me ask Rick Dauch, the  
11 President and CEO of Accuride Corporation to give him  
12 testimony.

13 MR. DAUCH: Good morning, Chairman Okun and  
14 members of the Commission.

15 My name is Rick Dauch and I am the President  
16 and CEO of Accuride Corporation. I began that role on  
17 February 1, 2011.

18 Prior to that I spent 16 years with various  
19 companies involved in the automotive and truck parts  
20 businesses, and prior to that served for 11 years as  
21 an officer in the United States Army.

22 Accuride is headquartered in Evansville,  
23 Indiana. We are a publicly traded company and our  
24 stock trades on the New York Stock Exchange. Our  
25 company produces steel aluminum wheels, brake drums

1 and hubs, slack adjusters, and metal fabrication  
2 parts. Our company's products are almost entirely  
3 used in the North American commercial truck and  
4 trailer industry. We have one major U.S. facility  
5 that produces only the products subject to this  
6 investigation in Henderson, Kentucky, not far from  
7 Evansville. We also have facilities in Canada and  
8 Mexico producing these same products.

9           Accuride Corporation filed for bankruptcy  
10 protection in 2009 because of the rapid and  
11 unprecedented decline in demand for truck parts for  
12 the truck industry in the United States. Accuride did  
13 not go into bankruptcy because of steel wheel imports  
14 from China. U.S.-produced subject steel wheels  
15 represent approximately 12 to 14 percent of Accuride's  
16 total business.

17           Accuride is a corporation that would be  
18 severely impacted but could survive if you made a  
19 negative decision that allowed for the continuation of  
20 dumped and subsidized steel wheels from China to the  
21 United States market.

22           But I can tell you that if you do not make a  
23 negative decision that we would likely face the  
24 closure of our Henderson, Kentucky plant, resulting in  
25 the loss of 160 to 200 jobs at Accuride locations in

1 Kentucky, Indiana and Ohio. In addition, several  
2 hundred supplier jobs would also be impacted. That to  
3 me is clearly injury do Accuride, our work force, our  
4 suppliers, and the communities in which we operate.

5           Since beginning my position at Accuride, our  
6 company has acquired a small South Carolina  
7 manufacturer of aluminum wheels for commercial trucks  
8 and investing to increase aluminum wheel capacity at  
9 our existing facilities. As we have stated publicly,  
10 we did this because Accuride did not have sufficient  
11 capacity to service both our contract OEM customers  
12 and the after-market for aluminum wheels in the United  
13 States.

14           Unfortunately, just the opposite is true in  
15 steel wheels and we are evaluating consolidation and  
16 reduction of our North American steel wheel capacity.  
17 Our Henderson facility has significant under-utilized  
18 capacity, currently operating at less than two-thirds  
19 capacity, and unfairly traded steel wheels from China  
20 have contributed to that under-utilization.

21           Based on my knowledge of the industry  
22 Accuride and Maxion Wheels, formerly known as Hayes  
23 Lemmerz, have enough excess capacity to service the  
24 entire OEM, OES and after-market for steel wheels in  
25 the United States. There are also other North

1 American facilities, primarily in Mexico, as well as  
2 facilities in Brazil and Europe that export fairly  
3 traded steel wheels to the United States at prices  
4 that we know are far higher than the exceedingly low  
5 subsidized and dumped prices from China.

6           Our company certainly does not object to  
7 competition when it is fair. I am well aware of the  
8 Chinese market and Chinese capabilities in auto and  
9 truck parts because in my two previous companies I was  
10 responsible for plans in China and other countries in  
11 Asia that reported directly to me.

12           Plants in China can and do produce world  
13 class auto and truck parts, often using state of the  
14 art machinery and with qualified work forces. They  
15 also often benefit from massive subsidization by the  
16 government of China including very often freelance,  
17 subsidized capital equipment, and facility purchases,  
18 reduced electricity costs, and most importantly for  
19 anyone in the metals business, ample supply of below  
20 world market metal imports from Chinese government  
21 owned steel manufacturers.

22           Our Kentucky facility is not the newest  
23 steel wheel plant in the world but it is a highly  
24 automated facility. I invite you to visit at any  
25 time. We are very proud of it, and as you will hear

1 later, we would like to step up our reinvestments in  
2 this and other U.S.-based facilities.

3           Given our level of automation, direct labor  
4 accounts for approximately four percent of our total  
5 cost of manufacturing wheels at Henderson, thus lower  
6 labor costs do not give Chinese wheel producers an  
7 advantage over us. Our customers enjoy lower freight  
8 and logistics costs from Henderson, particularly when  
9 compared to ocean freight costs from steel wheels from  
10 China.

11           However, steel represents more than half of  
12 our cost of producing a wheel. Therefore based on  
13 what I believe is very accurate information on steel  
14 prices as reported by Steel Benchmarker, if U.S.  
15 source and world market prices for flat-rolled steel  
16 are \$750 per short ton and prices for the same steel  
17 for Chinese government owned mills is \$500 per short  
18 ton, our plant is starting at a 33 percent cost  
19 disadvantage by the time the steel arrives at our  
20 door.

21           As an American and as someone who is  
22 committed to our employees and our U.S. supply base, I  
23 would like you to enforce the fair trade laws so that  
24 these disadvantages are offset by the imposition of  
25 duties.

1           At the present I'm a publicly traded company  
2 with my fiduciary responsibility to shareholders I  
3 must tell you quite honestly that these laws are not  
4 in force, that I would have a duty to shut down our  
5 steel wheel plants in the United States and move them  
6 to China to benefit from these government subsidized  
7 input costs.

8           I understand from our counsel that your job  
9 is to determine whether these unfairly traded imports  
10 injure our company or threaten it in the future.

11           As our witness group will explain to you  
12 today, we have seen customers who are buying Chinese  
13 wheels return to us after the filing of this case and  
14 purchase significantly greater volumes of wheels from  
15 us at market competitive prices. We have even seen  
16 customers that bought only Chinese wheels buy wheels  
17 from us, and we're more than happy to service those  
18 customers.

19           As you will hear from some of our  
20 distributors who didn't buy Chinese wheels but lost  
21 market share to others who did, they will now be able  
22 to buy more wheels from us because of the imposition  
23 of unfair trade duties.

24           As of July 1, 2011 Accuride successfully  
25 implemented the first price increase on steel wheels

1 to the aftermarket in over four years.

2           So I would ask you, if we can detail so  
3 greatly the benefits to our company in terms of both  
4 volume and price, how could it be that these unfairly  
5 traded Chinese wheels did not injure our company in  
6 the past?

7           Looking towards the future I know for a  
8 fact, based on market intelligence on the Chinese  
9 wheel industry, that there is enough excess capacity  
10 in China to easily supply the entire U.S. market. As  
11 we prepare to enter negotiations for new three-year  
12 contracts with our largest contract OEM customers,  
13 please ask yourselves how this massive excess capacity  
14 of high quality steel wheels meeting DOT  
15 specifications and standards, that Chinese companies  
16 are willing and able to sell at prices 20 or 30  
17 percent lower than our prices cannot impact the volume  
18 and prices of our sales to these key customers in the  
19 future.

20           I do not wish to in any way underestimate  
21 the difficulty of your jobs. However, from my vantage  
22 point I do not believe the Commission has a difficult  
23 determination to make as to the clear injury it caused  
24 Accuride's steel wheel business prior to the filing of  
25 this case, and the real threat of injury to Accuride's

1 steel wheel business in the future.

2 I cannot emphasize enough that the future  
3 viability of Accuride's U.S. steel wheel business and  
4 our lone production facility in Henderson, Kentucky,  
5 and jobs of more than 180 American workers at that  
6 location are riding on your decision. Therefore, I  
7 respectfully request that decision be an affirmative  
8 decision.

9 Thank you.

10 MR. BENTLEY: Good morning Chairman Okun and  
11 members of the Commission. My name is Fred Bentley,  
12 and as of February 1, 2012 I'm the President and CEO  
13 of Maxion Wheels which includes the former operations  
14 of Hayes Lemmerz International and the wheel  
15 operations of Iochpe-Maxion.

16 I've been with Hayes since October of 2001  
17 and prior to joining Hayes I held positions in  
18 aftermarket automobile products at both Honeywell and  
19 allied Signal.

20 Hayes has a plant in Akron, Ohio which has  
21 been manufacturing steel wheels since 1927. That  
22 plant makes primarily the 22-1/2 by 8-1/4 inch wheels  
23 that are used on commercial trucks and trailers for  
24 both the OEM and the aftermarket. That plant is a  
25 union plant organized by the United Steelworkers. We

1 also have a plant in Sedalia, Missouri, which makes  
2 steel wheels 14 to 19 inches in outside diameter,  
3 primarily for passenger cars and pickup trucks.

4 Hayes was and Maxion Wheels continues to be  
5 the largest global manufacturer of steel and aluminum  
6 wheels for the passenger car and commercial truck and  
7 trailer markets.

8 The Hayes Lemmerz operations consists of 20  
9 plants in 12 countries including two in the United  
10 States.

11 During my tenure at Hayes we closed six  
12 plants in the United States between 2002 and 2008,  
13 most of which made cast aluminum wheels for passenger  
14 cars. As a result more than 2500 American workers  
15 lost their jobs.

16 Today we only have about 500 employees  
17 remaining in the United States. Most of these plant  
18 closures were the result of unfair competition by the  
19 Chinese in the market for cast aluminum for passenger  
20 cars.

21 Basically after the Chinese made inroads  
22 into the aftermarket for aluminum passenger car  
23 wheels, they began successfully bidding on original  
24 equipment business from the auto manufacturers. As  
25 multiyear contracts with the major automakers came

1 due, we were offered the choice of cutting prices to  
2 the levels offered by the Chinese or losing the  
3 contracts. Although we tried to compete by  
4 rationalizing capacity and making capital investments  
5 to improve productivity, in the end we were forced to  
6 close all of our cast aluminum wheel plants in the  
7 United States.

8           My only regret is that we didn't utilize  
9 these laws earlier to prevent the Chinese from  
10 unfairly destroying the cast aluminum passenger car  
11 wheel business in the United States.

12           After closing these U.S. plants we decided  
13 to fight the Chinese competition in other products and  
14 geographic markets where we do business. In 2007 our  
15 Indian subsidiary filed an antidumping case against  
16 Chinese steel wheels for commercial vehicles which  
17 resulted in significant dumping duties.

18           in 2010 our European subsidiaries joined  
19 with other European wheel producers in filing  
20 successful antidumping cases against Chinese cast  
21 aluminum wheels for passenger cars in the European  
22 Union, and an order was put in place in November of  
23 2011.

24           It is important to note that in the U.S.  
25 Market for aluminum passenger car wheels, as I

1 previously stated, the Chinese started aggressively  
2 taking market share in the aftermarket before they  
3 penetrated the OEM market. We saw the same thing  
4 develop in the market for steel wheels for commercial  
5 vehicles in India and aluminum wheels for passenger  
6 car wheels in Europe.

7           We have seen a definite trend as to how the  
8 Chinese attack markets for auto and truck parts  
9 worldwide. The same scenario is currently being  
10 replayed in the U.S. market for steel wheels for  
11 commercial vehicles as the Chinese have moved from  
12 aftermarket sales only to penetrating the trailer OEM  
13 and OES markets.

14           We have no doubt that without relief they  
15 will attack the OEM truck business as well.

16           Our customers are large multinational  
17 companies with sophisticated purchasing departments.  
18 They know how to qualify new suppliers and they will  
19 obtain the lowest prices for commodity products like  
20 steel wheels.

21           Before concluding, I would like to say a few  
22 words about Hayes' recent Chapter 11 bankruptcy and  
23 acquisition by Iochpe-Maxion.

24           As we all know, the automotive and  
25 commercial vehicle markets were hit particularly hard

1 by the global economic crisis of late 2008 and 2009.  
2 Prior to the Chapter 11 Hayes had significant leverage  
3 and as the demand in cash flow fell, Hayes was unable  
4 to service the debt and could not access more  
5 liquidity.

6           We were forced to seek Chapter 11 protection  
7 not because we had operational problems but because we  
8 had financing problems. We entered into essentially  
9 pre-packaged bankruptcy, and we exited that bankruptcy  
10 with a restructured balance sheet that significantly  
11 reduced our debt and other legacy liabilities, and  
12 with former creditors owning our equity instead of  
13 debt.

14           Iochpe-Maxion, a manufacturer of wheels and  
15 other components for the automotive truck and railroad  
16 industries based in Brazil agreed to make a strategic  
17 acquisition of Hayes in October 2011 with the deal  
18 closing February 1, 2012.

19           Hayes was very much a complementary business  
20 to Iochpe-Maxion's wheel business, both in terms of  
21 product coverage and geographical plant locations.

22           Given that merger I can now tell you that  
23 all of Maxion Wheel imports into the United States  
24 from Mexico were pursuant to contracts with OEMs such  
25 as Ford, General Motors, Chrysler and Nissan and were

1 primarily for pickup and light to medium duty truck  
2 applications. There were virtually no sales into the  
3 aftermarket or for commercial truck and trailer  
4 applications. all of Maxion Wheel's 22-1/2 inch  
5 wheels for commercial trucks which represent the  
6 majority of products subject to this investigation  
7 were sold in either Mexico or Latin America, not in  
8 the United States.

9           During this final investigation your staff  
10 inquired as to our normal expected gross and operating  
11 profit margins for our U.S. truck wheel operations.  
12 The answer to that question goes to the heart of this  
13 case. During this investigation the gross and  
14 operating margins of our U.S. operations were  
15 consistently lower than those we realized in our  
16 operations in other parts of the world.

17           There is no doubt that our poor U.S. returns  
18 have been caused in large part due to the competition  
19 with unfairly traded Chinese imports.

20           Hayes was selling steel wheels during the  
21 period of investigation at prices equivalent to the  
22 prices for the same wheels 25 years ago, even though  
23 steel prices have more than doubled over that period.  
24 I can assure you, unfortunately, that Iochpe-Maxion  
25 did not buy Hayes because of the success of our two

1 U.S. wheel operations, but because of the overall  
2 success of our other operations worldwide.

3 I've seen enough plants close down in the  
4 United States. I ask you for an affirmative  
5 determination so that I do not have to oversee the  
6 closing of the last two Hayes plants in the United  
7 States. Thank you.

8 MR. BYRNES: Good morning Chairman Okun and  
9 members of the Commission. I am Chuck Byrnes, Senior  
10 Vice President of Sales and Marketing for the Accuride  
11 Corporation. I've been with Accuride for less than  
12 one year. I spent 25 years of my business career at  
13 Torrington and Timkin, major producers of ball  
14 bearings and tapered roller bearings so I am very  
15 familiar with the trade case process.

16 At Accuride I'm responsible for all sales  
17 and marketing for wheels and essentially all of our  
18 commercial truck parts. We have the same sales teams  
19 for nearly all products and customers. Our sales  
20 people responsible for truck OEM sales, trailer OEM  
21 sales, truck and trailer original equipment service  
22 sales, and sales to distributors and the aftermarket.

23 I would like to begin by describing in more  
24 detail the major market segments for our commercial  
25 wheel sales in the U.S.. For Accuride these sales are

1 overwhelmingly the 22-1/2 by 8-1/4 inch steel wheel  
2 that is used on the vast majority of commercial truck  
3 and trailer 18 wheelers that you would see carrying  
4 freight on our nation's highways.

5           In addition to sales to tractor and trailer  
6 OEMs there is the aftermarket business that primarily  
7 flows through a distributor warehouse system. As you  
8 will hear, these distributors in turn sell to  
9 customers who are not large enough to buy in truckload  
10 quantities from U.S. manufacturers such as small  
11 trailer manufacturers, truck fleet replacement needs,  
12 and tire dealers.

13           These distributors are often members of  
14 buying groups for truck components through which they  
15 buy the entire array of truck parts needed to keep our  
16 commercial truck fleets running.

17           The principal buying groups include Heavy  
18 Duty America, VIPAR, Napa Traction Group and Fleet  
19 Pride. We are very pleased to be joined today by some  
20 of the major East Coast distributors of truck wheels.

21           I believe it would be both helpful and  
22 necessary for your understanding of the competition  
23 between Chinese wheel producers and the U.S. industry  
24 to understand the way the marketplace works for steel  
25 wheels.

1           The OEM truck manufacturers currently  
2 purchase their steel wheels from Accuride on three  
3 year contracts. Three of those manufacturers  
4 contracts with Accuride are due for renewal at the end  
5 of 2012. Based upon my knowledge of these truck  
6 producers and the Chinese wheel industry I believe  
7 that these manufacturers would like to qualify Chinese  
8 wheel producers as suppliers and that the largest  
9 Chinese wheel manufacturers have been working towards  
10 being qualified as suppliers.

11           They were not in that position three years  
12 ago.

13           I also know from my past experience that  
14 both truck and auto OEMs in the United States have  
15 qualified Chinese produced parts for their long-term  
16 production requirements.

17           I can also tell you without question that if  
18 Accuride were either to lose these contracts to dump  
19 Chinese competition or have to sell the OEMs at the  
20 China price which is about 20 to 30 percent lower than  
21 U.S. prices, that would almost surely put Accuride out  
22 of the business of manufacturing steel wheels in the  
23 United States.

24           The trailer market, which is slightly  
25 smaller than the OEM truck market, works mainly on

1 shorter contractual basis. We already saw significant  
2 Chinese competition for this trailer business on our  
3 2011 contracts which resulted in both volume and price  
4 pressures, and we are aware of a number of trailer  
5 manufacturers who purchase their wheels from Chinese  
6 manufacturers.

7           Finally, the OES business and the  
8 aftermarket business for our replacement wheels is  
9 normally about 20 to 30 percent of our market.  
10 However it has been a much smaller share of our sales  
11 because we believe the imports from China have taken a  
12 large share of this market away from the domestic  
13 industry.

14           This is a spot sale market and the most  
15 important factor is who has the lowest price.

16           Several years ago my predecessors at  
17 Accuride decided to develop a new wheel model called  
18 the Statesman. It was specifically designed to  
19 compete with low priced Chinese wheels in the OES and  
20 aftermarket. There were two reasons for this. First,  
21 without a lower priced wheel we would lose the entire  
22 aftermarket and see valued, long-time distributors of  
23 our product either lose out to those who were  
24 distributing the Chinese wheels in their markets or be  
25 forced to buy large volumes of Chinese wheels

1 themselves to be competitive.

2           The second reason was the need to  
3 differentiate pricing for the Statesman wheel from our  
4 Accuride wheels that were sold through our OEM  
5 contract truck and trailer customers.

6           Put yourself in our shoes. Can you imagine  
7 sitting across the negotiating table from a customer  
8 who buys 300,000 wheels per year and saying to them I  
9 want you to pay \$75 per Accuride wheel when that same  
10 customer has learned that you would sell a thousand of  
11 those identical wheels on a spot buy basis to one of  
12 their distributorships for the OES market for \$60 per  
13 wheel. This OEM large volume customer expects and  
14 deserves to receive quantity discounts.

15           I have discovered that because of unfairly  
16 traded Chinese competition Accuride had not increased  
17 its prices to aftermarket customers in several years,  
18 even though steel prices had increased.

19           At the end of May 2011 with the confidence  
20 that the Department of Commerce would make significant  
21 findings of subsidies and dumping by our Chinese  
22 competitors, and after years of absorbing raw material  
23 cost increases on our aftermarket sales, we announced  
24 price increases effective July 1, 2011. These price  
25 increases were well received by our marketplace and I

1 think you can see them reflected in the information we  
2 supplied to the Commission in our questionnaire.

3           Having met with approximately 75 of our  
4 wheel customers since assuming my position in the  
5 middle of 2011, I believe there is a renewed sense of  
6 optimism among our customers that this trade case will  
7 allow Accuride to remain in the steel wheel business  
8 and to reinvest in our steel wheel business. I am  
9 convinced that without relief that optimism would turn  
10 to pessimism and it would be a matter of only a few  
11 months to a few years before unfairly traded Chinese  
12 steel wheels would force Accuride out of this  
13 business.

14           For that reason and on behalf of our many  
15 valued employees, I ask you to make an affirmative  
16 determination.

17           Thank you.

18           MR. HAZLETT: Good morning Chairman Okun and  
19 members of the Commission. My name is Scott Hazlett  
20 and I am the Senior Vice President and General Manager  
21 of the Wheels Division at Accuride Corporation.

22           I joined Accuride in October 2011.

23           Prior to entering the private sector in 1990  
24 I served a decade in the Army as a combat arms officer  
25 with company-level command in Europe, and four years

1 on the staff and faculty at West Point.

2           Over the course of the past 21 years I have  
3 managed large multinational manufacturing and  
4 distribution businesses in varied market segments  
5 including consumer and industrial packaging,  
6 construction, agricultural equipment, recreational  
7 vehicle, light trailer, towing and weight  
8 distribution, as well as automotive.

9           Our steel wheel assets at Accuride are older  
10 assets with many major pieces of equipment in excess  
11 of 30 years old. It is clear from my experience and  
12 present assessment as well as that from the data  
13 provided to you in our questionnaire responses that  
14 Accuride has been under-investing in our steel wheel  
15 assets for some time. This long period of capital  
16 contraction has had a particularly profound negative  
17 effect on the anchor of our steel wheels business, our  
18 Henderson, Kentucky facility -- a 300,000 square feet  
19 facility with capacity to make 2.5 million wheels,  
20 currently running at roughly 70 percent of its  
21 potential, presently employing roughly 180 people.

22           Despite limited capital investment over the  
23 past several years as the company has navigated  
24 through difficult financial periods, this factory  
25 represents one of the most proficient manufacturing

1 centers in the industry. Even with these capital  
2 constraints and bolstered by its tenured and very  
3 skilled workforce, the Henderson facility has done a  
4 superb job of maintaining its aging assets.

5           Moreover, in 2011 this facility launched an  
6 aggressive set of initiatives such as lean  
7 manufacturing and a step function improvement in its  
8 preventative maintenance discipline to further reduce  
9 costs, become more cash efficient, and overall more  
10 competitive from a productivity and quality  
11 perspective.

12           Given the ever-increasing competitive nature  
13 of the wheels market, the new management team at  
14 Accuride is committed to making renewed investment in  
15 its steel wheel business.

16           We are now in the process of evaluating a  
17 number of investments in Henderson in excess of \$40  
18 million to aggressively position our steel wheels  
19 business for future profitable growth.

20           While adequate capacity exists to serve the  
21 North American market, we are committed to making  
22 investments that will reinforce Henderson's market  
23 leadership from perspectives of cost, quality, and  
24 service performance.

25           However, Accuride is indeed at a crossroads.

1 Without relief, the lack of a level playing field  
2 will likely cause us to give pause to further large  
3 investment in Henderson and even question the longer  
4 term viability of such a large, increasingly under-  
5 utilized facility.

6 I joined the Accuride team with others,  
7 including my colleagues here today, to build a great  
8 company. There is new leadership at Accuride today.  
9 Aggressive, resolute and determined to create very  
10 sustainable value for our employees, our customers and  
11 our shareholders. With the right team and under fair  
12 trade conditions there is no fear of competing on a  
13 global stage with anybody.

14 Imperative in our forward-looking investment  
15 plans is assurance that we will be afforded the  
16 opportunity to indeed compete on the same plane as our  
17 competitors. Risk management and transparency with  
18 our board and shareholders is a fiduciary  
19 responsibility we have as officers of the company.  
20 Assurance for them and our employees through our  
21 disciplined efforts we will continue to bring a  
22 superior value to the market is paramount. Continued  
23 attack from unfairly traded imports from China is a  
24 clear threat to the long-term viability of that  
25 construct and ultimately to the longer-term viability

1 of factories populated with hard-working and  
2 accountable employees like those at Henderson.

3 I therefore join my colleagues in asking for  
4 an affirmative injury determination.

5 Thank you for your time and consideration in  
6 this matter.

7 MR. HAMPTON: Good morning Chairman Okun and  
8 members of the Commission. My name is Donald Hampton,  
9 Jr., and I am the vice President of Operations for  
10 Maxion Wheels, the successor to Hayes Lemmerz  
11 International. I have been with Hayes for 10 years  
12 and have a total of 24 years of experience in the  
13 automotive and truck parts businesses.

14 Until recently I was the Vice President and  
15 General Manager of the Americas for Hayes Lemmerz  
16 International where I was responsible for the  
17 operations of five facilities -- two in Brazil, two in  
18 the United States, and one in Mexico.

19 Both of our plants in the United States  
20 produce steel wheels. We have invested heavily over  
21 the years in modernizing our Akron facility which  
22 opened in 1927. Unfortunately, since 2008 we have had  
23 to forego many capital expenditures in the plant. For  
24 example, in July 2009 we shut down our paint lines in  
25 Akron. We decided to out-source painting of our steel

1 wheels invest of investing in new paint lines in the  
2 plant, an investment of \$5 million.

3 In order to make the capital investments in  
4 Akron, Ohio and Sedalia, Missouri facilities that are  
5 necessary to improve quality and efficiency, our  
6 company must generate profit and cash flow.

7 You will also hear from my colleagues that  
8 we struggled during the period of investigation you  
9 are reviewing to pass along increased costs to our  
10 customers. We must be able to generate adequate rates  
11 of return to justify new investments in our plants.

12 To add improvements when you're not able to  
13 pass along raw material cost increases simply doesn't  
14 make sense in today's business world.

15 I am pleased that we are joined today by  
16 Dave Vorshak from our work force of United  
17 Steelworkers in Akron, Ohio. As the General Manager  
18 of two plants in the United States, one union and one  
19 non-union, I can tell you that I'm equally satisfied  
20 with our relationships with our team members and the  
21 spirit they have to maximize productivity with the  
22 current equipment at both plants.

23 Obviously my first job is to make sure we  
24 provide a safe working environment at our plants.  
25 This may not be the case in China. I look forward to

1 working with Dave and all of our team members to make  
2 sure that both these plants remain open and viable in  
3 the future. I want to make sure that they can earn a  
4 good living and share in the success of our company.

5           After ten years at Hayes I know most of  
6 these team members personally. You heard Mr. Bentley  
7 describe the shutdown of Hayes plants in the United  
8 States as a result of unfair trade from China. I ask  
9 you to give me and my colleagues at our plants in  
10 Akron and Sedalia the opportunity to do our jobs and  
11 continue to improve our plants and produce products.  
12 Don't let dumped Chinese wheels shut down these plants  
13 and cost these good hardworking Americans their jobs.

14           Thank you.

15           MR. VORSHAK: Good morning Chairman Okun and  
16 members of the Commission. I am honored to appear  
17 here today to provide testimony in your final  
18 investigation of unfairly traded steel wheels from  
19 China. My name is Dave Vorshak and I am President of  
20 United Steelworkers, Local 2L of Maxion Wheels in  
21 Akron, Ohio. I have served in this position for three  
22 years. I've worked in the plant for eight years. My  
23 job is quality technician, entrusting me to evaluate  
24 and ensure that wheels made at the plant meet  
25 specifications.

1           There are 80 United Steelworker members at  
2 this plant. We had approximately 20 workers on layoff  
3 in 2010 for up to 18 months who were rehired between  
4 January and June of 2011.

5           In August of 2011 our local negotiated a new  
6 three year contract with Hayes Lemmerz and I believe  
7 both sides were satisfied with this agreement. We  
8 obtained our first raises in six years, but we also  
9 agreed to higher health care insurance co-pay  
10 percentage from our members. Fortunately during the  
11 bankruptcy discussed by Mr. Bentley our union members  
12 did not lose an pension or insurance benefits.

13           As United Steelworkers unit president I  
14 would say that our workers and management have an  
15 excellent working relationship. Everyone in our plant  
16 gives their all to safely and efficiently produce the  
17 highest quality wheels in order to serve our valuable  
18 customers and make sure that our plant stays open.

19           As you have heard, our plant was built in  
20 1927. During my eight years at the plant Hayes made  
21 investments in the plant, but as you heard from Mr.  
22 Hampton, the plant certainly needs additional  
23 investments and relief from unfairly traded Chinese  
24 wheels which will be necessary in order for our new  
25 owner, Maxion Wheels, to make those improvement

1 investments.

2 I'm married with two children, ages six and  
3 seven. During much of the period you are  
4 investigating from 2008 to 2010 our plant was  
5 operating on one shift, four days a week. That meant  
6 that I was taking home 20 percent less of my paycheck.  
7 It was extremely difficult to pay our bills, put gas  
8 in the car, and feed a family of four at an 80 percent  
9 pay level.

10 We are currently running two shifts. During  
11 some of my early years at the company the plant ran on  
12 three shifts. That means with continued relief and an  
13 improving economy Maxion Wheels could hire back a  
14 third shift and our union work force could grow in  
15 size, contributing further to the growth of our Akron  
16 area economy.

17 I find it very difficult to think what the  
18 future will hold for me and others if we do not  
19 receive relief. If you allow subsidized and dumped  
20 Chinese steel wheels to continue to obtain a larger  
21 share of the U.S. market then our plant, the oldest of  
22 the three U.S. plants manufacturing these wheels, will  
23 likely be the first to shut down. This is not the  
24 result we seek.

25 In earlier testimony you also heard that

1 Hayes previously shut down six plants making aluminum  
2 and steel wheels for autos. today the unemployment  
3 rate in Akron is approximately 10 percent. I would  
4 say that if Maxion Wheels closes the plant there is no  
5 chance that I would be able to get a job with  
6 comparable pay and benefits in Akron. The same would  
7 apply to my 80 fellow US union members. In fact I am  
8 uncertain, given the state of the economy, that we  
9 could get any job.

10           Therefore I ask you first on behalf of my  
11 family; second on behalf of my fellow workers and  
12 their families and the Akron plant and my fellow US  
13 brethren who make the steel that we use to make the  
14 wheels, to make an affirmative determination.

15           Thank you again for the opportunity to  
16 testify today.

17           MR. KATO: Good morning Chairman Okun and  
18 members of the Commission. My name is Matt Kato. I'm  
19 the Director of Sales for North America for Maxion  
20 Wheels, the successor to Hayes Lemmerz International.

21           I've been in the industry for 16 years. Ten  
22 of those years with Hayes Lemmerz and prior to that  
23 with TRW Automotive. I am responsible for sales of  
24 both aluminum and steel wheels, but as you have heard,  
25 we no longer produce aluminum wheels in the United

1 States.

2           Our commercial truck contracts are generally  
3 multi-year contracts for OEM sales. These contracts  
4 fix the price but do not fix the quantity that our OEM  
5 buyers purchase from us. While in the past OEM  
6 contracts covered sales for both original equipment  
7 use and original equipment service use, we are aware  
8 that some of our contract customers began buying  
9 Chinese wheels for use in their OEM and their OES  
10 businesses.

11           When I testified at your staff conference in  
12 April of last year I notified the staff that a number  
13 of our trailer customers who tend to have one year  
14 contracts had switched to Chinese supply. We supplied  
15 this information to the Commission, and I am hopeful  
16 that our customers verified these lost sales to your  
17 staff.

18           At the end of 2011 we had one of our largest  
19 OEM contracts expire. While we had several months of  
20 negotiations with this buyer, we have not yet been  
21 able to finalize a new multi-year contract. Like an  
22 expired labor agreement, we continue to operate under  
23 the expired contract with the intention of making  
24 adjustments retroactive to the expiration of the  
25 previous contract. If unfairly traded Chinese wheels

1 are available at incredibly low prices then we are  
2 bargaining from the short end of the stick. If you  
3 make sure duties are imposed on these Chinese wheels  
4 then we are bargaining in a fair market environment.

5           We will still have to compete with imports,  
6 but we'll compete with fairly traded imports.

7           One thing that is vital to our business is  
8 to make sure in the future we're able to charge  
9 customers the cost of supplying them with premium  
10 coated wheels. This is a significant additional cost.  
11 It can be as much as ten percent of the total. And  
12 yet the Chinese gave U.S. customers premium coated  
13 wheels without charging for that additional cost.  
14 That put us at a significant competitive disadvantage.

15           Based on my experience in selling steel  
16 wheels for commercial trucks as well as my prior  
17 experience with TRW Automotive there is no mystery as  
18 to the fact that auto and truck part manufacturers are  
19 supposed to get a better price for smaller quantity  
20 sales to aftermarket customers. Unfair Chinese trade  
21 has reversed these normal commercial realities.

22           We found ourselves struggling to make sales  
23 in the aftermarket at prices as low or lower than our  
24 large volume OEM prices. In fact large national  
25 distributors who have distribution markups to build

1 into their pricing had been selling Chinese wheels to  
2 truck and trailer service centers at lower prices than  
3 OEM manufacturers could buy from us.

4 I think you can understand clearly from our  
5 testimony and from the record before you that the  
6 Chinese industry has first eaten up a huge chunk of  
7 the aftermarket business and smaller but significant  
8 chunks of the OES and trailer OEM businesses. They  
9 will eat up the OEM business in the future just as  
10 they did with our aluminum automotive wheel business.

11 Based on my experience it will be difficult  
12 if not impossible to continue selling Hayes Lemmerz  
13 wheels manufactured in the United States without the  
14 imposition of AD and CVD duties against China. I ask  
15 you not to let that happen and to make an affirmative  
16 injury or threat of injury determination.

17 Thank you.

18 CHAIRMAN OKUN: Thank you.

19 Mr. Schagrin, Senator McCaskill is here, so  
20 we're going to interrupt to have her testify.

21 MR. BISHOP: Madame Chairman, our final  
22 congressional witness today is The Honorable Claire  
23 McCaskill, United States Senator, Missouri.

24 CHAIRMAN OKUN: Welcome Senator. You may  
25 proceed.

1           SENATOR McCASKILL: Thank you very much.

2           Chairman Okun and members of the Commission,  
3 thank you for allowing me to testify today before you.

4           This is not my first time here, and in the  
5 other instances I have been here I've been pleased  
6 with the fair and deliberate action that you have  
7 taken in regards to leveling the playing field with  
8 international commerce.

9           This is about a very personal subject for me  
10 and for Missourians, it's about jobs in Missouri.  
11 It's about jobs in a small community, Sedalia,  
12 Missouri, the home of our State Fair. We've been  
13 manufacturing steel wheels in Missouri for over 30  
14 years. The Hayes plant in Sedalia was established in  
15 1978 and has been providing good jobs in this close-  
16 knit community ever since.

17           Unfortunately the state of Missouri has  
18 already lost a significant number of jobs in the auto  
19 industry due to the recession. Employment by auto  
20 parts manufacturers dropped by 40 percent in Missouri  
21 after the crash in 2008.

22           The Hayes plant itself had to lay off almost  
23 half of its workers. To this day the company has not  
24 been able to hire any workers back in Sedalia, despite  
25 the fact that the market for steel wheels has expanded

1 as part of our economic recovery.

2 Americans accept that there are going to be  
3 good times and bad times, but what Americans can't  
4 accept is when these jobs go away because of unfair  
5 and illegal subsidies provided to foreign competition.

6 The Department of Commerce has made a  
7 preliminary determination that Chinese manufacturers  
8 of steel wheels receive a broad range of subsidies,  
9 from subsidized electricity to subsidized steel, that  
10 gives those companies an unfair advantage over U.S.  
11 manufacturers.

12 This is a story we've heard from a number of  
13 industries who are struggling to compete with  
14 artificially cheap Chinese imports and the Department  
15 of Commerce and the International Trade Commission  
16 have ruled against such subsidies in a number of other  
17 cases.

18 All I ask is that you look at the facts.  
19 While there are illegal trade practices that are doing  
20 harm to American companies, we have to stand up and  
21 protect them when these illegal trade practices exist.

22 It is not reasonable for the good people of  
23 Sedalia or anywhere in this country to suffer because  
24 companies in China will not play fair.

25 I thank you for your consideration. More

1 importantly, I thank you on behalf of the almost 300  
2 workers at the steel manufacturing facility in  
3 Sedalia, Missouri, and their families. They have  
4 good, middle class jobs and we need to make sure that  
5 when the sun sets on this recession, as we climb out  
6 of it, that we continue to level the playing field in  
7 a way that promotes international marketing of our  
8 products in other countries, but makes sure that that  
9 playing field is level.

10           Thank you very much for your time today. I  
11 very much appreciate the opportunity to be here. You  
12 have a hard job, and a lot of people want to Monday  
13 morning quarterback what you do. I want to say  
14 personally I appreciate the service to our government  
15 and the decisions that you've made I think have  
16 reflected a difficult path that we have to navigate,  
17 but at the end of the day if we know they're not  
18 playing fair, it's up to you all to do something about  
19 it.

20           Thank you all very much.

21           CHAIRMAN OKUN: Thank you for your  
22 testimony.

23           Let me check with my colleagues and see if  
24 anyone has any questions.

25           Thank you very much.

1           SENATOR McCASKILL: Thanks.

2           MR. WILLIS: Good morning Chairman Okun and  
3 members of the Commission. My name is David Norris  
4 Willis and I am the President and CEO of CRW Parts,  
5 formerly Chesapeake Rim and Wheel Distributors, Inc.  
6 We are the successor to RW Norris and Sons which was  
7 founded in 1850 and we remain a family-owned company  
8 to this day.

9           Our company has ten outlets throughout the  
10 Mid-Atlantic region. We sell truck parts primarily to  
11 fleets, tire dealers and repair shops. We are a  
12 founding member of the VIPAR Heavy Duty buying group  
13 which was set up originally in the 1980s to help  
14 distributors leverage their buying power in order to  
15 get more competitive pricing in the forms of discounts  
16 and rebates from truck parts manufacturers.

17           We sell both steel and aluminum wheels. The  
18 difference between steel and aluminum wheels is the  
19 steel wheels sell in the price range of \$70 to \$80  
20 each, while aluminum wheels sell in the price range of  
21 \$210 to \$250 each.

22           Our customers specifically ask us for either  
23 steel or aluminum wheels, but because everyone is  
24 aware that steel wheels are approximately a third of  
25 the price of aluminum wheels, customers rarely ask us

1 to price both.

2                   As a Mid-Atlantic distributor our main  
3 competitor is an Ohio-based company. They advertise  
4 widely to our customer base and then ship from a  
5 central warehouse in Ohio. They will advertise the  
6 Accuride part number, the most popular of which is  
7 50308PW, a 22-5 8-1/4 wheel for commercial trucks and  
8 trailers, at a price lower than our cost, then ship  
9 our customer freight prepaid an import wheel.

10                   Many of our customers do not care whether  
11 the wheels they purchase are Chinese or American, they  
12 just want the lowest price.

13                   A few years ago in order to keep us  
14 competitive with the Chinese wheels Accuride moved us  
15 from Accuride wheels to Statesman wheels at a much  
16 lower price. Even after this move to the Statesman  
17 wheel, CRW was forced to constantly go to Accuride and  
18 ask them to lower their prices in order to keep us  
19 competitive with the import wheels. I even bought a  
20 couple of truckloads of these Chinese wheels. These  
21 wheels met the DOT specifications and are safe,  
22 otherwise I would have not sold them. However, while  
23 many truck fleets and tire dealers may just want the  
24 lowest price, I do care about where the products we  
25 sell are made. Call me old fashioned, but I like

1 selling products made in America.

2           Our perception is that the economy is slowly  
3 recovering and we foresee a continued recovery in our  
4 business from the very big hit we took during the  
5 recession of 2009. Because of the Chinese  
6 competition, we are selling a lower priced steel wheel  
7 at a lower margin. It is important to me that our  
8 profits recover as well as our volume. I am sure that  
9 will only happen if the large volumes of extremely low  
10 priced and unfairly traded Chinese wheels are removed  
11 from this marketplace.

12           On behalf our 110 employees and our 10  
13 outlets, I support the domestic wheel industry's  
14 request to impose duties against unfair Chinese trade  
15 practices.

16           Thank you very much.

17           MR. STEWART: Good morning Chairman Okun and  
18 members of the Commission. I am Tom Stewart and I am  
19 the President of Carolina Rim and Wheel Company.

20           We are based in Charlotte, North Carolina,  
21 and our company was founded in 1926. For all 86 years  
22 that Carolina Rim and Wheel has been in business we  
23 have had a relationship with Accuride and its  
24 predecessor, Firestone Steel Products, and Hayes  
25 Lemmerz and its predecessor Goodyear Metal Products.

1 We have five locations serving North Carolina, South  
2 Carolina and Georgia.

3 I am the third generation of family  
4 ownership and management and I am hopeful that we will  
5 have a fourth generation.

6 Carolina Rim and Wheel is an aftermarket  
7 distributor of heavy truck parts. While we do make  
8 direct sales to some small OEM trailer producers in  
9 our region we primarily sell for the replacement  
10 market to truck fleets, repair facilities and tire  
11 dealers. We distribute both aluminum and steel  
12 wheels.

13 We have not purchased any steel wheels from  
14 China. Over your period of investigation I have  
15 received numerous offers from Chinese wheel producers  
16 through importers or agents at delivered prices to our  
17 stocking locations much less than domestic steel  
18 prices for wheels from Accuride or Hayes Lemmerz. In  
19 fact just a few weeks ago I received an offer from  
20 China for a 22-5, 8-1/4 steel wheel equivalent to the  
21 Accuride part number 27404PW at \$40.74 FOB China.  
22 With freight, but without the AD and the CVD duties,  
23 the price would be approximately 25 percent less than  
24 Accuride's price.

25 The fact that we do not purchase Chinese

1 steel wheels does not mean that Carolina Rim and Wheel  
2 or our domestic suppliers have not been injured by the  
3 steel wheel imports from China.

4           I would estimate that over the past several  
5 years our company has lost 20 to 25 percent of our  
6 steel wheel business to an Ohio-based company which  
7 was offering lower prices in our market by selling  
8 dumped Chinese wheels. As a result, Accuride offered  
9 us a less expensive wheel that they call the Statesman  
10 wheel, so I had to begin selling the lower priced  
11 steel wheel at a lower profit margin in order to stay  
12 competitive with distributors of Chinese wheels.

13           You do not have to be a genius to do the  
14 math. I have the same overhead, employment costs at  
15 my five distribution centers, but I make fewer dollars  
16 per wheel than ever. I believe in American  
17 manufacturing because more the more manufacturing we  
18 have, the stronger our country will be.

19           As a distributor of many different truck  
20 parts, I can tell you that there are already some  
21 parts where I buy American brand name products that  
22 are made in China. I am presuming that if you do not  
23 give the domestic wheel producers relief from the  
24 Chinese subsidies and dumping, that they will move to  
25 China so they can enjoy the Chinese subsidies and then

1 they will want me to sell Chinese made wheels under an  
2 American brand name.

3 I do not want to see this happen. I don't  
4 think it's good for our country, and I came here today  
5 to ask you to make sure that the people who still make  
6 steel wheels in the United States get a fair shake.

7 Thank you very much.

8 MR. SCHAGRIN: Thank you, Tom, and Chairman  
9 Okun, members of the Commission, that concludes the  
10 domestic witness panel's direct testimony. We would  
11 be happy to answer the Commission's questions. Thank  
12 you.

13 CHAIRMAN OKUN: Thank you.

14 Before we begin our questions let me take  
15 this opportunity to thank all of the witnesses for  
16 being here. We appreciate having so many members of  
17 the industry up here to answer questions, and Mr.  
18 Vorshak, thank you for appearing and representing the  
19 union and the workers. I appreciate your willingness  
20 to answer our questions as well.

21 Just a reminder with two or three rows of  
22 witnesses, to please state your name for the record  
23 when you're replying to questions for the benefit of  
24 the court reporter and for us as well.

25 With that, we will begin our questions this

1 morning with Commissioner Pinkert.

2           COMMISSIONER PINKERT: Thank you, Madame  
3 Chairman. I join the Chairman in thanking all of you  
4 for being here today.

5           I have a couple of questions related to  
6 OEMs.

7           The first one is, how important is just in  
8 time delivery to the original equipment manufacturers?

9           MR. DAUCH: It's very important. We need to  
10 basically only keep a day of stock ahead of them,  
11 their plants. They give us their schedules and we  
12 usually deliver three or four times a day to those  
13 factories.

14           MR. BENTLEY: This is Fred Bentley, and I  
15 would just add to Rick, in addition to being very  
16 important it's also fairly easy to accomplish. If you  
17 look at what has happened in the truck wheel business  
18 and also in the other markets, the Chinese have been  
19 willing to, at their cost, put local distribution  
20 centers in place to overcome that hurdle.

21           MR. DAUCH: Typically in the auto -- Rick  
22 Dauch, CEO, Accuride. In the auto and truck industry  
23 the Chinese will put a warehouse close by to the OEM  
24 factory and store five to eight weeks of inventory at  
25 that location.

1 COMMISSIONER PINKERT: Thank you.

2 Now is the domestic industry the exclusive  
3 supplier of steel wheels for certain truck and trailer  
4 OEMs?

5 MR. BENTLEY: Yes. This is Fred Bentley  
6 again.

7 The domestic market is supplier for most,  
8 not all.

9 COMMISSIONER PINKERT: Any other comments  
10 from the panel on that?

11 MR. DAUCH: Trailer manufacturers, there's  
12 been a bigger penetration of Chinese wheels. We're  
13 starting to see the influx in the qualification of  
14 steel wheels at some of the large truck OEMs. They've  
15 been trying to do that for the last couple of years as  
16 well.

17 COMMISSIONER PINKERT: Okay. For this next  
18 question you may have to answer in the post-hearing,  
19 but certainly if you can give an answer here at this  
20 hearing that would be helpful.

21 Looking at the data on wheel weight, do the  
22 Chinese compete primarily in a different segment of  
23 the market than the domestic industry?

24 MR. BENTLEY: According to weight the answer  
25 would be no. As a matter of fact most of the wheels

1 that are in question, there was a weight difference in  
2 the wheels that were supplied. Over the last several  
3 years the competitors or the importers have worked  
4 very hard to reduce that weight. That is a critical  
5 factor as you move up the value change in this product  
6 segment. So if you go from the aftermarket to trailer  
7 to the OE truck manufacturers, weight becomes more  
8 critical. I will tell you that the weight of the  
9 wheels that are provided today are lower than the, is  
10 less than the weight that was provided five years ago.

11           So to try to define them as different  
12 products by weight is not the case, and quite frankly,  
13 it's just used as a testing ground to improve the  
14 capability of their manufacturing processes to take  
15 weight out going forward.

16           MR. SCHAGRIN: Commissioner Pinkert, just to  
17 interject from a matter of competition, clearly the  
18 Chinese have claimed in their briefs that if they make  
19 an 80 pound wheel and the domestic industry primarily  
20 makes a 70 pound wheel that they're not competing with  
21 each other because they're different weights.

22           Look at a trucks. When we're all driving  
23 down the road and we're stuck in traffic, which I was  
24 on Route 50 this morning, I see way too many trucks  
25 also stuck in traffic. For the purposes that these

1 wheels are made, there is simply no difference on an  
2 18 wheeler between an 80 pound steel wheel from a  
3 China or a 70 pound steel wheel from made in the  
4 United States. They do the same thing. They get the  
5 same tire put on the wheel. They perform exactly the  
6 same.

7           While there might be a difference in a  
8 period of high gas prices between a steel wheel and an  
9 aluminum wheel where you're talking about 40 or 50  
10 pounds difference in weight, and therefore you do get  
11 into significant savings in terms of fuel costs, the  
12 difference of ten pounds is just not that significant.

13           So there are some differences in wheel  
14 weights based on the fact that the Chinese start out  
15 making a heavier product, as did the domestic industry  
16 10 or 15 years ago. Every one in the domestic  
17 industry and the Chinese are constantly moving because  
18 steel is the principal cost factor. Everyone in this  
19 industry in the U.S. and China and around the world  
20 are moving towards lighter weights. But in terms of  
21 competition between the Chinese product and the U.S.  
22 product, wheel weight represents zero difference in  
23 the marketplace.

24           Also, if you think about it, since steel is  
25 the primary cost driver, how can somebody sell a wheel

1 with 10 or 12 or 14 percent more steel in it at a  
2 price that's 25 percent less than their competitor  
3 with less steel? That boggles the mind. That's a  
4 result of only one thing -- unfair competition. There  
5 is no rational market basis for selling a product with  
6 more steel costs at a lower price than somebody who  
7 has less steel in their wheel.

8 Thank you.

9 COMMISSIONER PINKERT: Thank you.

10 You did mention aluminum wheels just now,  
11 Mr. Schagrin. I want to ask whether any shift in  
12 demand toward aluminum wheels is making this industry  
13 more vulnerable?

14 MR. DAUCH: This is Rick Dauch, Accuride  
15 CEO.

16 There has been a small shift in aluminum.  
17 First of all, if you're on a global basis North  
18 America has a larger penetration of aluminum wheels,  
19 around 30 to 33 percent. If you go to China, Brazil  
20 or less developed countries it's less than three  
21 percent because the aluminum wheels can't handle the  
22 condition of the roads there.

23 Over the last three or four years as we've  
24 seen fuel prices go up we've seen a small migration of  
25 two or three points from steel to aluminum. So right

1 now we're still running at our company around two-  
2 thirds steel, one-third aluminum. It's been like that  
3 on and off for like the last five or six years.

4 MR. SCHAGRIN: Roger Schagrin. Just to add,  
5 Commissioner Pinkert, to the extent, and no one knows  
6 what's going to happen to gas prices. If gas prices  
7 spike even more, if diesel goes from -- I drive a  
8 diesel vehicle. If it goes from \$4.50 to \$6.00  
9 presumably that migration from steel to aluminum will  
10 accelerate.

11 But unlike the arguments of some of the  
12 respondents that the movement, particularly among the  
13 OEM truck segment from steel to aluminum is an  
14 alternative cause of injury, I just look at it as  
15 heightened vulnerability for the domestic steel wheel  
16 industry. I think if this migration continues as Mr.  
17 Dauch has explained, it just makes the U.S. industry  
18 face a smaller pie. And if the Chinese take a larger  
19 share of a smaller pie, then there's more threat to  
20 the U.S. facilities being able to remain open.

21 COMMISSIONER PINKERT: Thank you.

22 Focusing just on 2009, I recognize that we  
23 look at the entire set of data that we have in front  
24 of us, but just focusing on 2009, is it your  
25 contention that the decline in industry performance in

1 2009 was the result at least in substantial part of  
2 competition from subject imports?

3           MR. SCHAGRIN: From a legal perspective it's  
4 our contention that throughout the period 2008 through  
5 2010, regardless of changes in demand while both  
6 domestic shipments and imports reflected in their  
7 volumes the changes in demand, the fact is that  
8 whether demand was decreasing in '09 or increasing in  
9 2010, imports from China were increasing their market  
10 share and particularly their penetration of the  
11 aftermarket.

12           So we maintain that throughout the period of  
13 investigation both volume market share and pricing  
14 pressures of Chinese wheels contributed to the  
15 material injury of the domestic industry and that's  
16 not to say that it's not a valid argument that  
17 decrease in demand also clearly injured the domestic  
18 industry. But imports from China contributed in a  
19 material way to that injury as well.

20           COMMISSIONER PINKERT: Didn't domestic  
21 industry market share actually improve in 2009?

22           MR. SCHAGRIN: I believe it improved just  
23 slightly, and I think a lot of that was in  
24 relationship to non-market economy imports. Excuse  
25 me, not non-market. Non-subject imports. I

1 apologize.

2 COMMISSIONER PINKERT: Thank you.

3 Thank you, Madame Chairman.

4 CHAIRMAN OKUN: Commissioner Johanson?

5 COMMISSIONER JOHANSON: I too would like to  
6 welcome you all today to the ITC and thank you for  
7 coming here to the hearing.

8 I have some questions on off-the-road steel  
9 wheels. How do you all, and this is a question for  
10 any one of the witnesses.

11 How do you respond to the Chinese  
12 respondents' argument that the Commission should find  
13 that off-the-road wheels are a separate domestic like  
14 product?

15 MR. DAUCH: There are really two categories  
16 of off-the-road wheels. There's the roads for what we  
17 call agricultural vehicles or mining vehicles, and  
18 neither Hayes Lemmerz or Maxion Wheels and ourselves  
19 compete in that side of the market.

20 We do compete, though, on specialized  
21 trucks, what we call severe duty applications for off-  
22 road. Logging trucks, oil field rig trucks, mobile  
23 cranes, agricultural trucks that go out and service  
24 the fields, that go off the road. And also military  
25 applications.

1 Does that answer your question?

2 COMMISSIONER JOHANSON: Actually I was  
3 wondering, could you go into a bit more depth -- Are  
4 you familiar with the arguments of the respondents in  
5 this area?

6 MR. DAUCH: Probably not as deep as Mr.  
7 Schagrin.

8 COMMISSIONER JOHANSON: Maybe Mr. Schagrin  
9 would like to address this.

10 MR. SCHAGRIN: I'm going to address it from  
11 the legal side and then I'll also invite maybe Mr.  
12 Byrnes as well as Mr. Kato to talk about the off-the-  
13 road segments that both Accuride and Hayes sell into.

14 From a legal perspective I would direct your  
15 attention to -- Commissioner Johanson, it's a pleasure  
16 to appear before you in what may be your first injury  
17 hearing. I look forward to maybe another eight to ten  
18 years, Lord willing with my health, to doing that.  
19 And then please tell me to quit.

20 That is to footnote 23 of the Commission's  
21 preliminary determination which I think reflects the  
22 constant Commission practice. That says, and I quote,  
23 it's on page seven. "We remind the parties that  
24 pursuant to Rule 19 CFR 207.20(b) requests for data  
25 collection in any final phase investigations should be

1 made at the time written comments on draft  
2 questionnaires are made. As the Commission's notice  
3 of rulemaking promulgating this rule stated, this is  
4 particularly important with respect to such issues as  
5 domestic like product." End quote.

6           Unfortunately, despite the fact that the  
7 parties to this investigation have extremely  
8 experienced counsel, somehow, and the fact that the  
9 Commission has incorporated this practice since 1996,  
10 somehow none of these parties paid attention to the  
11 Commission's practice area and instead made only in  
12 their pre-hearing briefs arguments about a different  
13 like product.

14           The Commission Staff has had no opportunity  
15 to gather information on this issue according to the  
16 six factors, .

17           Notwithstanding that, we recognize in other  
18 investigations the Commission has still at least paid  
19 attention to these issues in their final  
20 determinations. So I'll quickly go down the  
21 Commission's six like product factors for you between  
22 on-the-road or off-the-road.

23           First, there's a misnomer in a lot of the  
24 information given to the Commission that if a wheel is  
25 stamped DOT that it can't be used off-the-road. That

1 is simply not true. That is not a correct statement.

2           The opposite is true. A wheel cannot be  
3 used on federal highways unless it is stamped DOT.  
4 But the fact that there's a DOT stamp put in at the  
5 factory on the wheel doesn't mean it can't be used  
6 off-the-road.

7           So both Accuride and Hayes make wheels and  
8 work with people in the logging industry or mining  
9 industry or for cherry-pickers or all matter of off-  
10 the-road vehicles, now with Caterpillar which stated  
11 in a statement that's now off the record that they  
12 only have one qualified international supplier,  
13 neither of which is Accuride or Hayes. But they work  
14 with these folks and they sell them heavier wheels  
15 with higher load factors because they have higher  
16 loads for these off-the-road purposes for the uses of  
17 these off-the-road vehicles. They make them in the  
18 same factories with the same workers using the same  
19 machinery, sell them through the same channels of  
20 distribution. You either sell directly to the OEM  
21 manufacturer or you sell through distribution through  
22 these off-the-road.

23           The wheels are very similar, they just take  
24 higher loads. They are heavier load-bearing.

25           So I think if you were to look at this on

1 the six factors, even though you don't have all of the  
2 information because of the failure of parties to  
3 properly follow the rules, I think you would find that  
4 they were the same like product.

5 MR. BYRNES: We sell wheels that are used by  
6 manufacturers for a lot of industries. Mr. Dauch  
7 mentioned mobile cranes, for instance. We don't have  
8 any possible way to know if a wheel will go to a truck  
9 that will transport a crane that travels highways to  
10 build bridges or produces a wheel that will be used on  
11 a truck that carries a crane that services wind farms  
12 off of our highway system. It's impossible for us to  
13 know. All we know is we produce a wheel that is heavy  
14 duty and can be used both on-road or off-road.

15 COMMISSIONER JOHANSON: Thank you for your  
16 response.

17 On a question regarding demand, the staff  
18 report shows an increase in the production of new  
19 trucks and trailers. How has increased production  
20 affected demand for steel wheels in the aftermarket?

21 MR. BENTLEY: This is Fred Bentley, CEO of  
22 Maxion Wheels.

23 Obviously with demand going up there has  
24 been an increase of, total demand going up, there's  
25 been an increase for steel wheels in the aftermarket.

1           However what I would highlight is even  
2 though there is recovery, if you go back into the past  
3 two cycles of the commercial vehicle market and look  
4 at each of the three segments, whether it was 2000 and  
5 2001 or 2006, 2007, the peaks of both of those cycles  
6 were higher than the current demand that exists for  
7 steel wheels.

8           So the point that I'm making is that even  
9 though there's a recovery, the amount of demand that  
10 did exist historically, the amount of supply was able  
11 to support higher peaks, the previous two hither peaks  
12 relative to the industry.

13           COMMISSIONER JOHANSON: Go ahead, Mr.  
14 Byrnes.

15           MR. BYRNES: Across this period the  
16 aftermarket has been relatively flat. Very small,  
17 single digit increases over this period. The size of  
18 our fleet in North America is not increasing greatly  
19 so the number of wheels replaced each year does not  
20 increase greatly.

21           There are as many trucks obsoleted as have  
22 been built over the period as an OE.

23           MR. DAUCH: Right now our current lead times  
24 for aftermarket OE are less than two weeks, so we can  
25 service all the needs.

1 COMMISSIONER JOHANSON: Thank you.

2 I have another question regarding the  
3 aftermarket and also OEMs.

4 Are OEM and aftermarket steel wheels  
5 produced in the same manufacturing lines in your U.S.  
6 facilities? And do you know if the same is true with  
7 Chinese producers? If not, I can ask them this  
8 afternoon.

9 MR. DAUCH: I can say for Accuride that we  
10 do produce in the same facilities on the same lines.

11 MR. BENTLEY: And at Hayes I can say the  
12 same.

13 COMMISSIONER JOHANSON: Okay. And are the  
14 wheels that you sell to the aftermarket different in  
15 any way form those sold to OEMs?

16 MR. BYRNES: No. The only difference would  
17 be a Statesman wheel was offered exclusively to the  
18 aftermarket as a lower priced offering for us. But  
19 the specs and the standards are exactly the same.

20 MR. KATO: This is Matt Kato for Hayes  
21 Lemmerz. The same applies for us. The wheels that we  
22 sell into the OEM channel are the same as the wheels  
23 we sell in the aftermarket channel.

24 COMMISSIONER JOHANSON: Thank you.

25 I didn't see this addressed in the materials

1 that I have and I apologize if it is somewhere and if  
2 I just somehow missed it, but talking about, and this  
3 is a very kind of basic, background question, but I  
4 know that the cost of aluminum wheels is about three  
5 times as much as those for steel wheels.

6 I was wondering, if I was a purchaser, why  
7 would I want to buy aluminum over steel wheels? I  
8 know there are fuel savings. How much are those  
9 savings? Are they comparable in all other ways?

10 MR. DAUCH: Good question. Three or four  
11 reasons right now.

12 There's less maintenance on an aluminum  
13 wheel. You don't have to wash them off. You have to  
14 take steel wheels off about every two or three years  
15 and repaint them, polish them down.

16 Two, if you put your entire tractor and  
17 trailer onto aluminum wheels and go to a duplex or  
18 wider wheel, our fleets show they save about 5.4  
19 percent on fuel. So I can give the MPV on that.

20 A third thing I'd say, cosmetic appearance,  
21 especially on the owner/operator guys who drive their  
22 own tractors. They like to have those things painted  
23 up and have sporty wheels.

24 COMMISSIONER JOHANSON: Thank you. You  
25 answered my question.

1 Thank you, and my time is up.

2 CHAIRMAN OKUN: Thank you again for all your  
3 responses thus far.

4 With respect to the demand for, looking  
5 forward, the staff report in Chapters 2-3 and 2-4  
6 figures give improving demand and forecast for  
7 sustained growth.

8 I wanted you to comment on how you see the  
9 market going forward, and in particular if you can tie  
10 that to the comments that have been made about the OEM  
11 purchase, the contracts that are coming due, and  
12 particularly at the end of the year. I don't want to  
13 get into any business confidential information, but  
14 what I want to understand from a producer standpoint  
15 is, going into those contracts if that's the demand  
16 forecast, what does that mean in terms of how you look  
17 at the renegotiation? And since many of you have had  
18 a lot of experience, if you could give me some  
19 perspective on whether this looks the same or  
20 different than when you were renegotiating those same  
21 contracts I guess three years ago, if that's the time  
22 period.

23 Again, not touching anything confidential,  
24 but just helping me understand what it looks like for  
25 these big OEM contracts for you.

1 Mr. Bentley?

2 MR. BENTLEY: What I would say, and I'm  
3 going to take a little bit broader approach to this  
4 and take a global look at kind of the way this works.

5 We at Hayes were unfortunate enough to  
6 experience this single play play book, if you will, in  
7 several different markets which is, start with  
8 aftermarket, go to service and trailer, then work our  
9 way to the OEM truck manufacturer. It's a consistent  
10 play book. It's a consistent play. And it's not  
11 varied in approach. And it takes some time to work  
12 your way to the OEM.

13 I would say that in Europe we see the first  
14 instance where one of the OEM global customers has  
15 accepted a Chinese wheel into their offer. So to the  
16 extent that demand plays into the equation, I would  
17 tell you that regardless of whatever forecast you look  
18 at globally, the demand today is satisfied by the  
19 supply that's offered.

20 Our customers are sophisticated purchasing  
21 people and they will look to use the excess capacity  
22 that exists already, regardless of whatever growth  
23 forecast that you look to lever this Chinese capacity  
24 that's being added as an offering to their product  
25 portfolio.

1           So I would tell you that the demand is going  
2 up but again, as I mentioned in my previous answer,  
3 it's less than the last cycle and less than the cycle  
4 before that, and our buyers will look to incorporate  
5 the Chinese offering into the OEM piece. They are  
6 today. The first one in Europe.

7           CHAIRMAN OKUN: I will come back to you, but  
8 Mr. Dauch?

9           MR. DAUCH: Thanks. Mr. Dauch, Accuride.

10          A couple of things. Go back to the global  
11 look. We're only a North American player today but we  
12 have studied the global truck market. The top ten  
13 truck manufacturers in the world now, five of those  
14 are Chinese. That's a difference in the last ten  
15 years. Daimler has been number one, is now number  
16 two. I think Daimler currently is using Chinese-made  
17 wheels on their trucks in Europe. They have talked to  
18 us about becoming a global supplier.

19          Volvo, Mack and Renault are aligned  
20 together. PAKAR Group with DAF and Leyland. So  
21 you're starting to see, similar to what happened in  
22 the auto industry, you're starting to see these global  
23 companies starting to use their global leverage on the  
24 footprint here.

25          As we head forward in 2012, '13, '14, our

1 contracts expire at the end of this year with three of  
2 our truck manufacturers. We're starting to feel that  
3 pressure right now, will you be able to give us lower  
4 prices, otherwise we'll seek some of our off-shore  
5 suppliers to supply. We're starting to qualify that.

6 I was told last year, in Germany, after  
7 receiving Supplier of the Year from Daimler that they  
8 were qualifying two of my competitors to leverage our  
9 prices in 2012.

10 So we do see the recovery in the truck  
11 market. It's not as robust as it was in the past,  
12 primarily because the housing market is depressing the  
13 service market of five through seven, but we're going  
14 to be in some tough negotiations in third and fourth  
15 quarter this year to extend our contracts, hopefully.

16 CHAIRMAN OKUN: Just to be clear, and I'll  
17 come back to what you're saying about the European  
18 market.

19 With respect to the last time you were in  
20 negotiated, did you have Chinese competition for your  
21 OEMs at that point?

22 MR. DAUCH: I as not here in that role three  
23 years ago.

24 MR. BENTLEY: It existed, but not to the  
25 extent that it does today. Most of the competition

1 that existed was around the aftermarket, and then over  
2 the last three years the amount of presence in both  
3 the trailer and the truck segments have increased.

4 CHAIRMAN OKUN: There may have been  
5 something in the record about this but help me if you  
6 can. When you're renegotiating, again I'm looking at  
7 OEM truck now, are these single source or multiple  
8 source contracts?

9 MR. BENTLEY: Largely multiple source.

10 MR. KATO: This is Matt Kato. Maybe I can a  
11 little to that as well.

12 Specific to contracts and negotiations and  
13 OEMs and pressures from competitive arenas, in our  
14 submission in April Hayes Lemmerz had provided in our  
15 confidential submission an example of a negotiation  
16 that we had at the end of 2010 to retain a  
17 longstanding OEM customer. We were unsuccessful.  
18 That customer moved to what they told us was a Chinese  
19 source. It was at approximately 20 percent price  
20 reduction from where we were. That was one of our  
21 most specific impacts, and that was going into 2010 at  
22 the OEM level.

23 As I mentioned in my testimony, as we  
24 wrapped up 2011 we had what would have been our second  
25 largest truck OE customer, a multi-year contract

1 expire. And we began negotiations in July of last  
2 year. They are still open. We've been unsuccessful  
3 in finding resolution on another multi-year contract.  
4 The price pressure that is there is tremendous. We  
5 have been put on notice that other competition,  
6 Chinese competition, is in play.

7           So to a point that Mr. Bentley had made  
8 about sophisticated purchasing systems and about  
9 leveraging global buys, it's happening now. Those two  
10 specific contracts are very real for us.

11           CHAIRMAN OKUN: Mr. Kato, you may have said  
12 this. Are these truck or trailer?

13           MR. KATO: Both of those examples are truck.  
14 On the trailer side in our submission in April we  
15 also provided some trailer OEMs for you that have  
16 already moved to Chinese wheels.

17           CHAIRMAN OKUN: And then if you could,  
18 coming back to the examples you give for the global  
19 sourcing, are those price -- Is there a global  
20 strategy with respect to these contracts that are  
21 coming up? In other words are the purchasers asking  
22 for a global price for other markets as well, or is  
23 this a U.S. or a North America contract only?

24           MR. BENTLEY: I think it goes to the earlier  
25 question that you asked about single source or dual

1 source. What tends to happen is they'll look for one  
2 of each and they'll use a global source for assurance  
3 and also for maybe technology, and then they'll use a  
4 second source to manage price.

5 MR. BYRNES: This is Chuck Byrnes. You  
6 asked about other experiences, similar experiences.

7 We make a product, brake drums, for the same  
8 marketplace. There's actually a speaker here today,  
9 KIC, that entered the aftermarket for brake drums for  
10 commercial vehicles. They then moved to being  
11 qualified and have succeeded in selling very  
12 inexpensive product to trailer OE manufacturers. And  
13 just recently they've been qualified and started  
14 selling drums that are on OE truck production today.

15 Very similar marketplace, very similar  
16 drivers from our customers. I think a parallel to the  
17 exact example we'll see in the future of steel wheels.

18 CHAIRMAN OKUN: With respect to, I know Mr.  
19 Kato you had talked about the contract being open and  
20 not being able to -- Do you anticipate any other  
21 changes with respect to how contracts are done? Or  
22 have you seen anything else with respect to OEM and  
23 trailers or others? In other words, are you still  
24 anticipating that you will be signing multi-year  
25 contracts to the extent you're successful?

1           MR. KATO: The desire of the OEM that I'm  
2 referencing will provide more detail outside of this  
3 in confidential nature, but the desire of that OEM was  
4 to sign a multi-year contract. It was our desire as  
5 well when the negotiations began. At one point as  
6 part of the negotiation as a lever they pulled, they  
7 had said perhaps we only sign a one year contract.

8           At the price point they were requesting and  
9 telling us we needed to meet, we said we wouldn't be  
10 interested or wouldn't be able to from a  
11 sustainability standpoint sign into more than a one  
12 year contract.

13           So essentially we were aligned with them  
14 only because of the aggressive price point that they  
15 were asking us to sign up to which ultimately we  
16 didn't, we couldn't, it's still open. But they're  
17 back to a multi-year contract. They would like that.  
18 They would just like it at a very aggressive price.  
19 And it's one that we don't find sustainable at this  
20 juncture when it's based on unfairly traded product.

21           CHAIRMAN OKUN: Thank you for all those  
22 responses. My red light has come on.

23           I'll turn to Vice Chairman Williamson.

24           VICE CHAIRMAN WILLIAMSON: Thank you, Madame  
25 Chairman, and I do want to express my appreciation to

1 the witnesses for coming this morning.

2           To what extent do prices in ne market, one  
3 part of the market affect prices in the other? For  
4 example, are OEMs aware of prices in the aftermarket?  
5 And if so, how do these affect contract negotiations?

6           MR. BYRNES: Chuck Byrnes. The OEs are very  
7 aware because they actually have their own aftermarket  
8 distributorships at their dealers. So like our  
9 aftermarket partners are here today, they compete with  
10 OE-owned dealership service organizations. They  
11 actually have very direct information on the pricing  
12 in the aftermarket.

13           VICE CHAIRMAN WILLIAMSON: How do the  
14 changes in demand in the OEM segment affect demand in  
15 the aftermarket? When there's increasing demand in  
16 the OEM segment is there also indication that fleet  
17 buyers are buying new trucks, less need for  
18 aftermarket parts?

19           MR. BYRNES: New trucks aren't serviced as  
20 often as older trucks. Often older trucks will be  
21 obsoleted as new trucks come into the fleet. So the  
22 aftermarket does not run in parallel with the OE  
23 market. In fact an OE market increase of five or ten  
24 percent will normally not generate much of an increase  
25 at all in the aftermarket business.

1           We forecast a small single digit increase in  
2 aftermarket this year, and probably closer to seven or  
3 eight percent increase in the OE market this year.  
4 They don't necessarily run in parallel.

5           VICE CHAIRMAN WILLIAMSON: Since the idea is  
6 that the wheels are going to last as long as the truck  
7 or trailer, what are the things that cause people to  
8 have to replace them?

9           MR. BYRNES: Chuck Byrnes again.  
10           Steel wheels actually will corrode over  
11 time. Aluminum wheels don't corrode very often. But  
12 also accidents, damage during the life of the vehicle,  
13 so they'll be replaced because they're no longer fit  
14 for use.

15           MR. DAUCH: Tires fail. A tire blows on the  
16 road, you've seen those on the road before. It can  
17 damage the wheel.

18           VICE CHAIRMAN WILLIAMSON: Good.

19           MR. STEWART: Tom Stewart, North Carolina  
20 Rim and Wheel Company.

21           On the aftermarket side, a lot of our sales  
22 go to tire dealers. Tire dealers run tire banks for  
23 major fleets, so they have spare tire and wheel  
24 assemblies available for when a tire goes flat, they  
25 can just quickly change it out and move it forward.

1           So instead of just having a single spare on  
2 a truck, they have multiple spares sitting back either  
3 in the fleets or in the tire dealers that go out and  
4 make the changes. So that has increased our business  
5 over the last probably eight, nine, ten years, because  
6 that practice didn't really exist eight or nine, ten  
7 years ago. So it added some business into the  
8 aftermarket.

9           VICE CHAIRMAN WILLIAMSON: Thank you.

10           Does the state of the infrastructure on U.S.  
11 roads have any impact on demand? Some of you remarked  
12 that in developing, places like Brazil and all, it  
13 does affect you, but I was wondering about here in the  
14 U.S..

15           MR. WILLIS: This is David Willis. CRW  
16 Parts. It absolutely does. Curbs, you name it. I  
17 think we've all driven behind a tractor trailer and  
18 watched the wheels wobble back and forth, with  
19 excessive tire wear.

20           So I think the fleets are very aware of the  
21 expense with their vehicle as it relates to the tire,  
22 and the liability aspect of the wheel. So they are  
23 very cognizant of making sure that the wheels on their  
24 tractor trailers are as well kept as humanly possible.

25           VICE CHAIRMAN WILLIAMSON: Thank you.

1           Mr. Vorshak, I was wondering if you could,  
2 looking at sort of the employment data and wages, I  
3 was wondering if you could maybe address to what  
4 extent do you think that number reflects the recession  
5 and to what extent it reflects the Chinese imports?  
6 It may be a difficult thing to do, but if there's any  
7 insight you can give us on that I'd be interested in  
8 that.

9           MR. VORSHAK: In 2006 the company came to  
10 the union, asked for help. We froze wages at that  
11 point. Also that was, we froze them from that point  
12 on until 2010 and when that expired we actually  
13 negotiated another year extension of that agreement.

14           In the current agreement we have, we dropped  
15 our 90/10 insurance coverage. We only have 80/20  
16 available to us. We raised our co-pays. Yes, we did  
17 get a raise with that, but that was the first raise in  
18 six years.

19           I don't know if that helps you out any.

20           VICE CHAIRMAN WILLIAMSON: So you're saying  
21 this trend really started before the recession and  
22 it's --

23           MR. VORSHAK: Yeah.

24           VICE CHAIRMAN WILLIAMSON: -- and it's  
25 continuing.

1           MR. BENTLEY: Fred Bentley. If I may jump  
2 in. I would add a couple of things.

3           The first thing relative to what Dave  
4 references to 2006, that was the middle of a contract  
5 discussion. So the local union opened a discussion  
6 relative to wages outside of the normal discussion  
7 time relative to a contract. The reason for  
8 mentioning that is that this is not about an  
9 unwillingness to accept an economic reality. The  
10 union has been very open to adjusting wages outside  
11 the normal course of what we would do.

12           Mr. Dauch mentioned labor content relative  
13 to their wheels earlier. I'll tell you that at Hayes  
14 we have a similar number.

15           Again, the point here, I'll draw it back to  
16 what Mr. Schagrin said, this is in a product that is  
17 largely a raw material content product with low labor  
18 content. And the example that Dave mentions, with a  
19 willingness to adjust the input cost of the labor  
20 piece in an open manner over the last several years.  
21 this is really about either a creation of matter, and  
22 I would say that that's focused on steel wheels. We  
23 may want to look at a better application. Or  
24 something's weird that's going on with other input  
25 prices.

1                   VICE CHAIRMAN WILLIAMSON: I don't think I  
2 understood that last statement. I don't know if you  
3 can explain it further.

4                   MR. BENTLEY: The point is that the steel is  
5 such a large part of the content, either you're  
6 creating steel or you're getting something that's  
7 subsidized at a different price and that's the only  
8 way that you can have the price difference when you  
9 have labor content as such a small part.

10                  VICE CHAIRMAN WILLIAMSON: Okay, good.  
11                   Mr. Hampton?

12                  MR. HAZLETT: If I could add, Donald  
13 Hampton.

14                   Something that we follow is the Steel Index,  
15 the CRU. So steel is a commodity, we follow the CRU  
16 price for steel. If you take a look at it, from 2004  
17 to present, steel prices have continued to escalate.  
18 If you take a look at our prices to our customers, in  
19 particular in the aftermarket segment, which again,  
20 the aftermarket segment prices continue to go down  
21 from 2004. So steel prices are up across the board  
22 since 2004, prices to our customers are down. Again,  
23 if the prices to the aftermarket segment are down,  
24 prices to the OEs are down as well. So we've  
25 continued to see the major input costs to our product,

1 price, to us escalate but our prices to our customers  
2 go down. Again, that drove us, talk about the union  
3 negotiations with labor and such, they've been  
4 troopers in the Akron plant and they understand it and  
5 so the union's been very cooperative with us. We've  
6 done a number of things to try and keep ourselves  
7 competitive in the market.

8           Take a look at our margins, they're slim,  
9 very slim. And getting worse. And again, that's only  
10 because we've been forced to continue to lower our  
11 prices in every segment that we serve due to unfair  
12 competition. That's what's driving the prices down in  
13 times where steel prices are going up. It just  
14 doesn't make sense.

15           MR. DAUCH: Can I make a comment as well?  
16 Rick Dauch, Accuride.

17           So it's Econ 101. Steel prices are going  
18 up, aftermarket which is Typically in the industry the  
19 most profitable part of your business, the prices are  
20 going down because of the competition we see from  
21 China.

22           So if steel's going up and prices are going  
23 down we have to offset and try to make money.

24           So you're seeing zero percent wage increases  
25 for three or four years, not just because of the

1 recession. Those are Draconian cuts to survive in  
2 2008 and 2009. Frozen pensions. Take away a 401K,  
3 those are starting to come back now in terms of the  
4 match. But you're also seeing reduced monies being  
5 spent in R&D. Our company is spending less than 1.2  
6 percent I think on R&D right now. A good company  
7 should be spending 1.8 to 2.5 percent. Capex to  
8 restore your equipment, to repair your facilities, so  
9 you don't have leaky roofs and parking lots that are  
10 broken, should be at 3.5 to 4 percent a year. Over  
11 the last four or five years this company's only done 2  
12 to 2.5 percent or less.

13           So we're addressing that. If you don't have  
14 the pricing to get the profits, you can't do that.

15           VICE CHAIRMAN WILLIAMSON: Thank you.

16           My time has expired, but I guess the reason  
17 for the original question was thinking about to what  
18 extent is the injury being seen in terms of the  
19 workers, but I guess you're also saying there are a  
20 other ways, a number of additional ways to look at it.

21           Thank you.

22           CHAIRMAN OKUN: Commissioner Pearson?

23           COMMISSIONER PEARSON: Thank you, Madame  
24 Chairman.

25           Greetings to all the panelists. It's

1 frankly always a pleasure to have people with a lot of  
2 industry experience in front of us. Mr. Schagrín can  
3 tell you that I've said things like that more than  
4 once, so it's good to have you here.

5           You've made a compelling argument that the  
6 competition from the Chinese wheels is having major  
7 effects on your industry in a variety of ways. In  
8 that case why don't we see it reflected more clearly  
9 in terms of the market share achieved by Chinese  
10 wheels in the U.S. market? Much of our data are BPI  
11 and can't be discussed, but China's market share has,  
12 that's public so I can talk about it. It started at  
13 10.5 percent of the market in 2008, went down a bit  
14 in 2009, up a bit in 2010 and ended in 2011 at 10.9  
15 percent, so a 0.4 percent increase over the POI.

16           I hear what you're saying and I look at that  
17 very modest increase and the two aren't matching up.  
18 What am I missing?

19           MR. WILLIS: David Willis, CRW Parts.

20           If you don't mind, I sell 50 percent of my  
21 product is automotive and in our case we sell a lot of  
22 brakes, rotors being some of it. If you're driving a  
23 car you've got rotors on the front. We've all had to  
24 get them replaced.

25           Five years ago our rotor business was 95

1 percent American-made premium product. Today it is  
2 100 percent China. It's coming quick. I think what  
3 you're hearing now is testimony that says it's coming  
4 and when it hits it comes quick and it's too late.  
5 That's I think reflecting what they're saying. The  
6 storm is brewing, it's coming, be prepared because  
7 when it hits it's going to be too late.

8 MR. SCHAGRIN: Commissioner Pearson, Roger  
9 Schagrin, if I may.

10 The tenor of your question is what are we  
11 missing, so let me direct --

12 COMMISSIONER PEARSON: What am I missing is  
13 --

14 MR. SCHAGRIN: Well, it's what the entire  
15 Commission is missing. You're not along on this  
16 particular case in missing something that other  
17 Commissioners are not. That is you're missing  
18 imports. Your staff has done a yeoman's job in trying  
19 to get the information on imports, but what is clear  
20 in virtually every China case, and I think this record  
21 is as replete with that information as any China case  
22 I've worked on, is that as time progresses, as the  
23 number of producers in China in this product area,  
24 steel wheels from the period 2008 to now we're in  
25 2012, has probably doubled, from maybe 25 to 50. The

1 number of importers in the U.S. has certainly  
2 increased significantly. There's always, when there  
3 are more foreign producers who are sending emails out  
4 to everyone involved in an industry there's always  
5 more new importers. If you can buy a product as an  
6 importer at 30 or 40 percent less than the market,  
7 have nothing more than a cell phone and a brief case  
8 and an office and manage to make a 10 percent markup,  
9 something that producers with facilities can't manage  
10 to do but you can do it with just a cell phone and a  
11 brief case, you'll have more and more new players as  
12 importers.

13           Those are the folks, both the new Chinese  
14 wheel exporters to the United States and the new  
15 importers of wheels in the United States, are the ones  
16 who have tended not to respond to the Commission's  
17 questionnaires. You have a lot of information on  
18 people who show up in the import data in these  
19 categories, and I think Ms. McNay who's quite an  
20 expert in the auto and truck areas would tell you that  
21 one particular HTS item, the only things that should  
22 enter in that HTS are subject products. The  
23 definition is it's steel wheels for vehicles that are  
24 in other HTS area are commercial trucks, dump trucks,  
25 ambulances, garbage trucks. They all take these kinds

1 of wheels. Autos are excluded from that HTS. We have  
2 a number of importers who show up in that statistical  
3 information that you all get from the Customs Service  
4 and to whom your staff has sent importer's  
5 questionnaires who just simply don't respond.

6           As to the data you do have, it's pretty  
7 clear to me, and that's why we do emphasize and we'll  
8 rebut later Mr. Lee's assertions about 2011 import  
9 data. It's pretty clear and we have a chart in our  
10 pre-hearing brief that actually the peak based just on  
11 the importer data you do have of imports from China in  
12 terms of market share was in the fourth quarter of  
13 2010 where it actually reached over 15 percent, and  
14 that's in a chart in our public pre-hearing brief.  
15 That's on page nine of our pre-hearing brief. That  
16 was very simple math. You have full year 2010 data,  
17 you have three-quarter 2010 data. You subtract one  
18 from the other, it gives you the fourth quarter. So  
19 they got up to 15.6 percent.

20           We think they continued increasing the first  
21 quarter of '11. We filed the case at the end of March  
22 in spite of the continued increase that shows up in  
23 imports from China. The fact is with a CBD  
24 determination scheduled at the end of August,  
25 originally scheduled in June and then extended, and

1 with the possibility of critical circumstances,  
2 importer after importer who did respond to your  
3 questionnaires said that after the cases were filed,  
4 i.e. after the first quarter, they decided to stop  
5 importing from China. Because they were worried about  
6 having to pay duties.

7           So there's information that this industry  
8 did what was wise. Unfortunately Mr. Bentley didn't  
9 know me when he was closing factories because of  
10 aluminum wheel imports from China. I would have been  
11 happy to help him not for the fee revenues, but in  
12 order to keep 2500 Americans from being put out of  
13 work because of unfair trade from China.

14           But as he says, the play book is the same.  
15 They were getting larger and larger. The industry  
16 came to me at the very beginning of 2011 and said  
17 things are getting much worse. Can we win a case? I  
18 said, using my professional expertise, that I think  
19 you can. The case was filed at the end of March. Had  
20 the case not been filed, those numbers would have kept  
21 getting worse. Fourth quarter of 2010 was the worst  
22 in terms of market share. They would have been worse.  
23 If you had all the information on imports from new  
24 importers who came into the market in 2010 and 2011, I  
25 think you would see a more significant increase in the

1 Chinese market share.

2 COMMISSIONER PEARSON: On the basis of lack  
3 of strong indication of present injury in this record,  
4 are you arguing this primarily as a threat case?

5 MR. SCHAGRIN: To the contrary, this is an  
6 excellent indication right on this record of current  
7 material injury between 2008 and 2010 because we did  
8 have growing market share, you had impact.

9 I would point out what you said in the first  
10 three quarters of '11 it was only four-tenths up. It  
11 does show about a two point increase in market share.

12 But as everyone said, there's no doubt the  
13 threat case is stronger than the injury case because  
14 in the largest segment of the market the industry has  
15 been shielded, not the most profitable segment but the  
16 largest segment, the OEM truck market, industry has  
17 been shielded by the contracts.

18 As those contracts are up for renewal  
19 there's information on the record that OEM truck  
20 producers are qualifying Chinese suppliers, they are  
21 already doing contracts in Europe, the same companies  
22 that do business here are doing contracts in Europe,  
23 giving Chinese suppliers their contracts in Europe.  
24 They will do the same thing here.

25 So the threat is extremely real and

1 imminent, but there's also a strong injury case as  
2 well.

3 COMMISSIONER PEARSON: I think --

4 MR. BOHN: John Bohn here.

5 There's also a bit of a statistical anomaly  
6 at work here. If you aggregate different sets of  
7 disparate data, movements in one large set may mask  
8 movements in others and here we've got the truck OEM  
9 segment which is large relative to the others, and yet  
10 the Chinese imports have not penetrated that much. So  
11 improvements in the truck OEM segment in demand may  
12 mask very large inroads in the other segments.

13 So as far as threat goes, the truck OEM  
14 segment is imminently threatened. The other segments  
15 have already seen considerable injury which the data  
16 reflect.

17 COMMISSIONER PEARSON: Madame Chairman, I  
18 think my time has been exhausted with those answers so  
19 I will pass.

20 CHAIRMAN OKUN: Commissioner Aranoff?

21 COMMISSIONER ARANOFF: Thank you, Madame  
22 Chairman, and thank you to all the witnesses for being  
23 here this morning.

24 I want to start with some background  
25 questions, some of which my colleagues have touched on

1 but I'm not sure I've gotten quite all of them  
2 answered.

3           Barring some kind of accident, what's the  
4 expected life of a steel wheel?

5           MR. NOLL: I'm William Noll from Accuride.

6           When we design the product it's for infinite  
7 life, so basically it's a factor of how well it's  
8 maintained. If you maintain the product, keep it  
9 painted and everything else, it could be an infinite  
10 life product so there is no projected life per se.

11           COMMISSIONER ARANOFF: And that's the same,  
12 whether it's going to a truck or trailer or maybe a  
13 smaller one going on a pickup or something going on  
14 one of these potential heavy duty off-the-road  
15 applications, it would all be the same?

16           MR. BENTLEY: That's correct.

17           COMMISSIONER ARANOFF: A question about  
18 aluminum wheel demand.

19           There's been a discussion in this case about  
20 the fact that demand has shifted from some extent from  
21 steel to aluminum wheels. The data in our staff  
22 report show very little if any shift over the three  
23 year period of investigation, and I wanted to get your  
24 explanation for why that is, whether that means that  
25 what shift there was is already done, already took

1 place before our period, or whether it's something  
2 very gradual we can't see in a three year time slice.

3 MR. DAUCH: The answer is price. In the  
4 depths of the recession people were pinching every  
5 penny so they were buying steel wheels rather than  
6 aluminum wheels. As the economy continues to recover,  
7 we're starting to see the migration.

8 Two things. The economy recovering and  
9 price of fuel going up, we're seeing a migration of  
10 one or two points per year in aluminum wheels right  
11 now.

12 Does that answer the question?

13 COMMISSIONER ARANOFF: I think so.

14 So what you're telling me is there was a  
15 market shift going towards aluminum wheels. It halted  
16 during the recession and it's picking up again?

17 MR. DAUCH: But if you go back, we've gone  
18 back and looked at 2005 and so, it's around 30 to 33  
19 percent aluminum wheels. We're seeing that now  
20 approach 34, 35 percent right now. So steel wheels  
21 are still two-thirds of our business or more.

22 COMMISSIONER ARANOFF: Okay.

23 MR. WEISEND: This is Denny Weisend from  
24 Hayes Lemmerz.

25 One of the other things that you see in this

1 is with other components in the truck such as engines  
2 with other changes that they're having to make with  
3 emissions to be compliant engines, the vehicle is  
4 getting heavier, and so in order for the fleet guys to  
5 maintain a comparable weight they're using aluminum to  
6 offset some of those other component weight penalties.

7           COMMISSIONER ARANOFF: Okay. Do you see an  
8 upper limit on the trend towards shifting away from  
9 steel and toward aluminum? Are there some parts of  
10 the market that are just never going to shift over to  
11 aluminum wheels?

12           MR. DAUCH: We don't know. We don't think  
13 it's going to go 100 percent aluminum for sure. It  
14 depends on the applications, especially as Dennis  
15 said, on the freight. You're seeing the dry van, the  
16 guys who carry the dry goods, those are almost 90-95  
17 percent steel wheels today.

18           The ones that are carrying liquid bulk,  
19 chemicals, reefer vans that carry the milk and ice  
20 cream, we're seeing more of those aluminum so they can  
21 get more weight because as he said, the emission  
22 systems are heavier, the engines are heavier, they've  
23 got to take out weight somewhere else. They're  
24 willing to pay the extra \$1200 to \$1800 per truck to  
25 get aluminum wheels to save that weight.

1           MR. BENTLEY: This is Fred Bentley. What I  
2 would add is that we do continue, both companies  
3 continue to invest in improving the technology of  
4 steel wheels, and that is to allow part of our  
5 customer base that is price sensitive relative to the  
6 product they buy to be able to get the benefits, some  
7 of the benefits that are offered by aluminum, by  
8 improving the quality of our steel.

9           So I would say there is some threshold. I  
10 would think it would be hard to estimate what that is,  
11 but there's a reason that it's only going up a little  
12 bit versus significant changes for the reasons that  
13 Mr. Dauch mentioned.

14           What I would just give you a global  
15 comparison. The penetration rate in the U.S. of  
16 aluminum of 30-35 percent is the highest that's in the  
17 world. Most penetration rates are somewhere around 10  
18 percent or less.

19           So it's a unique environment and there is a  
20 limit and we do continue to invest in steel so that we  
21 can give some of the benefits that are demonstrated by  
22 aluminum as well.

23           COMMISSIONER ARANOFF: Is one of the ways  
24 that you do that involving the use of high strength  
25 low alloy steel?

1 MR. HAMPTON: Yes, that's correct.

2 COMMISSIONER ARANOFF: How much of your  
3 production now involves the use of high strength low  
4 alloy steel? Of steel wheels?

5 MR. HAMPTON: On the commercial side, 90  
6 percent of it or so.

7 COMMISSIONER ARANOFF: By commercial side  
8 you mean --

9 MR. HAMPTON: Trucks.

10 COMMISSIONER ARANOFF: And for the  
11 aftermarket?

12 MR. HAMPTON: For the aftermarket, that  
13 includes truck.

14 COMMISSIONER ARANOFF: So what does it not  
15 include?

16 MR. HAMPTON: Heavy duty. Heavy duty wheels  
17 we still use low carbon steel.

18 MR. BENTLEY: And what he means by heavy  
19 duty is just some of the off-road applications or  
20 ideas that were mentioned in earlier testimony.

21 COMMISSIONER ARANOFF: Is that the same for  
22 both producers?

23 MR. DAUCH: Yes.

24 COMMISSIONER ARANOFF: So 90 percent is  
25 about right?

1           MR. DAUCH: That's correct.

2           MR. HAMPTON: If I could add, that steel,  
3 number one, it allows us to reduce the weight of the  
4 product. But it's also more costly.

5           COMMISSIONER ARANOFF: Aside from reducing  
6 the weight, does that kind of more expensive steel  
7 have any other performance advantages that a customer  
8 might want? Or is it entirely about cost versus  
9 weight?

10           MR. NOLL: This is William Noll from  
11 Accuride.

12           Can I step back just a second? When you  
13 talk about HS/LA steel, we at Accuride do not use what  
14 is in the industry called HS/LA. What we do is use a  
15 refined grain steel that gives us the higher strength  
16 capability.

17           So officially we can't call it an HS/LA  
18 steel but it has the same effect. And based on that,  
19 we have almost no HS/LA steel in our product. There  
20 is no differentiation between using that steel for the  
21 OEM or the aftermarket applications. I just wanted to  
22 clarify that.

23           COMMISSIONER ARANOFF: I appreciate that  
24 clarification.

25           MR. SCHAGRIN: Just one other point of

1 clarification. Respondents have argued in their  
2 briefs that one of the things that differentiates  
3 allegedly Chinese wheels from domestic wheels, and we  
4 talked about weight earlier, was that we use HS/LA  
5 steels here and the Chinese are not using them. I  
6 would just have two comments.

7           I think the definition is a little bit  
8 murky, as Mr. Noll who's an expert, I'm certainly not,  
9 where people are using higher strength steel. Some of  
10 that just comes from better refining on the carbon  
11 side, not necessarily the use of expensive alloys.

12           But the other thing is, as I think this  
13 Commission knows well from a lot of China steel cases,  
14 just as the Chinese steel wheel producers can make  
15 wheels just as good and meeting the DOT  
16 specifications, the massive Chinese steel industry can  
17 make every kind of steel that the American steel  
18 industry can make.

19           So they can use specialized, better refined  
20 carbon or HS/LA, whichever it might be, and those tend  
21 to be technical the same way that U.S. producers can.  
22 All the same steels that are available in the U.S.  
23 are available in China.

24           COMMISSIONER ARANOFF: Let me turn before my  
25 time is up to a couple of clarifications.

1           Mr. Kato, in responding to one of my  
2 colleagues you were mentioning specific customers,  
3 specific truck accounts where you had competed against  
4 Chinese product and we've pulled up the exhibit that I  
5 think you had from the preliminary phase, but I just  
6 wanted to make sure because I think you referred to  
7 some other ones as well.

8           For the post-hearing since it's  
9 confidential, if you could just make sure that you're  
10 identifying the specific customers, when the  
11 conversations take place, who to the best of your  
12 knowledge you were competing against, and what the  
13 volume involved was so that we'll have that all in  
14 once place.

15           MR. KATO: Surely.

16           MR. SCHAGRIN: And we'll do that in the  
17 post-conference confidentially.

18           COMMISSIONER ARANOFF: Okay.

19           Also for the post-hearing ,since there's  
20 been a lot of discussion both at the preliminary phase  
21 and now about these OEM contracts that are coming up  
22 for renegotiation at the end of this year, to the  
23 extent that we don't have it on the record, I'd like  
24 to have all in one place if we could the terms of  
25 those existing contracts in terms of duration, price

1 terms including any cost pass-through type provisions,  
2 whether they were exclusive or not, what the volumes  
3 actually sold under them were. Any other details you  
4 can provide just so we have an understanding of what  
5 the state of play is right now. And obviously  
6 specifically for the contracts coming up this year,  
7 but if there are others that you want to provide, that  
8 would help us.

9 MR. SCHAGRIN: We'll do that confidentially  
10 in the post-hearing brief.

11 COMMISSIONER ARANOFF: Thank you very much.  
12 Thank you, Madame Chairman.

13 CHAIRMAN OKUN: Commissioner Pinkert?

14 COMMISSIONER PINKERT: Thank you, Madame  
15 Chairman.

16 I want to go back to something that you just  
17 talked about, Mr. Schagrin, and then also some earlier  
18 testimony that you gave in regard to that weight  
19 difference that we were talking about in the last  
20 round.

21 You said just in response to Commissioner  
22 Aranoff that the Chinese can make any kind of steel.  
23 And presumably they can make it in any weight range as  
24 well, or correct me if I'm wrong. So my question is  
25 why would that additional weight that you talked about

1 in the earlier round of testimony be there for the  
2 Chinese if it's true that, as you say, there might be  
3 a cost advantage at the larger weight but there would  
4 be an even greater cost advantage if they sold it at  
5 the lower weight.

6 MR. SCHAGRIN: I'll let others on the panel  
7 join in, but my understanding in talking to them about  
8 the Chinese industry is at its inception, like most  
9 Chinese industries, they started out to furnish their  
10 own market. Their own market which doesn't have any  
11 competition between steel and aluminum. Evidently  
12 aluminum wheels are not used on commercial trucks in  
13 China. Wanted a heavier weight wheel. So that's what  
14 the Chinese producers began making and what they  
15 focused on.

16 When they came to the U.S. market they  
17 focused on lower prices and customers and I think the  
18 two distributors can comment on this, customers don't  
19 care in the aftermarket whether they're getting an 85  
20 pound or a 75 pound wheel. They just want the  
21 cheapest wheel. So there was no need for the Chinese  
22 as they were penetrating the aftermarket to focus on  
23 making lighter weight wheels.

24 As their industry has become larger, more  
25 complex, massive over-capacity to furnish their own

1 market, the most export-oriented of the Chinese have  
2 begun in the last couple of years developing lighter  
3 weight wheels in order to penetrate the OEM market  
4 which does want on a whole fleet of trucks, or all the  
5 trucks manufactured, wants the light weight wheel. So  
6 therefore companies like Centurion which is not here  
7 today but I believe we gave you these advertisements  
8 in our post-conference brief, began saying that we're  
9 making a Gladiator wheel that's going to be lighter  
10 than the wheels we've been offering. And the same is  
11 true of other Chinese producers.

12           So it's just a question of migration of the  
13 Chinese industry up the quality and the value chain.  
14 They started out focusing on heavy wheels, we'll just  
15 sell them at the cheapest price. Now they're thinking  
16 about let's also migrate into lighter wheels, also  
17 sell them at the cheapest price.

18           So I think that's what's going on here. I'd  
19 invite anybody with knowledge on the Chinese industry  
20 to comment as well.

21           MR. DAUCH: This is Rick Dauch and I'll let  
22 Fred come in too.

23           If you go to China, you go to Brazil, you go  
24 to India, and you get out of the Eastern Seaboard of  
25 China you've got tough roads. So the wheels

1 traditionally in those countries have been heavier  
2 wheels to withstand the tough road conditions.

3           And two, also you have overloaded conditions  
4 on trucks. Quite prevalent in some of these  
5 countries. So in the last ten years China has made a  
6 significant massive investment in infrastructure, so  
7 you're starting to see better quality highways along  
8 the Eastern Seaboard. We were in Mongolia recently,  
9 brand new highway.

10           They've also changed the laws. You can get  
11 fined or imprisoned if you overload your truck. And  
12 they mandated a move from a tube type tire to a  
13 tubeless type tire and that conversion is underway in  
14 China right now.

15           There's been over 100 to 150 million of  
16 capital expenditures made by the Chinese companies to  
17 buy brand new German or U.S. made technology to make  
18 tubeless wheels in the last five or six years. We're  
19 starting to see that over there as well. That's why  
20 you're starting to see the migration from a heavier  
21 wheel to a lighter wheel coming here.

22           MR. NOLL: This is William Noll.

23           Just to add to what Rick said, there's also  
24 a learning curve involved. It's easier to weld  
25 standard steel. When you start going into these

1 higher strength steels it becomes a matter of a  
2 learning curve. We had to go through a learning curve  
3 before we could weld these things properly.

4           Also when you go to the higher strength  
5 steel it's also more susceptible if you have an impact  
6 or a mix or whatever. It's more susceptible for that.

7           So one of the things is there's just a  
8 learning curve. It just takes a matter of time until  
9 they'll be able to work through that as we did.

10           MR. HAMPTON: Just to elaborate a bit. I  
11 was the plant manager of our Akron facility from 2004  
12 to 2006. And during that time we were in the  
13 development phase of a lightweight wheel utilizing  
14 HS/LA material.  
15 So it's not as simple as just changing the material  
16 out and running the wheel. There's qualification that  
17 takes place. And as was noted, there's a learning  
18 curve from a process standpoint as well. To actually  
19 run that particular steel and the equipment, weld it  
20 and to manufacture a wheel that actually functions  
21 properly.

22           So it's not a matter of why don't they.  
23 It's a matter of when will they. They will.

24           COMMISSIONER PINKERT: Thank you.

25           This next question may again be one of those

1 questions that is better for the post-hearing. But  
2 what distinguishes Accuride and Hayes in terms of  
3 their manufacturing and marketing of steel wheels?

4 MR. DAUCH: Between the two of us?

5 MR. BENTLEY: I think we'll wait until the  
6 post.

7 COMMISSIONER PINKERT: Thank you.

8 MR. SCHAGRIN: We'll address it in the post-  
9 hearing brief, Commissioner Pinkert.

10 COMMISSIONER PINKERT: Thank you.

11 I want to turn to a slightly technical  
12 issue, but again, anybody that has an opinion about  
13 this or has some information about it I welcome your  
14 testimony.

15 Is the price depression argument that you're  
16 making in your brief centered on average unit values  
17 or is it based on the price to price comparison data?

18 MR. SCHAGRIN: It's a combination of both.  
19 Certainly the price to price data between the Chinese  
20 products and the U.S. products show consistent  
21 underselling.

22 The information, particularly yin the  
23 aftermarket, shows some declines in domestic pricing  
24 prior to mid 2011 price increases, and we have made  
25 the price suppression argument that on average over

1 the POI that costs have been increasing somewhat and  
2 the ability of the industry to pass along those cost  
3 increases has been suppressed.

4           COMMISSIONER PINKERT: Thank you.

5           In your opening statement, Mr. Schagrín, and  
6 then subsequently you emphasized the level of  
7 reporting or non-reporting by the Chinese producers.  
8           How should we determine the proportion of  
9 non-reporting by the Chinese producers given what  
10 you've seen already in the staff report?

11           MR. SCHAGRIN: I would make two comments.

12           First, we attempted just on the basis of  
13 information submitted publicly by Chinese steel wheel  
14 producers to the Department of Commerce where in their  
15 quantity and value questionnaire responses in order to  
16 obtain either a separate rate or to be chose as  
17 mandatory respondents, they have to give information  
18 for just the department's POI which in this case was  
19 July 1, 2010 through December 31, 2010, as to what  
20 their exports were to the United States.

21           So we gave those to the Commission in our  
22 brief, including each of the Chinese responses to the  
23 Department of Commerce. Just that information alone  
24 showed approximately, and the charts are in here,  
25 approximately 200,000 wheels exported by Chinese

1 producers in just the second half of 2010 which is not  
2 accounted for in foreign producer responses.

3           The second thing is, because you do make  
4 public who has responded to your questionnaires, we're  
5 endeavoring to do the same thing in the wheels case,  
6 and I apologize in advance to the Commission for not  
7 having had it finished in time to present it at this  
8 hearing. That we did in the drill pipe case. We're a  
9 little more handicapped because in that case where one  
10 of the VAM Executives had lived in China for six years  
11 and they had extensive offices in China in which to  
12 conduct research we're working with Accuride and with  
13 consultants to do as much research as possible. We'll  
14 present it in our post-hearing brief so that  
15 respondents have an opportunity to comment on this new  
16 factual information in their final comments.

17           To go through all the Chinese producers and  
18 what public information there is on their capacity.  
19 Just in about the 15 to 20 we've gathered information  
20 on thus far, we have information on over 50 million  
21 wheels, steel wheel capacity, in China. The  
22 information you have from now about six or seven  
23 responses to the Commission is less than 10 million.

24           So there literally is about five times as  
25 much capacity in Chin that we already know about as

1 you have responses for. I think this Commission,  
2 using the statute and the SAA can draw appropriate  
3 adverse inferences for the failure to cooperate.

4           You'll be able to ask Mr. Lowe later. He  
5 told you at the preliminary conference that his firm  
6 had a meeting in Beijing with 16 wheel producers.  
7 That was almost a year ago. I know the way the  
8 communist government works in China. If a trade  
9 association run by party members tells their members  
10 to cooperate with the U.S. government, they will  
11 cooperate. They're clearly not being instructed to  
12 cooperate and I think that's harming your  
13 investigative process here.

14           I see the red light's up, but I'd be happy  
15 to carry on in further opportunities.

16           COMMISSIONER PINKERT: Thank you.

17           CHAIRMAN OKUN: Commissioner Johanson.

18           COMMISSIONER JOHANSON: I have just a  
19 follow-up question, one or two of them.

20           Getting back to the aluminum wheels, I was  
21 thinking about it after you gave me my answer as to  
22 how they differ from steel wheels. I think you stated  
23 that they provide about a five percent savings in fuel  
24 consumption? Is that correct?

25           MR. DAUCH: For the entire tractor, the

1 truck and the trailer outfitted with aluminum wheels.  
2 Over a six month study our studies show they save  
3 about 5.4 percent fuel.

4 COMMISSIONER JOHANSON: That's a lot of  
5 savings I would think. I'm kind of surprised that  
6 more truck owners aren't going to aluminum wheels,  
7 just thinking, I assume, that a truck uses several  
8 thousand dollars worth of fuel a year, you'd think  
9 you'd see more movement in that direction.

10 MR. DAUCH: We're seeing that in larger  
11 fleets. Kroger. Some of the larger large fleets who  
12 have the capital resources to do it are doing that  
13 kind of stuff.

14 COMMISSIONER JOHANSON: Thanks.

15 MR. BENTLEY: If I can add, most trucks fill  
16 up their trailers before they weigh out, so if they're  
17 hauling around tissue paper they don't really get the  
18 advantage of any fuel savings, whereas a tanker truck  
19 that for every pound you take out of fuel, or milk,  
20 you can put in more as you take it out of the wheels  
21 you can put it into the vehicle. There's where they  
22 get the real cost benefit. So to many, they don't see  
23 that five percent. It can be up to if you have a  
24 specific applications where you're weighing out before  
25 you cube out.

1           COMMISSIONER JOHANSON: So in fact the  
2 heavier the truck the more use you get out of, or the  
3 more benefit you get from an aluminum wheel.

4           MR. BENTLEY: Exactly.

5           COMMISSIONER JOHANSON: Thanks. That's very  
6 interesting.

7           This is a question for any of you. That is,  
8 in which market segments do you expect to see the most  
9 growth in wheel sales? Heavy trucks, trailers, or  
10 passenger trucks?

11          MR. KATO: This is Matt Kato with Hayes  
12 Lemmerz. Just a quick clarification to your question.  
13 Passenger trucks, you're referring to trucks that  
14 would take wheels not within the scope of this --  
15 pickup trucks. Okay.

16          I think that what drives the segment growth,  
17 and the cycles are a bit different, and I would  
18 encourage certainly Chuck to comment as well, but you  
19 see the cycle on the commercial vehicle side, the  
20 truck, that tends to lead the passenger car side, the  
21 light vehicle side, which would include pickup trucks,  
22 things of that nature.

23          So I think that we would expect near term  
24 growth to be greater on the commercial vehicle side  
25 than on the light vehicle side, only because of the

1 nature of how those two relate. You tend to see it  
2 lead the passenger car side.

3 Did I answer your question?

4 COMMISSIONER JOHANSON: Yes, thank you.

5 MR. KATO: Chuck Byrnes. Our three main  
6 segments -- Class 8, we'll see a 7 to 8 percent  
7 increase this year in usage. Class 5 to 7 is a flat  
8 market year over year tied to the housing industry.  
9 Then in trailers we see a little higher, probably 9 or  
10 10 percent increase in our trailer market OE this  
11 year.

12 COMMISSIONER JOHANSON: Thank you.

13 This will be my last question, and it's  
14 probably best addressed by either Mr. Willis or Mr.  
15 Stewart.

16 In your experience have domestic producers  
17 ever been unable to supply your firms with steel  
18 wheels?

19 MR. STEWART: Not any significant inability  
20 to supply. There could be a time where lead times  
21 switched out from 7 to 10 days to maybe 14 to 20 days,  
22 but no, overall they've always been able to supply  
23 steel wheels to us. They've had more issues with  
24 aluminum wheels in the past.

25 COMMISSIONER JOHANSON: Why have there been

1 more problems with aluminum wheels? Do you know?

2 MR. STEWART: It was just capacity. As some  
3 of the market shifted to aluminum wheels it was a  
4 capacity issue. going to the fact that Accuride had  
5 just purchased the new aluminum wheel plant because  
6 they recognized that there is a shortage, not so much  
7 a shortage right now, but there possibly will be  
8 shortages going forward.

9 COMMISSIONER JOHANSON: Thanks.

10 MR. WILLIS: I would concur with Tom on  
11 that.

12 COMMISSIONER JOHANSON: Thank you. That  
13 concludes my questions for this morning.

14 CHAIRMAN OKUN: Just a follow-up question  
15 with respect to aluminum. For the contracts with  
16 OEMs, would you quote for both aluminum and steel on  
17 the same contract? Again, if something's confidential  
18 you can provide it post-hearing.

19 MR. BYRNES: Class 8 they aren't necessarily  
20 in alignment for end date of contract. We have three  
21 steel wheel contracts up in 2012. We have two  
22 aluminum wheel contracts up in 2012 on the big four  
23 truck people. All of our trailer contracts are year  
24 to year so you would see aluminum and steel both  
25 available on the trailer side.

1                   CHAIRMAN OKUN: Again, this might be in the  
2 record, but if it's not, are those contracts the ones  
3 you referenced, the trailer contracts, they would be a  
4 mix of aluminum and steel?

5                   MR. BYRNES: Yes. Trailers use both  
6 aluminum or steel like the tractors do also.

7                   CHAIRMAN OKUN: So you'd be giving different  
8 prices for the two, obviously, but you'd be, the same  
9 contracts, asking you to supply X number of aluminum,  
10 X number of steel, different prices.

11                  MR. BYRNES: On trailer.

12                  CHAIRMAN OKUN: Okay.

13                  If it's not reelected in the record, Mr.  
14 Schagrin, make sure I understand where that is and as  
15 Commissioner Aranoff requested, just having all that  
16 in one place with respect to the contracts that are  
17 expiring would be very helpful.

18                  I wanted to ask with respect to technical  
19 support clauses. Are those only with respect to OEMs  
20 or OEE -- Talk about technical support clauses and  
21 what that means for a customer. For a purchaser, I  
22 should say.

23                  MR. BYRNES: At Accuride we have fleet and  
24 aftermarket and OE service people that will help to  
25 use our product correctly and optimize the durability

1 of our product.

2 I don't know about a clause. I'm not sure  
3 we guaranteed it to nay particular customer. We  
4 offered as part of our standard service package, we  
5 feel it's value we add for our customers.

6 MR. WEISEND: This is Denny Weisend from  
7 Hayes.

8 In terms of servicing our products, we  
9 service our products to all segments of the market  
10 whether it's in the form of something as simple as a  
11 product trifold that gives you the dimensions, low  
12 carrying capacity, that type of thing, to hands-on  
13 maintenance seminars for fleets or distributors who  
14 request the training specifically.

15 CHAIRMAN OKUN: Okay.

16 MR. STEWART: We receive a lot of help from  
17 Accuride representatives in the field. We take them  
18 into fleets that have problems or specification  
19 issues. They have a lot of cataloging on their web  
20 site and in hard cover. So we use that all the time.  
21 They've been very helpful to us.

22 CHAIRMAN OKUN: That's Mr. Stewart from  
23 Carolina?

24 MR. STEWART: Yes.

25 CHAIRMAN OKUN: With respect to imported

1 products, do you have -- You don't import, so that's  
2 not an issue. Is that something that you could talk  
3 to Mr. Willis?

4 MR. WILLIS: There really isn't any. What  
5 they offer is price. Price, price, price, and the  
6 rest is very little.

7 CHAIRMAN OKUN: I appreciate those comments.  
8 Let me turn, Mr. Schagrín, maybe I need to  
9 start with you, but producers might have something to  
10 add.

11 Respondents have argued, and Mr. Lee in his  
12 opening, referenced whether the pendency of the  
13 investigation impacted what we see in 2011. I wanted  
14 to give you a chance to respond to that with some more  
15 specificity. A number of producers had referenced  
16 what had happened, but the timing is before. So some  
17 had said we did it in anticipation. We think it's  
18 anticipation. So I'd like to have some more  
19 clarification of what was happening in the market  
20 versus the timing of what we would normally look at in  
21 terms of pendency of the investigation.

22 MR. SCHAGRIN: I'm happy to, Chairman Okun.  
23 First let's start with the dates. This case  
24 was filed on March 30, 2011. At that time everyone  
25 who imported Chinese wheels was aware of the fact that

1 there were CBD and AD investigations pending.

2           At that time the Department of Commerce  
3 would have had their CBD determination scheduled for  
4 late June of 2011, and their AD for early, I think it  
5 would be late August of 2011.

6           Both of those preliminaries were extended.  
7 In fact while Mr. Lee wants to take the publication  
8 date in the Federal Registers as the CBD preliminary,  
9 which I think fell on September 2nd, in fact as I  
10 remember it the department's preliminary CBD  
11 determination was signed on about August 27th which  
12 meant that with the critical circumstances findings  
13 that were made against all Chinese wheels, but not as  
14 the three particular producers, that duties could have  
15 been collected by the Customs Service as early as 90  
16 days prior to August 27th or by the end of May of  
17 2011.

18           There's no doubt imports were up because  
19 they were surging in the first quarter. however, and  
20 here I think the best information is what's on the  
21 record and I think it's just undeniable. Importer  
22 after importer, because you do have a question in your  
23 questionnaire that says did the filing of these cases  
24 affect your imports? And importer after importer said  
25 yes, we stopped importing sometime after these cases

1 were filed. Some gave specific dates, others didn't  
2 and just said we stopped it after.

3           Mr. Byrnes testified that it was Accuride's  
4 faith in me after I described them the process of the  
5 Department of Commerce, that allowed them to announce  
6 a price increase to be effective July 1st. About the  
7 time that we thought that duties would have a  
8 significant impact. Nobody could order a Chinese  
9 wheel after July 1st and get it imported into the  
10 United States before Congress' preliminary  
11 determinations.

12           So we're a little bit hampered. We will  
13 give you the information on the import statistics on a  
14 monthly basis. We realize you have to use importer  
15 questionnaires. Unfortunately, even though we think  
16 we have one HTS that should account for like 80 to 90  
17 percent of the subject or non-subject wheels the data,  
18 like a lot of data issues today with the Customs  
19 Service which unfortunately has been hollowed out  
20 after 9/11, isn't always very good data. But we'll  
21 still give it to you as a monthly analysis.

22           I think you'll see just on that basis, and I  
23 know the staff did not gather information from  
24 importers as to imports every month for the six months  
25 prior to the filing and the six months after. But

1 we'll give that to you and I think it's going to show  
2 that imports were very heavy in the fourth quarter of  
3 '10, very heavy in the first quarter of '11, very  
4 heavy in April, May '11. And by about June or July  
5 they just fell right off a cliff. We think there  
6 were very very few imports of Chinese steel wheels  
7 after June or July of 2011.

8 I hope I've answered your question.

9 CHAIRMAN OKUN: I appreciate those comments.

10 I wanted a chance to talk a little bit about  
11 the pricing data that's on the record and what it  
12 indicates with competition. And in particular, if you  
13 could just respond, again, product one, big volume  
14 product. I think maybe one of the Commissioners  
15 touched on this. Not much change in terms of pricing  
16 over this period. And I wanted to explore that a bit  
17 more.

18 MR. SCHAGRIN: I think, and obviously the  
19 domestic industry's pricing information is  
20 confidential but I'll just characterize it. Product  
21 one is the very popular size, and product one was for  
22 sales to the OEM market. I think your consistency in  
23 pricing there is evidence of the fact that that  
24 product during the time period was subject to  
25 contracts. And as I think was mentioned earlier by

1 industry witnesses, those contracts do fix price.  
2 They don't fix quantity but they fix price. So I  
3 don't think it's surprising that for the sales where  
4 there's very large volumes but the sales that are made  
5 under contracts that fix prices that you see very very  
6 little changes in pricing.

7           Unlike products 3 and 6 which would be  
8 products for the aftermarket.

9           CHAIRMAN OKUN: My time is about to run out.  
10 I think you've said you're hampered on, you've bene  
11 hampered a little bit. But to the extent, we've  
12 collected a lot of data about demand forecasts in  
13 China which look robust. If you can comment on that  
14 or be sure that anything you collect would be in your  
15 post-hearing so that we can see your view of that.  
16 Again, I think it goes both to the tire weight issue  
17 and also just where -- I know what you're saying about  
18 the number of tires being produced in china, but at  
19 least the forecasts I've seen also show big demand.  
20 Tires. Wheels, I'm sorry.

21           MR. SCHAGRIN: Just before the light turns  
22 read I would say we do not believe that wheel demand  
23 in China in 2012 or 2013 will be robust. Not only is  
24 the Chinese economy slowing considerably, but in  
25 particular their demand for new commercial trucks is

1 really either flattening or even declining somewhat.

2           So while there's no doubt that over the last  
3 I've years there has been robust increase in the  
4 demand in China, we believe that in the next two years  
5 there will be just the opposite -- very very flat to  
6 even weakening demand in China. I think we've  
7 provided some information in our pre-hearing brief.  
8 We'll try to give you even more in the post-hearing  
9 brief.

10           CHAIRMAN OKUN: Thank you for all those  
11 responses.

12           Vice Chairman Williamson?

13           VICE CHAIRMAN WILLIAMSON: Thank you, Madame  
14 Chairman.

15           Just to follow up on that point, are you  
16 saying that the demand for wheels in China is probably  
17 going to grow less than the Chinese economy is  
18 growing? Why do you say that?

19           MR. SCHAGRIN: Yes, and I would invite Mr.  
20 Bentley or Dauch who know more about it as to why that  
21 is, but there's no doubt based on forecast that that  
22 is what is forecast, is that demand for wheels in  
23 China will now grow more slowly than the Chinese  
24 economy.

25           MR. BENTLEY: There are industry experts who

1 give demand by region and the forecast is down for  
2 2012 and flat for 2013.

3           Now to your specific question as to why,  
4 it's not necessarily specific science when you buy, so  
5 some of that could be driven by the buy over the last  
6 year or two was higher than what the demand was. And  
7 if you look at the growth rate the last five years  
8 it's significantly higher than the economic growth.  
9 So there's some logic to that.

10           The second thing that was mentioned in an  
11 earlier point was just with a newer fleet there's no  
12 need to do the replacement at the same rate as your  
13 fleet would age. So that could also be influencing it  
14 as well.

15           VICE CHAIRMAN WILLIAMSON: Thank you for  
16 that.

17           MR. DAUCH: They had a big construction boom  
18 when they had the Olympics a few years ago.

19           We went and visited four or five of the  
20 Chinese competitors in China in the last six months.  
21 One of those Chinese competitors has installed bays of  
22 over 14 million steel wheels per year. He's running  
23 today around 70 percent capacity utilization. So 30  
24 percent, that tells you he's got about almost three or  
25 four million wheel capacity available.

1           We went to another steel wheel manufacturer,  
2 we bought a brand new line for \$1.1 million for  
3 tubeless type wheels. Right now he's just qualifying  
4 that right now. To go back to Don's point about he's  
5 qualifying, learning how to make that tighter  
6 tolerance type steel. So there's excess capacity  
7 sitting in China today with equipment they've  
8 purchased in the last two or three years.

9           Fred and I talked yesterday, the last time  
10 either one of us made a large capital investment for a  
11 new tubeless wheel machine line has probably been over  
12 15 or 20 years. Our competitors have bought 150  
13 million dollars of new equipment just in the last five  
14 years.

15           VICE CHAIRMAN WILLIAMSON: Thank you.

16           In that same area, Mr. Schagrín talked about  
17 the huge capacity, production in China that we may not  
18 know anything about. So what indications do you have  
19 that a good part of this will be -- Exports to the  
20 U.S. Is there a difference between product made for  
21 the domestic market and for the export market?

22           MR. SCHAGRIN: We don't think there's a  
23 significant difference, as I think Mr. Dauch said.  
24 Almost all their new capacity added over the last  
25 several year is for the same tubeless wheels that are

1 used in the United States and are now I believe  
2 mandated for the last two or three years in China.  
3 That they use that type of wheel because it's safer.

4           So as to why they would target the U.S., we  
5 are probably the second or third largest market in the  
6 world. China is probably the largest. They have all  
7 of this excess capacity. They would like to utilize  
8 it, provide more employment, employ people, are less  
9 likely to be marching in the streets for political  
10 change. So there's a lot of subsidies in order to  
11 export products.

12           And finally, they are being shut down in  
13 other markets. One thing I can comment on now is that  
14 respondents as to the impact of dumping duties imposed  
15 in India and Argentina have surprisingly, even though  
16 they are in control of information on total Chinese  
17 exports, instead they've given you information on a  
18 single Chinese producer, the one that got the lowest  
19 margin, and said look, this hasn't impacted them.  
20 Well, it's impacted their total exports to those  
21 countries because all the other producers in China got  
22 higher margins, and certainly that one producer didn't  
23 account for all of the exports to India and Argentina.

24           So I think --

25           VICE CHAIRMAN WILLIAMSON: Is that

1 information on the record?

2 MR. SCHAGRIN: It's already in the record,  
3 but we will amplify on that in our post-hearing brief.

4 We also know, as was stated, that Chinese  
5 wheel producers are trying to get qualified both in  
6 the U.S. and in Europe with the major truck producers,  
7 and that's because they have the capacity.

8 I don't think someone would walk into a  
9 truck producer and say please qualify us. you have  
10 contract needs of 300,000, 400,000, 500,000 wheels per  
11 years. We want to be qualified but we can only supply  
12 you 20,000.

13 The fact that they're trying to get  
14 qualified, and there's information in the record on  
15 them trying to get qualified indicates they have the  
16 capacity to supply those contracts needs.

17 VICE CHAIRMAN WILLIAMSON: Thank you.

18 Do the domestic producers ever hold back  
19 capacity to try keep available some capacity for large  
20 orders from truck and trailer OEMs?

21 MR. BYRNES: We have plenty of capacity for  
22 all customers. We don't hold back any capacity.

23 VICE CHAIRMAN WILLIAMSON: The question was  
24 earlier asked, have you turned away potential  
25 customers? I know the distributors answered that. It

1 assume it's the same answer from domestic producers,  
2 too?

3 MR. BYRNES: We have 1,000 active customers.  
4 We have big customers that are OE, small customers  
5 that are OE, large distributors and small  
6 distributors. We don't refuse to service any of our  
7 market.

8 MR. BENTLEY: This is Fred Bentley for  
9 Hayes. Same answer.

10 VICE CHAIRMAN WILLIAMSON: Thank you.

11 Can less established Chinese producers  
12 compete effectively for long term, high volume  
13 contracts in the U.S. with the larger OEMs? What  
14 would be the evidence for that?

15 And can they provide the support and  
16 reliability that the large OEMs require?

17 MR. BENTLEY: Would you mind repeating the  
18 first part of the question?

19 VICE CHAIRMAN WILLIAMSON: What is the  
20 ability of say, do the Chinese producers to compete  
21 effectively for the long term high volume contracts  
22 that the large OEMs require, and can they provide the  
23 support and reliability that the OEMs usually demand?

24 MR. BENTLEY: I would say yes, they are  
25 capable, as demonstrated by one of the large global

1 OEs actually accepting a Chinese producer for wheels  
2 in Europe. so yes.

3           And there's no reason for me to believe that  
4 that won't be the same, that that will be the same in  
5 the other markets as well.

6           I'm quite confident that they will be  
7 qualified, and then as we mentioned before, as they  
8 kind of use this start with aftermarket and work their  
9 way up the value chain to improve capability, that  
10 they're going to be capable, if not already, to supply  
11 the OEMs. Again, it's being demonstrated by our  
12 customers' behavior of accepting it.

13           MR. HAMPTON: If I could add to that, Mr.  
14 Bentley talked about earlier Hayes Lemmerz closure of  
15 several aluminum wheel plants. And that happened  
16 rapidly. It happened very very rapidly. There's no  
17 reason to believe that they found themselves able to  
18 service and they were qualified with major OEMs on  
19 the aluminum wheel market in that arena. I believe  
20 the same will happen with truck wheels as well. It  
21 will happen very fast.

22           MR. BENTLEY: If I may expand on that a bit,  
23 just to give some perspective.

24           On the passenger car side of the business  
25 Typically the wheel is quoted for an entire lifetime

1 of the product which is around five to six years  
2 before a new car is built.

3           If you remember in my earlier testimony, It  
4 mentioned between 2002 and 2008 we closed five  
5 aluminum plants, six plants total. So in one life  
6 cycle we closed all of our aluminum wheel capacity in  
7 the United States.

8           You've heard previous testimony that the  
9 life cycle of the contracts in the commercial vehicle  
10 is anywhere from distributors at the spot market up to  
11 three years for the OEM. So there's precedent here  
12 where within a life cycle of a contract that an entire  
13 switch could be made.

14           VICE CHAIRMAN WILLIAMSON: Will you see this  
15 first in the trailer market and then in the truck  
16 market? If so, why does it go that way?

17           VICE CHAIRMAN MR. BENTLEY:: Actually first  
18 was in the aftermarket. And the distribution channel  
19 there is different. The distributors selling point is  
20 their availability of inventory which fits very well  
21 to selling wheels in bulk. So it's the easiest  
22 distribution channel and it's more price sensitive  
23 than quality.

24           So it's easy to start there and then work  
25 your way to trailer and then work your way to truck

1 which is a different distribution channel and also a  
2 different requirement from a quality and reliability  
3 standpoint.

4           So it's the same thing as we've seen in  
5 other countries. It's the same play that we've seen  
6 in Europe, we've seen in India, and the other markets  
7 where we've had a similar type of discussions.

8           MR. WEISEND: Denny Weisend. One of the  
9 other things that would possibly affect a more rapid  
10 transition in the trailer side is if you take a look  
11 at the wheels that are covering in the scope here,  
12 most of those wheels on the trailer side you can cover  
13 probably 98 percent of those applications. So it's a  
14 much easier migration into that market segment than it  
15 is for truck that have a broader scope of product  
16 offerings.

17           VICE CHAIRMAN WILLIAMSON: Thank you for  
18 those answers.

19           CHAIRMAN OKUN: Commissioner Pearson?

20           COMMISSIONER PEARSON: Thank you, Madame  
21 Chairman.

22           This is a question I believe for Mr. Willis  
23 and Mr. Dauch.

24           Mr. Willis, if It understood your testimony  
25 correctly, you indicated that at one point you needed

1 to go to Accuride and ask them to lower their price on  
2 a product, is that correct>

3 MR. STEWART: Yes.

4 COMMISSIONER PEARSON: The question for Mr.  
5 Dauch, why did we not see any lost revenue allegations  
6 in this record, including the one that is just  
7 referenced by Mr. Willis? Did you end up not lowering  
8 the price?

9 MR. STEWART: I would say there are times he  
10 says I can't. And just because I ask doesn't me he  
11 gave.

12 MR. DAUCH: In the period '08, '09, '10,  
13 you're seeing a recovery of the truck market. If you  
14 go deep into our market share you're seeing a big  
15 degradation of our share in the aftermarket piece and  
16 you're seeing lower revenues there and lower market  
17 share there. Specifically.

18 Statesman wheel today, we don't make much  
19 money if they make any money at all. It's just  
20 basically trying to hold onto some of that market  
21 share.

22 COMMISSIONER PEARSON: So you have been  
23 relatively successful at maintaining the prices for  
24 your preexisting products but you accepted a lower  
25 price on the Statesman because it was designed for a

1 lower end of the market?

2 MR. DAUCH: I'll ask one of the sales guys  
3 here that can talk about it in terms of how much of  
4 our aftermarket is now Statesman.

5 MR. BYRNES: I'm interested in Dave and  
6 Tom's feedback also.

7 It estimate that more than 75 percent of our  
8 current aftermarket volume is on the Statesman wheel,  
9 a much lower margin wheel.

10 By the way, maintaining price has been  
11 mentioned many times while the raw material cost was  
12 increasing. So we thought it was a huge win for us to  
13 be able to maintain our price in that environment.

14 MR. STEWART: In the industry, again we've  
15 had the perspective of being in business since 1850  
16 and we've seen a lot that's happened in the automotive  
17 side. With the product that's coming from China, most  
18 manufacturers don't want to give up the price and move  
19 from a branded product. But you go from price to  
20 market share and the move to the States man to not  
21 give up market share. They give up a lot in the way  
22 of profitability, give up a lot in the way of margin,  
23 but they don't want to give up the market share.

24 MR. SCHAGRIN: Commissioner Pearson let me  
25 also add since maybe I'm more aware of this than the

1 industry folks, the way the system works here on sales  
2 and lost revenue allegations.

3           The fact is that Accuride wasn't able to fit  
4 information in the Commission's boxes which we're  
5 required to do with the filing of the petition. And  
6 Hayes was. And that's the real reason. I know that  
7 respondents made a big deal out of it but the fact is,  
8 and this happens in a lot of cases, I'm glad we had so  
9 many verified lost sales here.

10           But Accuride just couldn't, with their  
11 computer systems and their salesmen's reports nail  
12 down the boxes for the allegations the way the  
13 Commission staff rightfully needs it in order to go  
14 out and verify and that's the main reason.

15           COMMISSIONER PEARSON: So we do have  
16 legitimate lost sales allegations on the record. WE  
17 have no lost revenue allegations on the record.  
18 Correct?

19           MR. SCHAGRIN: Yes, that is the case.

20           COMMISSIONER PEARSON: Okay.

21           MR. STEWART: Tom Stewart. As far as our  
22 company is concerned, if Accuride had not come out  
23 with the Statesman wheel we would probably be out of  
24 the wheel and rim business. Or a large portion o fit.

25           It also drives our volume so it allows us to

1 purchase in trailer load with other products. We  
2 still carry the Accuride wheels. We do have some  
3 customers that prefer that wheel for whatever reasons,  
4 but without the Statesman wheel and the lower prices  
5 we'd be out of the business. And since 1926 our  
6 company name is Carolina Rim and Wheel. That would be  
7 very devastating to us.

8 COMMISSIONER PEARSON: I understand.

9 This is a question for post-hearing.

10 On Table 2-1 of the staff report, most of  
11 which is BPI, there is information regarding the  
12 market segment served by U.S. producers and producers  
13 from various countries. And I'm looking at that and  
14 I'm not seeing a lot of evolution in market shares or  
15 segment shares for the different producers over the  
16 POI with the possible exception of some movement that  
17 we see for the other non-subject countries.

18 If for purposes of post-hearing you could  
19 address that, what am I to understand out of this  
20 because one could have envisioned changes in the share  
21 that the U.S. producers were serving by market segment  
22 based on some of the testimony we've heard. I don't  
23 see it reflected.

24 MR. SCHAGRIN: Because of the BPI nature  
25 we'll address it in the post-hearing.

1 COMMISSIONER PEARSON: Thank you.

2 My last question has to do with threat.  
3 There are times when I've made affirmative threat  
4 findings on the basis of trends that were in place,  
5 that had extended into the future, could very likely  
6 lead to injury for the domestic industry.

7 On this record I'm wrestling with which  
8 trends if extended would get us to threat? We can see  
9 that yes, there has been an increase in imports in  
10 China since 2009 but they haven't gained meaningful  
11 market share. It understand there may be a data issue  
12 there, but I'm looking at what's in front of me.

13 On the other hand from the recession in 2009  
14 through interim 2011 we see increase in apparent  
15 consumption. U.S. production in shipments, capacity  
16 utilization of the domestic industry, an increase in  
17 production employees and hours worked increase in  
18 gross profit and operating income, and an increase in  
19 the ratio of operating income to sales.

20 If I look at that and project out to the  
21 future, how do I get to threat?

22 MR. SCHAGRIN: It's very easy, and having  
23 known you Commissioner Pearson to change your vote  
24 from a negative prelim to an affirmative on threat in  
25 the final, but that's not going to keep me from

1 trying. It may keep banging my head against the wall,  
2 it may harm my health, but I'm going to keep up with  
3 it forever,. Forever. As long as I'm alive and It  
4 have this job, I'm going to keep after it.

5 Let me explain to you why this is a very  
6 significant threat case.

7 In the aftermarket you do see, and this goes  
8 to 2-1, but the information on China is public there.

9 You see a constant growth of Chinese  
10 concentration and market share in the aftermarket. So  
11 they are in the easiest pickings in the market, they  
12 are constantly growing.

13 You see smaller upward trends in trailer.  
14 But the largest segment of the U.S. market for steel  
15 wheels is the OEM truck market. There you see  
16 virtually no penetration for two reasons. A, the  
17 contracts hadn't expired, and secondly because the  
18 Chinese hadn't been qualified.

19 I would say, as I said in my opening, that  
20 you would have to believe the Chinese and not your  
21 record which shows that OEM truck suppliers are in the  
22 process of qualifying Chinese suppliers, and of course  
23 for threat you have there excess capacity, et cetera,  
24 but they're in the process of being qualified.

25 The fact that as we'll put in the record

1 an affidavit from Mr. Bentley that just within the  
2 past several months or weeks Daimler, maybe the  
3 largest truck producer in the European Union, entered  
4 into a supply contract with Chinese wheel producers.  
5 If they will do it there and they're also one of the  
6 two largest truck producers in the United States, why  
7 wouldn't they do it here?

8           And they've penetrated in auto and truck  
9 part after auto and truck part. They have eventually  
10 penetrated the auto and truck OEM markets.

11           I think you'd have to suspend disbelief, or  
12 as was constantly in the biography of Steve Jobs,  
13 enter into some kind of reality distortion field to  
14 really believe that the Chinese will not penetrate in  
15 the imminent future which would be in the next 12  
16 months as these contracts come up, the U.S. OEM truck  
17 market. And when they do, Mr. Vorshak's going to  
18 lose his job. That's why I ask you, now I appeal to  
19 empathy. It can't see on behalf of subsidized by the  
20 government of communist China, looking at this record  
21 and saying It don't believe they could possibly take  
22 the OEM truck, any part of the OEM truck segment  
23 because even if they take one out of four contracts,  
24 it's a huge share. And It don't think you can come to  
25 that conclusion.

1           If you did because It didn't do my job,  
2 then Dave Vorshak loses his job and It don't want to  
3 be blamed for that because It didn't do my job to the  
4 best of my ability.

5           So I'd just ask you to look at the record to  
6 the best of your abilities and really answer the  
7 question, I don't believe that the Chinese could take  
8 an OEM truck contract? I don't think on this record  
9 you can come to that conclusion.

10           COMMISSIONER PEARSON: Thank you very much.

11           Just for the record, I have never known Mr.  
12 Schagrin not to do his very best job. So thank you.

13           With that I believe I have no further  
14 questions. I've appreciated all of the responses of  
15 this panel.

16           CHAIRMAN OKUN: Commissioner Aranoff?

17           COMMISSIONER ARANOFF: Thank you, Madame  
18 Chairman. It's hard to follow that.

19           I actually was one of the commissioners who  
20 made a threat determination in the preliminary phase  
21 and I very much understand and appreciate the argument  
22 that's being made here that there's a certain pattern  
23 and that there's a lot of collective experience that's  
24 present here. That said, if I have a choice between  
25 writing an opinion saying a lot of experience people

1 are personally convinced that this is going to happen,  
2 and one where they can show me sales reports or other  
3 company type of evidence that their customers are in  
4 fact in the process of qualifying Chinese suppliers,  
5 particularly the OEMs where the contracts are coming  
6 up that you've talked about so much. That they've  
7 been solicited by Chinese suppliers, if there's  
8 anything that you can put in the record that's going  
9 to document the collective belief here about what  
10 would happen if the Commission doesn't vote in the  
11 affirmative in this case, I think that at least for  
12 me that's very important evidence.

13           It know there are some pieces that Hayes put  
14 on the record in the prelim and I in fact pulled them  
15 and looked back at them, so that's a start with regard  
16 to a couple of accounts.

17           I'm particularly interested in the OEMs  
18 whose contracts come up but if there's anything you're  
19 able to add post hearing that would be very helpful.

20           MR. DAUCH: One of the contracts that comes  
21 up, we have a similar contract with a different  
22 product family that we made today. That customer just  
23 sent out a request for quotation for all of our  
24 current business for those components. Our chief  
25 competitor is a Chinese source competitor. They've

1 already been working on qualifying first in the  
2 aftermarket parts, the OES, they gave them a contract  
3 last year. Now they're getting ready to give  
4 potentially our entire OEM contract, which is almost  
5 \$40 million a year, which would significantly deplete  
6 our business in our UAW plant in Illinois. We'll give  
7 you some of that data.

8           COMMISSIONER ARANOFF: That would be  
9 helpful. I'm specifically interested in obviously  
10 looking at the extent to which Chinese producers are  
11 currently qualified or are trying to qualify some of  
12 these OEM accounts they haven't yet sold to.

13           MR. SCHAGRIN: To amply justify your  
14 affirmative preliminary threat determination, the  
15 beauty of going to final threat investigations is  
16 purchaser responses, which in this market because of  
17 the size of certain purchasers it's even more  
18 relevant, I think, than a lot of other investigations  
19 where you may have thousands and thousands and  
20 thousands of purchasers and you've got some of the  
21 largest here.

22           When you get information from the largest  
23 purchasers you're really covering a big part of the  
24 market.

25           So I believe here, and I'll just

1 characterize it, we have the confidential information  
2 in our brief because it was so important. You have  
3 information from purchasers in purchaser responses  
4 that they are testing and qualifying Chinese wheels  
5 and I think that goes right to the issue of your  
6 question that you don't have to depend on the  
7 experience which is so massive of these industry  
8 witnesses. You can base your decision on information  
9 on this record and purchaser responses, and we'll  
10 reemphasize that in our post-hearing brief, as well as  
11 gathering other information as you requested on these  
12 contracts and what knowledge that might not appear in  
13 the purchaser responses.

14           COMMISSIONER ARANOFF: Thank you. That  
15 would be helpful.

16           The part of the market that I haven't heard  
17 any conversation about today so far has been the  
18 smaller sized wheels that fall within the scope here  
19 that are going onto pickups or SUVs or whatever that  
20 are being sold to auto manufacturers. Can you talk a  
21 little bit about the state of play with respect to  
22 Chinese suppliers in that part of the U.S. market?

23           MR. BENTLEY: If you look at three segments  
24 of the market, whether it's aluminum wheel or truck  
25 wheel, or the lighter vehicle or the light vehicle

1 that you're referencing now, a large part of that  
2 market is already absorbed or is absorbed in the  
3 aftermarket. However there is some complication  
4 relative to process and the making of those wheels  
5 that make it a little more difficult to go after that  
6 part of the market.

7 But you see some similar behaviors in that.

8 What It would say is the aluminum wheel was  
9 the first because it was the largest piece. The  
10 commercial vehicle truck market was second. And in  
11 relative scope this part's smaller than the total.  
12 There's some penetration in the aftermarket but it's  
13 not been a targeted piece of the market so far.

14 MR. DAUCH: Light trucks primarily is a  
15 phenomenon for the United States, North America. You  
16 don't see a large population of pickup trucks in  
17 Europe. You don't see them in Asia except for  
18 Thailand, and some in Brazil. But It was in the axle  
19 business, making axles for light trucks for 14 years,  
20 and the competition is right here in North America.

21 COMMISSIONER ARANOFF: To make sure that It  
22 understand, you're saying that so far Chines producers  
23 haven't been interested in that part of the market.

24 MR. DAUCH: Right.

25 MR. KATO: Matt Kato, many of those vehicles

1 that we're talking about here that would fit the low  
2 end diameter range of this investigation are built by  
3 passenger car OEMs. General Motors, Ford, Toyota,  
4 Chrysler. Those OEMs have utilized the Chinese supply  
5 base significantly. It is unquestionable. They buy  
6 millions and millions and millions of wheels, steel  
7 wheels from Chinese based suppliers.

8           If the question as I understand it is  
9 comment on that segment, that which may use 18 inch  
10 wheels, for example, the low end of this, the  
11 customers who would buy the majority of those, at  
12 least in the Hayes Lemmerz case have a decade or more  
13 experience buying from Chinese suppliers. I think  
14 it's happening today. I think it's --

15           COMMISSIONER ARANOFF: Buying other products  
16 from Chinese suppliers, to clarify. Okay.

17           Do we have evidence on the record that would  
18 allow us to estimate the volume of domestic product  
19 sales going for these off-the-road applications? I  
20 understand that some of the witnesses testified that  
21 you don't know for sure when you're selling some of  
22 the heavier weight products what it's going to be used  
23 for, but you must have an idea of how big that market  
24 is.

25           MR. SCHAGRIN: The answer to your question

1 is no, and that is because the questionnaires didn't  
2 ask for on-road, off-road.

3 I think there is a misnomer in saying that,  
4 in asking for medium duty, heavy duty, and other. The  
5 assumption that if you don't put numbers in the other  
6 that automatically means you don't sell any heavy duty  
7 wheels for off the road.

8 So with that clarification, I'll let the  
9 sales people talk about how much of their sales go for  
10 off-the-road purposes that show up in the  
11 questionnaire responses, in the heavy weight wheel  
12 segment.

13 MR. BYRNES: I'm not sure It can help on the  
14 second part.

15 We don't know if a wheel is going on a truck  
16 that will service wind farms and repair agricultural  
17 equipment in fields.

18 We do have some data on the size of the  
19 wheel market that goes to harvesting equipment,  
20 tractors, not our core market. It can supply that  
21 after the hearing. But it's not a significant part of  
22 our business in direct sales.

23 COMMISSIONER ARANOFF: Okay. I appreciate  
24 that.

25 Earlier today we were talking about the

1 issue of whether Chinese suppliers would be able to  
2 provide just in time delivery and whether any  
3 inability to do would keep them out of some parts of  
4 the U.S. market. And the testimony from some of the  
5 witnesses was oh, if it's a large enough customer they  
6 would just put a warehouse near them and keep the  
7 inventory there at the Chinese suppliers's cost or the  
8 importer's cost.

9           We do have a few examples on the record of  
10 instances involving trailer OEMs that switched to  
11 Chinese supply, and I guess some distributors as  
12 well.

13           Are you aware of whether Chinese producers  
14 or Chinese importers already have warehouses near them  
15 or established warehouses near them as a result or  
16 condition of those sales?

17           MR. DAUCH: To the OEM or to the  
18 aftermarket?

19           COMMISSIONER ARANOFF: Both, either.

20           MR. DAUCH: There will be testimony this  
21 afternoon that that company has already established a  
22 country-wide distribution network here.

23           COMMISSIONER ARANOFF: That's with respect  
24 to distributor sales?

25           MR. DAUCH: That's correct. Not for wheels

1 today, but for other parts that are similar to wheels  
2 that go to similar customers.

3 MR. BENTLEY: You're asking to characterize  
4 a very diverse distribution channel with one answer.  
5 So yes, there are cases where they've set up the  
6 warehouses and in some instances where the volumes are  
7 different they may service that from a warehouse that  
8 was set up to service something else. So there's not  
9 an absolute answer to your question. It depends on  
10 the situation.

11 So mainly yes, and that's the model. But  
12 there are exceptions.

13 COMMISSIONER ARANOFF: If there are specific  
14 cases where a warehouse was set up with a specific  
15 customer in mind, that would be helpful to have on the  
16 record.

17 MR. SCHAGRIN: We'll give you information  
18 from the public domain that a company called  
19 Centurion, one of the two largest exporters based on  
20 their selection by the Department of Commerce, right  
21 on their web site which advertises Centurion USA, they  
22 also advertise their U.S. Stocking locations, so we'll  
23 give you that information in our post-hearing.

24 COMMISSIONER ARANOFF: Thank you very much.

25 I think that actually is all of my

1 questions. It do want to thank all the witnesses.

2 Thank you Madame Chairman.

3 CHAIRMAN OKUN: Let me see if there's  
4 another round? Any questions?

5 VICE CHAIRMAN WILLIAMSON: Just one  
6 question. Part of it was asked about the pricing  
7 products, and I know you started on one. But I'm  
8 particularly interested in pricing product six, either  
9 now or post-hearing. They don't seem to show the  
10 price effects you'd expect to see, so I want you to  
11 comment on that.

12 MR. SCHAGRIN: We'll do it in the post-  
13 hearing since it's all BPI information.

14 VICE CHAIRMAN WILLIAMSON: Thank you.

15 CHAIRMAN OKUN: Commissioner Johanson?

16 COMMISSIONER JOHANSON: Mr. Schagrin, you  
17 responded to Mr. Pearson a few minutes ago and you  
18 stated that Daimler recently signed a contract with  
19 Chinese producers to purchase wheels for large trucks.  
20 I apologize but I wasn't listening as closely as I  
21 would have if I had asked the question. Is that the  
22 case?

23 MR. SCHAGRIN: That is the case. It was not  
24 in the record. It's something I learned from Mr.  
25 Bentley yesterday.

1 MR. BENTLEY: Yes, that is the case.

2 COMMISSIONER JOHANSON: Once again these are  
3 for large trucks?

4 MR. BENTLEY: Yes.

5 COMMISSIONER JOHANSON: So they're somewhat  
6 identical to what we would have in the United States?

7 MR. BENTLEY: It's the same size wheel, same  
8 type of wheel, yes.

9 COMMISSIONER JOHANSON: It could basically  
10 be used on U.S. trucks?

11 MR. BENTLEY: There are differences between  
12 EU and U.S. requirements but it's the same size wheel  
13 and same market segment for both truck segment of the  
14 market.

15 COMMISSIONER JOHANSON: Thank you, and I  
16 apologize for not listening as closely earlier.

17 CHAIRMAN OKUN: Let me turn to staff to see  
18 if they have questions of this panel?

19 MR. CORKRAN: Douglas Corkran, Office of  
20 Investigations.

21 Thank you, Madame Chairman. Staff has no  
22 additional questions.

23 CHAIRMAN OKUN: Do those in opposition to  
24 imposition of the order have any questions for this  
25 panel?

1           Mr. Lee for the record states there are no  
2 questions.

3           Before breaking for lunch I want to take  
4 this opportunity again to thank all the witnesses for  
5 your testimony this morning, for answering our many  
6 questions, and for your continued participation in  
7 preparing for your post-hearing.

8           Again, this will be a good time to take an  
9 hour break for lunch. We will return at 1:50.

10           I would remind parties that the room is not  
11 secure so please take any confidential business  
12 information with you.

13           With that, we will stand in recess.

14           (Whereupon, a luncheon recess was taken at  
15 12:53 p.m., to reconvene at 1:50 p.m. this same day,  
16 Thursday, March 8, 2012.)

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1 two segments, the OEMs and the after-market. OEMs can  
2 be split into distinct categories, including the big  
3 four OE truck manufacturers: Navistar, Paccar, Volvo-  
4 Mack, and Freightliner. There are other -- there are  
5 OEM trailer manufacturers, including the big three:  
6 Wabash, Great Dane, and Utility, who alone account for  
7 more than half of the U.S. trailer builds, and the  
8 other small- to medium-sized OEM trailer  
9 manufacturers.

10 Another OEM category covers a wide variety  
11 of OEMs, including producers of light to medium  
12 trucks, such as Ford and General Motor, school buses,  
13 frat tanks, military vehicles, ag-construction  
14 vehicles, and other vocational vehicles. Many OEMs  
15 have parts or service divisions that resell wheels and  
16 other parts to the broader truck-trailer manufacturer  
17 that the Commission refers to as OES.

18 The after-market consists of a variety of  
19 players. There are online wheel and rim distributors  
20 who sell not just wheels, but also hubs, drums, air  
21 filters, wipers, and most other truck parts. They're  
22 tire dealers who buy wheels from us, put tires on  
23 those wheels, and then sell the wheel/tire package to  
24 small trailer manufacturers. And then there are  
25 fleets like Fed Ex who when they need a replacement

1 wheel would buy them in the after-market.

2           The OEM segment, market segment, dwarves the  
3 aftermarket with OEMS accounting for about 85 to 90  
4 percent of all steel wheels consumed in the U.S. As  
5 OEM truck and trailer builds rise and fall, steel  
6 wheel demand rises and falls. The aftermarket is very  
7 small, only about 15 percent of the total wheel  
8 demand, because unlike tires and brake drums, steel  
9 wheels just don't wear out.

10           As we testified in the preliminary  
11 conference, most of our U.S. customers are very small  
12 aftermarket distributors, our tire dealers, who are  
13 too small to buy from Accuride or Hayes, although  
14 Accuride and Hayes are definitely in the aftermarket  
15 segment. Their attention to the aftermarket depends  
16 on how well the OEMS are doing. When OEM demand  
17 spikes, Accuride and Hayes need to spend most of their  
18 time and energy to try to keep their biggest customers  
19 satisfied, whereas the smaller customers often get  
20 short-changed, either in terms of fewer quantities or  
21 longer lead times or higher prices.

22           When OEM demand shrinks, as it did in 2008  
23 and 2009, Accuride and Hayes scrounged for any  
24 available sales, called upon previously neglected  
25 aftermarket customers. A significant portion of my

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1 customers are aftermarket customers who may have been  
2 burned by Accuride and Hayes in the past and don't  
3 trust them now or are worried that they might be  
4 abandoned in the next up cycle.

5           These customers trust that I am a reliable  
6 supplier of steel wheels and that they'll be --  
7 whether in good times or bad. I don't supply a major  
8 U.S. OE truck or trailer customer, so I'm not  
9 susceptible to these swings up and down. I don't have  
10 those pressures that Accuride and Hayes do.

11           My Chinese wheels do not compete with  
12 Accuride or Hayes with any large OEM -- U.S. OEM truck  
13 and trailer producers. There is some competition in  
14 the aftermarket, but the aftermarket has always been a  
15 very small part of the overall steel wheel operations  
16 of Accuride and Hayes. This is how it has always  
17 been. I have worked for Accuride for almost 30 years.  
18 It has always been that way, and it is today.

19           To me it's absurd that Accuride and Hayes  
20 would even claim to be injured by imported Chinese  
21 wheels. Accuride and Hayes are the only two producers  
22 who supply the biggest trucker and trailer OEMs, whose  
23 build rates are the main drivers of their total steel  
24 wheel demand.

25           The Chinese wheels, in contrast, are

1 competing primarily in the aftermarket. This segment  
2 of the market has a minimum impact on the overall  
3 steel wheel operations of Accuride and Hayes.

4 I appreciate the chance to share my comments  
5 with you, and will be happy to answer any questions as  
6 you may have. Thank you.

7 MR. HATTON: Good afternoon. I'm Greg  
8 Hatton, president of KIC Holdings. We're located in  
9 Vancouver, Washington, where we employ 25 people.

10 KIC was founded in 1972 as an exporter of  
11 machinery for the wood products industry and heavy  
12 transportation equipment and components. Over the  
13 years, we became the largest exporter of the U.S.  
14 manufactured components for heavy trailers. We  
15 design, engineer, and develop products to global  
16 standards, and these products in the early years  
17 mostly to Asia. In the mid-1990s, we expanded into  
18 the U.S. market.

19 Around the year 2006, several of our U.S.  
20 customers asked if we could supply them a steel wheel.

21 These customers were smaller trailer manufacturers  
22 and distributors to small manufacturers and to the  
23 aftermarket. They explained to us that they were not  
24 receiving adequate support from the U.S. suppliers of  
25 steel wheels and wanted to see if we could offer them

1 the same high level of service, quality, and support  
2 that we provided for our other products. They  
3 explained that the U.S. suppliers of steel wheels were  
4 more focused on the truck and larger trailer OEM  
5 markets and were unable or unwilling to offer  
6 consistent supply to the small trailer manufacturers  
7 in the aftermarket through the ups and downs of the  
8 market.

9           So in response to these customer  
10 solicitations, we began to develop KIC steel wheels in  
11 2006, partnering with a manufacturer located in China.  
12 It cost us approximately \$1 million to develop the  
13 product and qualify it to sell to these U.S.  
14 customers. After an exhaustive process in the  
15 development testing, we began selling KIC steel wheels  
16 at the end of '09, 2009.

17           Today, we continue to supply steel wheels to  
18 small trailer manufacturers in the aftermarket.  
19 Roughly 25 percent of our sales are to small trailer  
20 manufacturers, and 75 percent is to the aftermarket.

21           In contrast, U.S. producers are focused on  
22 the truck and larger trailer OEMs. My colleague, John  
23 Schneider, will explain in more detail why the U.S.  
24 producers focus on these larger market segments. But  
25 for now, I'll say that our steel wheel business has

1 not come at the expense of the Petitioners. We simply  
2 do not have the capability to supply to the large OEM  
3 customers that Accuride and Hayes service.

4           Instead, our steel wheel business has come  
5 at the expense of other importers offering Chinese  
6 steel wheels. KIC's business model is quite different  
7 from that of a typical importer. We're a true partner  
8 with our manufacturer in China. We're responsible for  
9 the development, testing, technical support for our  
10 products. Our success in steel wheels has resulted  
11 from a large investment we made to develop the  
12 product, our reputation for excellent customer service  
13 and support, and our willingness to supply to market  
14 segments that the U.S. producers had not and have not  
15 prioritized.

16           So this concludes my remarks. Thanks for  
17 your time. I'll be happy to answer questions later.  
18 Thank you.

19           MR. SCHNEIDER: My name is John Schneider,  
20 and I head up the sales efforts for KIC. I've been  
21 with KIC going on six years now. I spent most of my  
22 -- all of my career in the heavy-duty commercial  
23 vehicle market. During the past 23 years, I've had  
24 various sales responsibilities in the commercial  
25 trailer industry, the commercial vehicle aftermarket,

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1 and the truck OEM/OES channels.

2 My most recent before coming to KIC was vice  
3 president of truck OEM sales for Accuride Corporation.

4 During my tenure in the industry, I've had sales  
5 responsibilities for over 50 different components,  
6 including steel wheels used in OEM production and  
7 aftermarket challenge for trucks, trailers, and buses.

8 The commercial vehicle market is highly  
9 cyclical. During market peaks, component suppliers  
10 have difficulty keeping pace with the demand generated  
11 from the ramp-up of the commercial vehicle build  
12 rates. I've experienced these shortages firsthand on  
13 the sales side for the components of this business.

14 For example, in the late nineties, there  
15 were shortages for steering components. Also in the  
16 late nineties through the early 2000s, there were huge  
17 shortages of brake drums, frame rails, as well as  
18 steel wheels during the same time, and continuing to  
19 the 2000 -- mid-2000 time frame.

20 If you follow the industry, you'll note that  
21 the current build rate has been affected by component  
22 supply. Because of the cyclical nature of the market,  
23 component suppliers are forced to prioritize their  
24 output, their production output. The Petitioners, for  
25 example, cater to the large OEMs and usually have

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1 long-term agreements with their customers in this  
2 market segment.

3           Historically, when the market peaks,  
4 Accuride and Hayes have had difficulty keeping up with  
5 demand and have either cut off smaller customers or  
6 placed them on allocation because of contractual  
7 obligations to supply to the large OEMs.  
8 Consequently, smaller customers have learned that they  
9 cannot rely on the U.S. producers to provide a  
10 consistent supply of vehicle components and have  
11 turned to other sources, like KIC.

12           We built our business by supplying almost  
13 exclusively to the smaller purchasers who are most  
14 adversely affected by capacity constraints during the  
15 market upturns. KIC got into the steel wheel market  
16 based on repeated requests from our customer base, who  
17 were manufacturers of small trailers and aftermarket  
18 buyers.

19           These customers turned to KIC claiming that  
20 Accuride and Hayes did not focus on this segment of  
21 the market. We've rarely come across Accuride and  
22 Hayes in dealing with our steel wheel customers, and  
23 we respectfully ask that the ITC takes these market  
24 dynamics into consideration when you make a  
25 determination. Thank you.

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1           MR. WU: Good afternoon. I thank you for  
2 the opportunity to testify. My name is Jesse Wu. I  
3 am the sales director for Zhejiang Jingu Company,  
4 Limited. Zhejiang Jingu is a Chinese producer and  
5 exporter of steel wheels, including the wheels covered  
6 by this investigation. I am joined by Zhejiang  
7 Jingu's general manager, Fengfeng Sun.

8           Today I will describe for you what the  
9 Chinese commercial vehicle market looks like, how  
10 rapidly the Chinese commercial vehicle market is  
11 growing, and how the Chinese steel wheel industry is  
12 responding to this tremendous demand.

13           The Chinese vehicle market is huge. The  
14 sheer size of Chinese commercial vehicle market has  
15 created tremendous demand for steel wheels in China.  
16 The demand is at least four or five times greater than  
17 the demand for steel wheels in the United States. For  
18 the last five years, commercial vehicle and steel  
19 wheel demand in China has grown steadily and  
20 significantly. Although the demand slowed in 2011,  
21 all projections show that that demand in China for  
22 steel wheels in the size range covered by this  
23 investigation will only grow, and grow rapidly.

24           As I mentioned, this expected increase in  
25 demand for steel wheels in China is driven mostly by

1 demand for new commercial vehicles. In addition,  
2 China is undergoing a major transition from old tube-  
3 tire wheels to the tubeless wheels. This change is  
4 adding to already strong demand.

5 I understand that the Petitioners claim that  
6 there are many Chinese steel wheel exporters that are  
7 unaccounted for this investigation. Petitioners are  
8 mistaken. Just because a Chinese company can produce  
9 steel wheels does not mean the same company can  
10 produce a steel wheel for the U.S. market.

11 Most Chinese companies cannot produce steel  
12 wheels for the U.S. market. To be accurate, I am  
13 aware of no more than eight Chinese companies that can  
14 actually steel wheels for the U.S. market. These  
15 companies include us, Zhenggang, Centurion, Stone  
16 wheel, Sunrise. Not only have Petitioners overstated  
17 the total number of Chinese exporters, they have also  
18 overstated Chinese production capacity.

19 Their estimate of a capacity of 15 million  
20 subject wheels is wrong. This number likely reflects  
21 production capacity for all types of steel wheels,  
22 including a large number of small wheels for passenger  
23 cars, tube-tire wheels that are not used in the U.S.,  
24 especially wheels for ATVs and golf carts and old TR  
25 wheels.

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1           Once you adjust for those non-subject  
2 wheels, total production capacity in China is closer  
3 to 6 million steel wheels, most of which serves the  
4 Chinese domestic market. There are several key  
5 reasons to explain why only a few Chinese producers  
6 can produce steel wheels for the U.S. market and why  
7 production capacity in China is much smaller than what  
8 Petitioners claim.

9           First, many Chinese companies cannot produce  
10 the steel wheels that are less than 85 pounds. Wheels  
11 that weight more than 85 pounds are not acceptable in  
12 the U.S. market.

13           Second, many Chinese companies produce only  
14 old tube-tire wheels. Tube-tire wheels are no longer  
15 used in the United States.

16           Third, many Chinese companies cannot produce  
17 steel wheels that meet minimum U.S. steel safety  
18 standards. Even when they meet U.S. safety standards,  
19 most Chinese companies choose not to enter the U.S.  
20 market because of the potential risk and the cost of  
21 product recalls. Product recalls are rare in China,  
22 and Chinese producers know the Chinese domestic market  
23 poses far fewer business risks than the U.S. market.

24           Finally, many Chinese companies that  
25 Petitioners claim might be out there waiting to enter

1 the U.S. market do not and cannot produce the subject  
2 wheels. Instead, these other companies produce  
3 passenger vehicles, off-road golf cart, ATV, and other  
4 non-subject wheels. Although there is a small handful  
5 of Chinese producers that can produce for the U.S.  
6 market, most of these companies still choose to focus  
7 almost entirely on the domestic Chinese market.

8           As I mentioned earlier, the Chinese market  
9 for steel wheels is much larger than the U.S. market.  
10 Most Chinese producers prefer selling in their own  
11 home market. These companies do not pursue the U.S.  
12 market, including the aftermarket segment. Because  
13 these Chinese companies can't overcome the language  
14 barrier of doing business in the U.S., they don't want  
15 to take on the additional work of coordinating the  
16 international logistics and the other practical  
17 hassles of trying to enter the U.S. market.

18           This concludes my remarks, and I'll be happy  
19 to answer any questions or followup you might have.  
20 Thank you.

21           MR. LOWE: Good afternoon, Madame Chairman  
22 and members of the Commission. My name is Jeffrey C.  
23 Lowe. I'm with the law firm Mayer Brown, LLP. We  
24 represent four producer exporters of the subject  
25 merchandise in China. I intend to focus on the fact

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1 that the domestic industry is not threatened with  
2 imminent material injury by reason of subject steel  
3 wheel imports from China.

4 In addressing the threat issue, the  
5 Commission is required to determine whether further  
6 subject imports are imminent and whether material  
7 injury by reason of imports would occur unless an  
8 order is issued. An affirmative threat determination  
9 must be based upon, quote, "positive evidence tending  
10 to show an intention to increase the levels of  
11 importation," end quote.

12 The Commission must also consider a number  
13 of specific statutory factors in its threat analysis.  
14 We discussed the most relevant factors in our brief,  
15 and I will touch on a couple of these factors here  
16 today, along with the other witnesses.

17 As testified previously, Petitioners  
18 dominate the truck OEM segment of the market.  
19 Petitioners argue that subject imports threaten to  
20 start competing for truck OEM sales when long-term  
21 contracts expire in the near future, as well as for  
22 trailer OEM sales.

23 This claim highlights the issue of whether  
24 despite making no sales to truck OEMs during the POI  
25 Chinese producers, can they reasonably be expected to

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1 compete for these long-term major truck and trailer  
2 OEM contracts when they expire in the near future, as  
3 Petitioners say is going to happen.

4 As testified earlier, Chinese producers do  
5 not presently have the ability to compete for truck  
6 OEM long-term three-year contracts. Likewise, Chinese  
7 producers cannot compete for similar trailer OEM  
8 contracts. In the first place, the Chinese cannot  
9 produce the lightweight wheels demanded by the major  
10 truck and trailer OEMs. Chinese producers do not  
11 compete in the lighter weight wheel categories because  
12 they lack the technology and equipment and high-  
13 strength steel necessary to do so.

14 Steel wheel weight is reduced by either  
15 changing the wheel structure or decreasing the  
16 material input of the wheel. Changing the wheel  
17 structure requires the most advanced technology and  
18 equipment, which the Chinese lack and will lack for  
19 the foreseeable future. The Chinese also have not  
20 developed the advanced technology necessary to produce  
21 the type of high-strength steel required to  
22 effectively and safely reduce wheel weight.

23 In addition to their current inability to  
24 design and produce a wheel to meet major OEM best  
25 qualification standards, other factors effectively

1 preclude Chinese producers from competing for the OEM  
2 long-term contracts. For one, OEMs impose strict  
3 supplier qualification requirements that take between  
4 two to three years to complete. The process includes  
5 internal approval requirements involving numerous  
6 engineering, quality, purchasing, and other  
7 departments within the OEM.

8           Extensive testing of the proposed supplier's  
9 wheel would also be required, which alone would last  
10 well over a year. We are unaware of any Chinese  
11 producers who have even started this qualification  
12 process. Industry witnesses can address this and  
13 related issues in response to Commission questions.

14           Besides the increasing subject steel wheel  
15 demand in China, we also described in our brief the  
16 rate of increase in Chinese steel wheel exports to  
17 other markets during the POI, a trend that is also  
18 expected to continue. This includes exports to the  
19 European Union, South America, Canada, the Middle  
20 East, and elsewhere.

21           Moreover, we explained how the antidumping  
22 duty on steel wheels in place in India in particular  
23 will not result in increased imports to the United  
24 States. First, the Indian antidumping duty applies  
25 only to tube-type steel wheels, not tubeless wheels,

1 which are now used in the United States. It also  
2 applies only to wheels of 20 inches or less in  
3 diameter. What is more, only certain Chinese  
4 producers focus on the Indian market, where the tube-  
5 type wheels continue to account for the majority if  
6 not all shipments.

7 In particular, only one Chinese company  
8 participated in the Indian antidumping investigation,  
9 Zhejiang Wheel Group, which received a relatively  
10 lower antidumping rate than all other non-  
11 participating exporters. Chinese Customs data  
12 included with our brief demonstrate that steel wheel  
13 exports from China to India have increased  
14 significantly since the Indian duty went into effect  
15 in 2007.

16 It is clear that Zhejiang Wheel Group  
17 accounted for most of these exports to India. The  
18 major exporters described earlier, who account for all  
19 or virtually all exports to the United States, are not  
20 major exporters to India.

21 In conclusion, based upon a consideration of  
22 the statutory factors as a whole and all of the  
23 evidence in the record, the Commission should  
24 determine that the domestic steel wheels industry is  
25 not threatened with imminent material injury by reason

1 of subject imports from China. Thank you.

2 MR. CANNISTRA: Good afternoon. My name is  
3 Dan Cannistra. I'm here today on behalf of  
4 Caterpillar. I suppose one of the advantages of being  
5 a non-party is I have my own personal table in the  
6 back of the conference room. I'd also like to  
7 apologize. We had scheduled to attend today a  
8 colleague from Caterpillar, Dan Schumacher, who  
9 unfortunately had an unforeseen personal matter and  
10 couldn't join us, but he did ask that I communicate to  
11 the Commission that Caterpillar stands certainly  
12 ready, willing, and able to answer any technical  
13 questions which may arise from this proceeding.

14 Caterpillar is the world's largest producer  
15 of construction and mining equipment. We've had a lot  
16 of discussion about employees today. And just by way  
17 of background, Caterpillar employs 100,000 people,  
18 50,000 of which are in the United States. It's also  
19 in the top three exporters for the past ten  
20 consecutive years from the United States, and in fact  
21 exported 2 billion worth of construction and mining  
22 equipment to China in the past year alone.

23 These construction and mining equipment need  
24 wheels to operate, and those wheels need to operate  
25 safely in hazardous conditions, in remote areas, where

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1 the ability to service those wheels is not readily  
2 present. Caterpillar uses offroad wheels in its  
3 mining and construction equipment. They don't meet  
4 Department of Transportation specifications, nor  
5 should they meet Department of Transportation  
6 specifications. Instead, Caterpillar works  
7 individually with its suppliers to custom design steel  
8 wheels that it can use in its construction and mining  
9 equipment.

10 This is a two-year process for Caterpillar,  
11 and that two-year period is the technical testing  
12 period. That's once they have actually received a  
13 prototype and can begin to actually incorporate that  
14 into their mining and production equipment, and see if  
15 it can withstand the rigors of operating in the  
16 environments that Caterpillar's equipment operates.  
17 It is a fundamentally different product than the  
18 onroad tires.

19 From Caterpillar's perspective, there is  
20 actually only seven producers of steel wheels in the  
21 world. There is Itopic, GKN, Steel Wheels India,  
22 Titan, Centurion, Rimax, and Maxim. That's it. From  
23 Caterpillar's perspective, those are the only  
24 producers in the world that are capable of making  
25 steel wheels that can be used in construction and

1 mining equipment.

2 Of that group of seven, there are only two  
3 that are actually qualified suppliers to Caterpillar.

4 That is DKN and Centurion. No other suppliers, even  
5 including those on that list, have approached  
6 Caterpillar with a request to supply them or to become  
7 qualified to supply steel wheels to Caterpillar. And  
8 if they did so, it for them as it has been for the  
9 others would begin a two-year process to see if in  
10 fact they could manufacture steel wheel tires that  
11 could operate at the weights and the needs that  
12 Caterpillar's equipment requires.

13 I'd also like to touch very, very briefly on  
14 one issue that was raised today, which was the  
15 suggestion that somehow the timing of Caterpillar's  
16 participation in this proceeding should impact the  
17 like product decision in this matter. We actually  
18 think the timing of Caterpillar's participation  
19 supports the separation of a like product.

20 When one of these investigations begins,  
21 there is an industry dialogue that takes place.  
22 Caterpillar participates in an industry comprised only  
23 of those seven producers, one of which is Titan.  
24 Titan is not here. Titan, to the best that I can  
25 understand, has not communicated any information to

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1 any participation, including one of its potential  
2 customers, Caterpillar, about this case.

3 So from perception of the offroad industry,  
4 the construction and mining industry, this is a case  
5 that concerns passenger and onroad applications. It  
6 hasn't even entered the offroad construction and  
7 mining dialogue. And given that Caterpillar had  
8 obviously participated in previous proceedings, which  
9 looked at the tires which go on the very same steel  
10 wheels that we're talking about and recognized the  
11 separation in tires of offroad tires on one hand,  
12 passenger tires on the other hand. And they had also  
13 followed from that the previous steel wheel  
14 investigation, which back in 1988 found a like product  
15 of steel wheel tires principally designed for  
16 passenger use, again the separation between offroad  
17 and onroad.

18 So I think the timing of Caterpillar's  
19 participation is merely a reflection of the separation  
20 that clearly exists within the industry, and certainly  
21 exists from Caterpillar's perspective. Thank you.

22 CHAIRMAN OKUN: Does that complete the  
23 testimony? No. I'm sorry. Mr. Rogers.

24 MR. ROGERS: Yes. Good afternoon. I'm Tom  
25 Rogers with Capital Trade, appearing today on behalf

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1 of Respondents. I'd like to start off by saying, you  
2 know, this is an interesting case because as the  
3 Commission knows, the domestic industry producing  
4 wheels for highway use is dominated by just two firms,  
5 just two. On the one hand, this means that it is  
6 fairly straightforward to identify how company-  
7 specific results affect the overall industry.

8           It also means, however, that much of the  
9 data are confidential and cannot be addressed in  
10 detail today. Accordingly, I'm going to focus on just  
11 a few data issues that can be discussed publicly.

12           The first issue concerns off-the-road or OT  
13 wheels. As noted in Respondent's prehearing briefs,  
14 the Commission should address its analysis to exclude  
15 OTR wheels. The White and Case brief explained why  
16 OTR wheels are a separate like product.

17 Notwithstanding the like product issue, however, the  
18 prehearing report makes clear that the data for  
19 domestic producers of OTR wheels are not reflected in  
20 the various trade, market share, and financial  
21 summaries.

22           Because domestic producers fail to provide  
23 even basic shipment data to the Commission, apparent  
24 consumption is understated and Chinese market shares  
25 are artificially inflated. Absent such shipment data,

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1 at a minimum, a fair comparison requires that imports  
2 of OTR wheels should be excluded from the Commission's  
3 analysis.

4 Now, turning to the data that is on the  
5 record, we agree with Petitioners that the relevant  
6 HTS subheadings include non-subject wheels, and the  
7 Commission should therefore rely on the importer  
8 questionnaires for its analysis. Where we disagree,  
9 however, is in Petitioner's estimate of unreported  
10 imports, plus their suggested approach to increase the  
11 total import quantity.

12 In their brief, Petitioners identified five  
13 producers that did not file foreign producer  
14 questionnaires and suggested the Commission should use  
15 range data provided to the Commerce Department to  
16 approximate those companies' shipments. I submit that  
17 that adjustment is unwarranted. The questionnaires  
18 that you've collected indicate that U.S. importers  
19 reported shipments from all five of these producers  
20 and/or their affiliates. So we don't believe that the  
21 imports are underreported, let alone by one-third, as  
22 suggested by Petitioner.

23 Having said that, let's leave that aside and  
24 assume that the Petitioners are right. It's not going  
25 to make any difference. It's not going to alter the

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1 overall picture of the case. As we heard earlier this  
2 morning and was raised in many of your questions, the  
3 Chinese market share in 2008 was 10.5 percent. The  
4 share in 2011 was 10.9 percent. Even if we include  
5 the OTR imports, increasing total imports by one-  
6 third, as suggested by Petitioners, would add only  
7 three points to the Chinese shares.

8           The overall data would still show that  
9 import market shares have not changed significantly  
10 over the period. The industry trends would remain the  
11 same. The marginal share increase would not  
12 significantly shift any factor affecting the  
13 Commission's analysis, nor would this change the fact  
14 that the U.S. industry and non-subject imports account  
15 for more than 85 percent of the total market.

16           The domestic industry's results and  
17 prospects would still be trending sharply upward. The  
18 data would still show that imports do not compete in  
19 key market segments and that competition in other  
20 segments is highly attenuated. The data would still  
21 show no price depression, no price suppression. The  
22 data would still show that despite underselling,  
23 import shares did not increase. Thus, we still have  
24 no adverse price effects in this market.

25           And finally, even if there were this

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1 marginal increase in imports, it would be absolutely  
2 dwarfed by the demand growth for steel wheels as both  
3 truck and trailer rates, build rates, surge.

4 Now, turning to the demand side, please  
5 refer to chart one that has been handed out. And we  
6 provided this chart in our brief, and it tells a lot  
7 about the condition and prospects of the domestic  
8 industry. As you can see, during the trough of the  
9 recession in 2009, truck and trailer production fell  
10 sharply. Demand for steel wheels, as measured by  
11 apparent consumption, plummeted. Build rates  
12 rebounded in 2010. Demand began recovering quickly,  
13 and then accelerated further in 2011.

14 The chart also shows that build rates for  
15 trucks and trailers are projected to continue to grow  
16 for the foreseeable future. Petitioners are well  
17 aware of these demand trends and the impact on their  
18 operations. In fact, chart two is from Accuride's  
19 fourth quarter 2011 earnings report, which was issued  
20 just last week. The chart shows the trends in the  
21 three main segments driving steel wheel consumption:  
22 class A trucks, medium-duty trucks, and trailers.

23 These figures over a long period, a ten-year  
24 period, vividly highlight the cyclical nature of  
25 vehicle production, the dramatic growth since 2009,

1 and the projections for continued strong demand  
2 through at least 2015.

3 Now, this surge in demand has led directly  
4 to strong earnings growth. Again, while we cannot  
5 discuss the financial data in the prehearing report,  
6 we have a very good proxy as Accuride reports its  
7 earnings separately for its wheels segment.

8 Chart three, again taken directly from last  
9 week's earnings report, shows a dramatic growth in  
10 Accuride's revenue and income. Wheel revenue  
11 increased by 70 percent from \$239 million in 2009 to  
12 \$407 million in 2011. Income increased at an even  
13 faster rate. In fact, it doubled, rising from 49  
14 million in 2009 to 99 million in 2011.

15 Given these numbers, it's pretty hard to see  
16 even a glimmer of injury. Now, these are for the  
17 wheel segments. These are very specific numbers for  
18 the performance of their wheels.

19 Now, Petitioners know these numbers, so  
20 they've claimed that they face a threat of possibly  
21 losing future sales in the OEM truck market. This  
22 imagined threat is speculative at best. As you've  
23 heard from the industry witnesses, Chinese companies  
24 have not supplied any wheels to the truck OEM segment,  
25 and their trailer sales are limited to the smaller

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1 producers that are underserved by Petitioners.

2 When Chinese imports don't even compete in  
3 the most important market segments, it's pretty hard  
4 to see how the domestic industry could be threatened,  
5 particularly when demand projections are soaring.

6 Now, the last point I'll address concerns  
7 Chinese capacity. Petitioners raised the specter that  
8 there is this vast sea of excess Chinese capacity that  
9 will inevitably come to the U.S. The Chinese economy  
10 has been growing strongly for many years, and as the  
11 Commission well knows, the capacity threat is a common  
12 refrain in cases involving China.

13 Yes, total steel wheel capacity is growing  
14 in China. But as described by the industry witnesses,  
15 plant and product limitations mean that only a very  
16 few Chinese companies can produce steel wheels for the  
17 U.S. market. Moreover, even for these companies the  
18 data show that capacity growth is right in line with  
19 the growth in Chinese shipments to the domestic market  
20 and all non-U.S. export markets.

21 I would refer you to the confidential charts  
22 provided on pages 26 and 27 of the Mayer Brown brief.

23 Chart four, which we just handed out, is a sanitized  
24 version of the chart on page 26. As you can see, that  
25 chart shows the increases in each year of the period

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1 in shipments and Chinese capacity. And the annual  
2 increases in Chinese capacity are matched almost wheel  
3 for wheel by increases in domestic and non-U.S.  
4 shipments.

5 Petitioner's claims to the contrary, there  
6 is no excessive capacity growth targeted to the United  
7 States. That concludes my statement.

8 MR. LEE: My name is Adams Lee. I'd like to  
9 talk about how the U.S. steel wheel market is highly  
10 segmented, and I'd like to look at why the OEM segment  
11 is essentially off limits to the Chinese subject  
12 imports. I'd like to call your attention to the  
13 comments submitted by Ford. OEMs like Ford and other  
14 major truck OEMs differ significantly from the  
15 aftermarket customers in their qualification process.

16 Their suppliers must go through a rigorous  
17 qualification process in order to get their products  
18 approved in terms of design, engineering, testing, and  
19 production volume requirements. Even if a supplier  
20 passes the production qualification requirements, the  
21 major OEMs also require suppliers to meet other  
22 support service qualification requirements, such as  
23 quality control, marketing, getting their downstream  
24 customer's approval, the ability to maintain large  
25 inventory and nearby warehouses, just to name a few.

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1           Everything is more rigorous. Everything is  
2 documented. It is our understanding that OEMs do not  
3 -- they document all of these qualification steps with  
4 any potential supplier. To the best of Jingu's  
5 knowledge, no Chinese steel wheels are supplied to  
6 Ford or any other big four truck or big three trailer  
7 OEM, and none have any plans to go through this  
8 rigorous process.

9           Petitioners fear that subject imports pose  
10 an imminent threat to the domestic industry's renewal  
11 of their long-term contracts with a major truck or  
12 trailer OEM are wholly unfounded. They may lose the  
13 long-term contracts to each other, but the absence of  
14 any sales of subject imports to any major OEM during  
15 the entire POI shows that it's extremely unlikely and  
16 virtually impossible that subject imports will take  
17 away one of the major OEM's long-term contracts.

18           In our prehearing brief, we provided a  
19 detailed analysis of the market share data as filtered  
20 by the various market segments and wheel weights, as  
21 collected by the Commission in the final. The  
22 additional breakdown of the market share data  
23 emphatically shows how Accuride and Hayes dominate the  
24 OEM truck and trailer segments and how subject imports  
25 are primarily in other market segments that are

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1 dwarfed by the OEM market.

2           As most of this analysis is proprietary, we  
3 cannot discuss them here, and we will refer you to  
4 pages 10 to 25 of our prehearing brief for this  
5 analysis. However, as a proxy for this market share  
6 data derived from the questionnaire responses, we call  
7 your attention to chart three, which again is from  
8 Accuride's year-end 2011 report.

9           Accuride themselves provide an estimate of  
10 the wheel market shares held in six market segments:  
11 OEM truck, OEM trailer, the aftermarket for steel  
12 wheels, and the three corresponding market segments  
13 for aluminum wheels. Accuride estimates it holds 85  
14 of the OEM truck steel market, and Hayes, now Maxion,  
15 holds the other 15. There are no offshore imports in  
16 this OEM truck market.

17           In the OEM trailer segment for steel wheels,  
18 Accuride estimates it holds one-third, and Maxion  
19 holds the other two-thirds. Again, no offshore  
20 imports in OEM trailers. Only in the aftermarket  
21 segment does Accuride provide an estimate showing any  
22 imports, and they hold only 33 percent, while Accuride  
23 and Maxion hold the other two-thirds.

24           Although these Accuride estimates cannot be  
25 reconciled to the questionnaire data, these estimates

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1 are notable because Accuride is essentially telling  
2 its investors that it believes Accuride and Hayes are  
3 the only ones in the OEM truck and trailer market  
4 segments, and that subject imports don't hold any  
5 share worth showing.

6           With regard to pricing, the Commission's  
7 pricing product data provide even more proof of the  
8 attenuated competition in light of the distinct market  
9 segments and differences in product weights. For  
10 example, the quantities reported for pricing product  
11 one show the domestic industry totally dominates the  
12 market for lighter weight wheels less than 75 pounds  
13 sold to OEMs. The domestic industry's quantities for  
14 this pricing product by itself accounts for a very  
15 large share for total apparent consumption.

16           Another key point with regard to pricing is  
17 that prices fluctuated in the narrow band throughout  
18 the period. Consistent with the Commission's finding  
19 in the prelim, the pricing data still shows there is  
20 no price depression.

21           The staff report also shows no price  
22 suppression, as there was no cost-price squeeze. In  
23 looking at the ratio of the domestic industry's cost  
24 of goods sold to net sales data, the data shows  
25 counter trends that disprove a causal correlation

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1 between subject imports and the domestic industry's  
2 condition. The ratio worsened, while subject imports  
3 declined in 2009, and again improved while subject  
4 imports increased in 2010 and again in interim 2011.

5 The record also shows the domestic  
6 industry's costs reached the highest in 2009, not only  
7 because it was during the worst part of the recession,  
8 but also because it was artificially inflated due to  
9 extraordinary nonrecurring charges related to the  
10 company's bankruptcy. Subject imports cannot be  
11 blamed for this.

12 Finally, our brief carefully describes how  
13 Petitioners lost sales allegations are exaggerated and  
14 inaccurate and must be discounted. In short, subject  
15 imports have not had any adverse price effects.

16 Turning to threat, Petitioners claim that  
17 they're vulnerable. This is not true. Accuride has  
18 publicly told its investors that 2011 was a great  
19 year, and with forecasts of continued improving  
20 demand, they expect 2012 to be even better. Maxion  
21 presumably would not have acquired Hayes if they  
22 thought their condition was so dire.

23 Petitioners point to other products in other  
24 markets as examples of how the Chinese have broken  
25 into the OEM segment. However, as Petitioners

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1 themselves have noted in their brief, the statute  
2 requires consideration of injury to the domestic  
3 industry producing the like product, and it would be  
4 inappropriate to consider any other automotive  
5 products in any other third country market because  
6 these are activities unrelated to steel wheels in the  
7 U.S. market.

8           Finally, Accuride and Hayes both went in and  
9 came out of bankruptcy in 2009, and publicly announced  
10 that the bankruptcy proceedings gave them a fresh  
11 start. Accuride even noted in one of their investor  
12 conference calls that they had even improved their  
13 market share during the reorganization. In light of  
14 their own public comments regarding their emergence  
15 from bankruptcy, the data shows Accuride and Hayes  
16 cannot reasonably be considered vulnerable.

17           In sum, the striking thing about this case  
18 is how little any of the volume price and impact  
19 factors have actually changed over the period.  
20 Although overall demand rose and fell over the course  
21 of the period, market share and pricing for both the  
22 domestics and the subject imports have remained  
23 generally consistent.

24           Although Petitioners argue about pervasive  
25 underselling by subject imports, this underselling did

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1 not result in any significant gain in market share by  
2 the subject imports. Accuride themselves publicly  
3 noted in one of their 2009 conference calls that they  
4 did not lose market share to price, even in the market  
5 downturn.

6 Bottom line, the domestic industry is not  
7 injured. Subject imports have not caused any adverse  
8 volume or price effects. Truck to trailer builds are  
9 forecasted to continue to increase. Subject imports  
10 face significant barriers to the OEM market segment  
11 that will remain insurmountable in the imminent  
12 future. Accordingly, we urge the Commission to find  
13 that the domestic industry is not injured or  
14 threatened with injury by reason of subject imports.  
15 Thank you.

16 CHAIRMAN OKUN: Thank you. And before we  
17 begin our questions this afternoon, I want to take  
18 this opportunity to thank all of the witnesses for  
19 being with us today, and your willingness to answer  
20 our questions. For those who have traveled from far  
21 away, we are particularly grateful for your efforts to  
22 be with us here today. And just a reminder, we have  
23 some three tables of witnesses, so if you could just  
24 repeat your name for the benefit of the court reporter  
25 when responding to questions, it's helpful.

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1           Commissioner Johanson will start the  
2 questions this afternoon.

3           COMMISSIONER JOHANSON: Yes. I thank you,  
4 Madame Chairman. And I thank you all also for  
5 appearing here today. My first question involves  
6 sales of Chinese wheels in the European market, the EU  
7 market. And my first question on that concerns  
8 whether or not Chinese steel wheels are concentrated  
9 in the aftermarket in the European Union, and how much  
10 are in other sectors of the market, in particular the  
11 OEM market.

12           MR. LEE: I think Fenfeng or Jesse from  
13 Zhejiang Jingu can address this.

14           COMMISSIONER JOHANSON: That's fine. Thank  
15 you.

16           MR. WU: Hi. My name is Jesse Wu from  
17 Zhejiang Jingu. We are not aware of any Chinese wheel  
18 maker right now that is in the OEM market in the  
19 European market. Even in the aftermarket, there is  
20 hardly any.

21           COMMISSIONER JOHANSON: Okay. So there is  
22 insignificant sales of Chinese wheels in the European  
23 market. Is that the --

24           MR. WU: Yes.

25           COMMISSIONER JOHANSON: -- the conclusion>

1 MR. WU: Yes.

2 COMMISSIONER JOHANSON: Okay. Because this  
3 morning Petitioner's counsel stated that it was his  
4 understanding that Chinese producers had recently into  
5 a contract with Daimler Trucks to sell wheels in the  
6 European market. Are you aware of that, or any other  
7 contracts or potential contracts along those lines?  
8 Thank you.

9 MR. WU: Yes. Thank you for the question.  
10 No, we are not aware of it, and we're certainly not  
11 being requested or reviewed by any of those companies.  
12 So if we know, we'll definitely know -- we'll be the  
13 first one to know for sure.

14 COMMISSIONER JOHANSON: Okay. Thank you. I  
15 appreciate it. And I'd like to continue along those  
16 lines.

17 MR. SCHNEIDER: Excuse me.

18 COMMISSIONER JOHANSON: Yes.

19 MR. SCHNEIDER: Let me add some  
20 clarification to that. John Schneider. Yeah, there  
21 was testimony early on that I think probably warrants  
22 some clarification. The Petitioners on several  
23 occasions commented that there was product that was  
24 qualified or sold into the European market. There was  
25 other testimony that referenced product being sold

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1 into the automotive industry, and there was kind of a  
2 reference, if I'm not mistaken -- you know, my  
3 impression was that because product was being -- has  
4 penetrated that market, either the European market  
5 and/or the automotive market in North America, that  
6 somehow there is a correlation between that and the  
7 ability of Chinese manufacturers to penetrate the OE  
8 market in North America. I think it warrants  
9 clarification.

10 First of all, the truck OEM market -- and  
11 that was another issue I think that needs  
12 clarification, is when we referenced the commercial  
13 vehicle market, I think the testimony earlier on, that  
14 question came up, and then it was further clarified  
15 that it was a truck OEM market. So when we reference  
16 the commercial vehicle market, typically we reference  
17 commercial vehicles in general.

18 But back to the OEMs in Europe, for example.  
19 To try to jump from the assumption that because a  
20 truck manufacturer has qualified a Chinese wheel or a  
21 wheel from anywhere, for that matter, that somehow  
22 that's going to translate over to North America is  
23 actually not the case. And the reason for that is  
24 that the North American market is substantially  
25 different. And the reason that it's different is it's

1 the only market in the world where the end user has  
2 the ability to basically spec basically any component  
3 on the vehicle.

4           So if you were to go out and buy an  
5 automobile, likely you've got a choice of several  
6 different models, and those models come with a variety  
7 of options. But whatever component is on that model  
8 is on that model, right? You don't get to decide what  
9 air cleaner you want to use. You don't get to decide  
10 what transmission you put in your car. You don't get  
11 to decide what rotors you use on it.

12           Likewise, on the commercial vehicle side of  
13 things, in the North American market, the fleets  
14 actually do get to do that. They get to decide  
15 basically every component that goes on that vehicle.  
16 So basically, every truck that comes down the  
17 manufacturing line is a custom-made vehicle. So there  
18 is a huge difference between the U.S. market and the  
19 European market in the sense that they get to decide  
20 what goes on that vehicle. And the reason that's  
21 important is that for an OEM to qualify an offshore  
22 product -- and it was already stated in a couple of  
23 testimonies -- that there is rigorous requirements to  
24 penetrate a truck OE, I can personally tell you that  
25 that's the case, and it's not just the case for an

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1 offshore product. It's the case for domestic guys,  
2 too.

3           If there was a domestic guy today trying to  
4 displace -- say there is another domestic wheel  
5 manufacturer trying to displace Hayes or Accuride.  
6 They would have to go through that same process. And  
7 for Mr. Schagrin to say that he believes that there is  
8 imminent threat in a 12-month period is absurd. It  
9 can't happen, unless it was somebody who was already  
10 catering to that party, who had already been proven,  
11 who already had been tested, who had already gone  
12 through the hurdles of the marketing, the sales, the  
13 engineering, the testing, and in this case, approval  
14 by the end user and the ability to sell that product  
15 into the marketplace.

16           So I think it's important that we clarify  
17 that because there was a lot of testimony that I saw  
18 that was confusing because there was an assumption  
19 that because the Chinese are selling into the  
20 automotive industry or they're selling into Europe or  
21 other places in the world that somehow they have an  
22 easy entry into the U.S. market. Absolutely not the  
23 case.

24           COMMISSIONER JOHANSON: Okay. Thank you for  
25 your response. And this might be a question for Mr.

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1 Lee or anyone else on the panel. And that is I was  
2 wondering if you could comment on the Petitioner's  
3 argument that the Commission adjust upward the  
4 importers' and foreign producers' data due to a lack  
5 of complete response from those groups.

6 MR. LEE: We completely disagree that any  
7 adjustment is warranted. First of all, Petitioners  
8 listed and identified five additional Chinese  
9 Respondents from the Department of Commerce  
10 proceedings that had allegedly not responded to the  
11 questionnaire responses. We can go through this in  
12 detail in our post-hearing brief, but each of those  
13 five have actually been accounted for.

14 Wooshi Superior is an OTR producer. We  
15 believe they're importers -- has submitted a  
16 questionnaire response. Stone Wheel we understand has  
17 recently just submitted their foreign producer  
18 questionnaire response. Shom and Toko is an affiliate  
19 of Sunrise, who has submitted their questionnaire  
20 response. Shanghai Yata is Jingu's affiliate, and  
21 their data is incorporated in Jingu's questionnaire  
22 response.

23 The only one who has not submitted a foreign  
24 producer response is Centurion, and their importer's  
25 questionnaire response -- they did submit an

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1 importer's response. So we believe that all of the  
2 Chinese producers that are allegedly missing are fully  
3 accounted for.

4 We note that, you know, Petitioners have  
5 thrown out the number that there are at least 50  
6 Chinese producers, but yet in their petition, they  
7 were only able to identify 24 with specific names or  
8 address. We haven't seen a list of any specific  
9 Chinese producers yet, and this morning they testified  
10 they're working on it. You know, they filed this case  
11 more than a year ago, and they're still struggling to  
12 identify any Chinese steel wheel producers that can  
13 ship to the U.S. market.

14 Frankly, the bottom line is the six or eight  
15 that we identified are the only ones who are shipping  
16 to the U.S. market. I don't believe that they can  
17 identify any Chinese steel wheel producers that really  
18 should be reporting. As the Department of Commerce  
19 demonstrated in their mandatory respondent section  
20 process, there are a lot of Chinese wheel producers  
21 out there, yes. But these are wheel producers that  
22 are producing alloy wheels, sizes that are too small.

23 They're producing tubed wheels or something that  
24 wouldn't be shipped to the U.S. market.

25 So, yes, there are wheel producers, but in

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1 terms of actual ones capable of shipping to the U.S.  
2 market, you're looking at a very small handful.

3 COMMISSIONER JOHANSON: All right. Thank  
4 you for your response. According to the staff report,  
5 the majority of responding purchasers reported that  
6 domestic and imported steel wheels from China were  
7 always or frequently interchangeable. How does this  
8 fit with your argument about attenuated competition?

9 MR. LEE: I think our industry, yes, can  
10 sort of talk about how they're interchangeable in the  
11 various market segments, maybe addressing the  
12 difference in wheel weights and how that would affect  
13 them.

14 MR. CUNNINGHAM: I'm Tom Cunningham. I  
15 think if I understand, I believe you're asking what  
16 are the different segments of wheels and why they  
17 would be different.

18 COMMISSIONER JOHANSON: That is correct.  
19 And if you could try to make this kind of a short  
20 question because I just realized I'm about a minute  
21 over my time.

22 MR. CUNNINGHAM: Sorry.

23 COMMISSIONER JOHANSON: And I appreciate  
24 your responding.

25 MR. CUNNINGHAM: Sure. And I'll go quickly.

1 The OE truck segment, the OE trailer segment, Hayes  
2 makes a 68-pound wheel. That's their standard wheel.  
3 Accuride makes their standard wheel, and you can look  
4 at their catalogue and see that's the wheel that  
5 weighs 68 pounds, talking 22.5, 8 record, 5 handhold,  
6 standard truck trailer wheel.

7 We import a 79-pound wheel. It's a Chinese  
8 wheel that has five handholds. It's a 22.58 and a  
9 quarter. The primary reason we sell it to the  
10 aftermarket is because that's the only segment that  
11 will accept a heavier wheel. As was testified this  
12 morning, when somebody walks in, I think Dave Willis  
13 did, he said the guy doesn't say what does it weight.  
14 It's how much does it cost. Weight is not an issue  
15 in the aftermarket.

16 And to prove the point, that's why Accuride  
17 came out with their Statesmen wheel, which weighs the  
18 same as the Chinese wheel, 79 pounds. And even though  
19 it weighs more steelwise, they sell it for less, which  
20 is contrary to testimony given this morning. I hope  
21 that helps.

22 COMMISSIONER JOHANSON: That does. Your  
23 response was helpful. And I apologize to my  
24 colleagues for taking an extra few minutes there.

25 CHAIRMAN OKUN: That's fine. We're very

1 lenient with you, Commissioner Johanson. You're new.

2 Not lenient with my lunch time, however. Yes.

3 COMMISSIONER JOHANSON: Thank you.

4 CHAIRMAN OKUN: Watch that light. Thank  
5 you. Mr. Schneider, I'd like to go back to you with  
6 respect to the clarifications you were providing on  
7 the information with respect to OEM in the EU or in  
8 other countries. And I'm wondering what can be put on  
9 the record to support what you say because I think,  
10 you know, it was a major contention or a major point  
11 this morning, that if there are sales to a Daimler-  
12 Chrysler, or a Daimler in the EU of the same product,  
13 and if these are multinational OEMs. I guess I would  
14 say in other cases here, I have listened to that in  
15 terms of how a contract negotiation might proceed with  
16 respect to OEM truck manufacturers in the United  
17 States. It could be relevant that they have qualified  
18 with another big OEM in another country.

19 So help me understand. Again, I heard your  
20 testimony, but what would we be able to look to in the  
21 record? What could we put on the record to support  
22 that?

23 MR. SCHNEIDER: Well, you'd simply have to  
24 just go to any truck dealer anywhere in North America  
25 and spec out a vehicle as if you were going to buy a

1 vehicle. And what they would do is they would direct  
2 you to what they call a data book. And the data book  
3 basically breaks the truck down. They don't use a  
4 book anymore. It used to be about that thick. Today  
5 it's all done electronically.

6 But basically, you can go and you can spec  
7 out any component on the truck. When I say any  
8 component, not any component, but the vast majority of  
9 the components. As I mentioned in my opening, that I  
10 sold a lot of product to the truck OEs. For example,  
11 one of the companies I represented, we had one  
12 component in the vehicle. We maintained 20,000 part  
13 numbers on one component at one OE.

14 So if you look at that, you can see it's  
15 exponential as far as the part numbers and the variety  
16 to what you can make. The rest of the world  
17 basically, especially in Daimler's case because  
18 Daimler is very -- they're, well, vertically  
19 integrated, but they're very proud of the fact that  
20 they build a very good product.

21 Their strategy and their marketing strategy  
22 has been such that, hey, we build a truck. We're  
23 going to build the best truck in the world, and then  
24 we're going to tell the customer base it's the best  
25 truck in the world, and they're going to buy it. That

1 happens in other markets. It doesn't happen in North  
2 America. And the reason it doesn't happen is because  
3 the fleets have the leverage. The fleets have the  
4 ability to spec the vehicle specific to what they do  
5 and, you know, what their lanes require and what type  
6 of product they're hauling, and on and on and on.  
7 It's a very competitive marketplace in the U.S.

8 As you guys all know, everything in the U.S.  
9 is moved by truck, okay? And I'm very passionate  
10 about the truck industry and, you know, it's a very,  
11 very important industry, and because it's required  
12 here, okay? You can't move -- I mean, they move by  
13 rail, but not like they do in Europe.

14 CHAIRMAN OKUN: Okay. So again, you're much  
15 more familiar with understanding how these things go  
16 than I am, so you have to break it down a little bit  
17 for me. If these contracts that the Petitioners  
18 reference, if the OEM truck contracts are coming due  
19 in the next --

20 MR. SCHNEIDER: Right.

21 CHAIRMAN OKUN: -- 12 months, and you are  
22 someone who would like to bid on those -- and again,  
23 in this hypothetical, I guess I am assuming there is a  
24 Chinese bidder. What would they have to go through  
25 that's different here than to sell in the E.U.?

1           MR. SCHNEIDER: Well, they'd likely have to  
2 go through very much the same requirements. First of  
3 all, the very first thing that they have to do is get  
4 on the bidders list, okay? They'd have to be supplied  
5 an RFQ, a request for quote, okay? And once they  
6 presented that request for quote, supposing that their  
7 price is attractive to the OEM. Then they'd be  
8 referenced to the engineering department likely. And  
9 the engineering department then would have to qualify  
10 the product. They would look at drawings. They would  
11 take product. They would look for test data that the  
12 supplier would supply, and then once they looked at  
13 that, then would take it and likely do their own  
14 testing. They all have their own test facilities.  
15 And then what they do is likely put the product on a  
16 vehicle and send it to the proving grounds.

17           And the vehicle that goes the proving  
18 grounds, what they do is they basically torture a  
19 truck. They run it through a vigorous regime of  
20 different kinds of events. They call them events.  
21 There are cobblestones. There is ice, replicate, you  
22 know, the vehicle on ice. They do a myriad of events.  
23 Then at the proving grounds typically 12,000 miles  
24 represents the lifetime of a truck. So you can  
25 imagine how rigorous it is to be able to make that

1 assumption typically trucks go for, you know, hundreds  
2 of thousands of miles if not millions of miles in  
3 their lifespan.

4 SO this testing goes on and on and on. You  
5 have to be able to pass that to the satisfaction of  
6 the OE. And once you've done that, then you get the  
7 marketing and sales people involved, and they say,  
8 okay, look, we're going to go to the market with  
9 another brand. And again, it doesn't have to be  
10 offshore. It can be a domestic guy. We're going to  
11 go to market with another brand. What will the  
12 industry say to that brand? What will the industry  
13 say? Will it be readily accepted? And then they have  
14 to make a determination of whether it's prudent or not  
15 to make that change based on all that criteria.

16 CHAIRMAN OKUN: Okay. And so whether or not  
17 someone had qualified in the EU with an OEM using the  
18 same -- going through the same process or a similar  
19 process --

20 MR. SCHNEIDER: Yeah.

21 CHAIRMAN OKUN: They would --

22 MR. SCHNEIDER: Still have to do it here.

23 CHAIRMAN OKUN: Still have to do that there.

24 A question I might put to counsel and others -- Mr.  
25 Lee, it looked like you were looking for a mike. But

1 to me, the staff report at this point in terms of the  
2 qualifications, it's perhaps not broken down as much  
3 between the different segments as possible. But I  
4 guess I would encourage you to take a look at what is  
5 in the staff report to see if that is consistent with  
6 what I'm hearing. Mr. Lee?

7 MR. LEE: I think the staff report addressed  
8 the qualification process in general, OEM truck, OEM  
9 trailer. There was discussion about how as you move  
10 up and down the value chain, the purchasers have  
11 different qualification concerns there. Aftermarket  
12 has the least rigorous concerns. OEM trailer and then  
13 the OEM truck have the most rigorous ones.

14 Perhaps Jesse or Fengfeng can talk about the  
15 Chinese OEM process. And my understanding is that  
16 they are qualified in China for certain OEMs, but that  
17 does not translate in any way to being able to qualify  
18 or it being on a quicker path to qualification for a  
19 U.S. OEM truck manufacturer in any way.

20 CHAIRMAN OKUN: Okay. Thank you. Mr. Wu or  
21 Mr. Sun?

22 MR. WU: Yes. That is true. The  
23 qualification in China is quite different than the  
24 U.S. or in Europe. But also to the comment earlier  
25 regarding -- John's comment. In the E.U., their

1 market and also their wheel size is very different  
2 than U.S. and China. And their specs are different.  
3 The wheels, they don't use lightweight wheel. They  
4 use weight wheels like around 100 pounds. So the  
5 industry then is very different. So I just want to  
6 get that clarification.

7 CHAIRMAN OKUN: Okay. Well, again if any of  
8 that additional information about the different world  
9 by markets could be put on the record, I think that  
10 would be helpful to see.

11 And then coming back up, Mr. Schneider,  
12 although now I may be losing my train of thought. I  
13 believe that Mr. Dauch or one of the witnesses from  
14 Accuride had commented on KIC moving into domestic  
15 industry territory. I'm thinking taking sales. I  
16 don't know. It might be that this is confidential  
17 information, or the information would have to be  
18 responded to confidentially.

19 But can you talk about your market  
20 penetration in traditional -- I shouldn't say  
21 traditional -- into the different segments of the U.S.  
22 market?

23 MR. SCHNEIDER: Yeah. Let me comment, and  
24 then I'll let our president, Greg Hatton, also  
25 comment. As far as -- if we're talking about the

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1 product that's involved in this hearing, we haven't  
2 been approached by any OEM with regard to providing an  
3 RFQ as it relates to the contracts that are coming  
4 due. Quite frankly, before his hearing, I wasn't  
5 aware that the contracts are coming due, but if they  
6 are, we have not been approached by anybody at any  
7 truck OE with regard to any contract that's coming due  
8 with regard to steel wheels. And I can tell you quite  
9 frankly, if we were approached with that, we would  
10 decline to bid.

11 MR. HATTON: Greg Hatton, KIC. If you don't  
12 mind, I'll add a few comments. It was testified this  
13 morning by Petitioner's counsel that an 80-pound wheel  
14 was the same as a 70-pound wheel. Ten pounds is not  
15 that significant. My experience in our industry,  
16 which is almost 40 years, is that that is not the  
17 case.

18 Truck OEMs, larger trailer OEMs, care about  
19 the weight of the wheel. And a 79-pound wheel is not  
20 the same as a 68-pound wheel or 69-pound wheel. So  
21 the ability of any Chinese producer to enter the  
22 market of the large OEMs, or even medium trailer OEMs,  
23 without a lightweight wheel, and as defined by under  
24 70 pounds, is in our experience and based on our  
25 knowledge of Chinese producers not possible.

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1           CHAIRMAN OKUN: Thank you. I appreciate  
2 those responses. Vice Chairman Williamson.

3           VICE CHAIRMAN WILLIAMSON: Thank you, Madame  
4 Chairman. I too want to express my appreciation to  
5 the witnesses for coming today, and especially those  
6 who have traveled a long way.

7           Just to continue on this line of inquiry for  
8 a minute. And I guess in a sense we're sort of asking  
9 you to prove a negative, you know, that Chinese  
10 producers aren't ready to -- or can't and are not  
11 interested in being qualified by the large OEMs. But  
12 I was wondering whether or not are any of the Chinese  
13 producers supplying to U.S. manufacturers who are  
14 operating in China -- are they qualified to provide  
15 them with wheels, and are those wheels any different  
16 from ones here?

17           MR. WU: As far as trailer industry or  
18 trailer manufacturer or truck, none of them are in in  
19 China present at this moment.

20           VICE CHAIRMAN WILLIAMSON: Neither truck nor  
21 trailer?

22           MR. WU: Yes.

23           VICE CHAIRMAN WILLIAMSON: What about other,  
24 say, global manufacturers like Daimler or Volvo?

25           MR. WU: Yes. There is company who --

1 Daimler has approached several industry -- the wheel  
2 makers. That's very, very hard, even to this day, as  
3 far as I know. They still cannot pass their test.

4 VICE CHAIRMAN WILLIAMSON: Okay. Not the  
5 same product, but what about in terms of passenger  
6 vehicles? I mean, are Chinese suppliers, they are  
7 supplying wheels for passenger vehicles in the U.S.  
8 Is that true?

9 MR. LEE: They're thinking about this. I  
10 think we can look into that. Since we've been looking  
11 at commercial vehicles, we really haven't looked at  
12 passenger vehicles at all.

13 VICE CHAIRMAN WILLIAMSON: I guess the point  
14 that the Petitioners were making this morning was  
15 that, you know, there is a pattern, and the Chinese  
16 suppliers have already made it in these markets. And  
17 I guess anything you can have to shed light on that  
18 would be helpful post-hearing.

19 MR. LEE: Yeah. I think we'll look into  
20 that. But I think the record, what you have in front  
21 of you, is data regarding the volume and the pricing  
22 of OEMs and specifically OEM trucks. To the extent  
23 that you can see what you have in the 2008 through  
24 interim 2011 period, we believe that is the most  
25 representative data of how much -- the capability of

1 Chinese producers to get into the OEM segment. Our  
2 other --

3 VICE CHAIRMAN WILLIAMSON: Excuse me. The  
4 point this morning was that it's a rapidly growing  
5 capability and that it's going to -- and that, you  
6 know, what is going to happen in the next two or three  
7 years is quite different than what it has been in the  
8 past.

9 MR. LEE: Right. I guess --

10 VICE CHAIRMAN WILLIAMSON: And I guess  
11 that's what we're trying to understand.

12 MR. LEE: My understanding is that -- or the  
13 testimony today is that it's not a light switch that  
14 can go on so quickly. It is a quite lengthy, rigorous  
15 process. And if that process had started, you would  
16 have seen some more signs of that in the data already.

17 These long-term contracts, it's not like there is a  
18 magic witching period for all of these contracts. Our  
19 understanding is that long-term contracts have expired  
20 during the period. And yet we didn't see any  
21 penetration from the Chinese in that segment, even  
22 though there are -- have been some long-term contracts  
23 that have expired.

24 So the next round of long-term contracts  
25 expiring is in our view a red herring because there

1 have been other long-term contracts that seem to have  
2 expired during the period.

3 VICE CHAIRMAN WILLIAMSON: Okay. Anything  
4 you can provide post-hearing that would sort of  
5 document the differing contentions here or your view  
6 of this would be helpful.

7 MR. SCHNEIDER: John Schneider here. Not to  
8 occupy the microphone, but again, Chinese wheels have  
9 been in the -- Chinese wheels specific to this hearing  
10 have been in the North American market for over 10  
11 years. So the time period that we're looking at is  
12 2008 to 2011. It's simply not when they started.  
13 They've been in the market for ten years. So they've  
14 not been able in that time period been able to migrate  
15 up the technology chain or whatever you want to call  
16 it to be able to put themselves in a position to gain  
17 a conquest situation with truck OEs or larger trailer  
18 OEMs.

19 VICE CHAIRMAN WILLIAMSON: Okay. What about  
20 in terms of the aftermarket? Do they start off with  
21 the trailer market and move to the truck market, as  
22 was contended this morning?

23 MR. SCHNEIDER: We started -- Chinese wheels  
24 started in the aftermarket.

25 VICE CHAIRMAN WILLIAMSON: Yes. But I mean

1 in the aftermarket, do they start with trailers and  
2 then move to trucks or --

3 MR. SCHNEIDER: No, no. It's the same  
4 application, typically.

5 VICE CHAIRMAN WILLIAMSON: Okay, okay.  
6 Thank you. Well, as I said, anything post-hearing  
7 would be appreciated. To what extent do prices in one  
8 part of the market affect prices in the other? For  
9 example, are OEM prices -- to what extent are OEM  
10 prices -- are OEMs aware of the prices in the  
11 aftermarket, and how do you think that affects the  
12 contract negotiations?

13 I had raised -- I had asked the Petitioners  
14 this question this morning, so I wanted to get your  
15 views on it.

16 MR. CUNNINGHAM: Tom Cunningham with the  
17 Cunningham Company. Thank you for the question. I  
18 heard this morning that it was very clear, and I  
19 believe correct, that the OEMs, because of their OES  
20 sister aftermarket activity, clearly understand what  
21 the aftermarket pricing is, and of course they know  
22 what their own price is.

23 I think an important question is do the  
24 aftermarkets, do the Dave Willises and the Tom  
25 Stewarts of the world know OE pricing, and I doubt it.

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1 I think even if they do, we talked about the sacred  
2 aspect of the three-year contract. It's an illusion.  
3 It's a mistake to grab that and say what happens in  
4 three years. Everything could go crazy. I worked for  
5 Accuride for almost 30 years. I had Volvo for five  
6 years. I sell Chinese wheels. I don't go to Volvo to  
7 sell them wheels because I don't offer the value  
8 package. I know I don't. I'm not going to waste  
9 their time, nor mine.

10 VICE CHAIRMAN WILLIAMSON: Excuse me. What  
11 do you mean by value package?

12 MR. CUNNINGHAM: Accuride has three steel  
13 wheel plants in North America. Hayes has one.  
14 Accuride has an 85 -- I think 85. They say 85 percent  
15 market share of truck. Trucks run a \$150,000 vehicle  
16 down that production line. They can't count on Hayes  
17 generally speaking with their one plant in Akron, not  
18 because they're not a good company. One plant. What  
19 if a tornado goes through?

20 So Accuride has a value strength. Also,  
21 look at the product line. I sell two or three part  
22 numbers. Volvo needs about 30. And Accuride has  
23 aluminum wheels. All these truck people use aluminum.  
24 So the value grows with the product line, the lighter  
25 wheel, the aluminum, just in time for -- I'm sorry.

1 I'm going crazy.

2 VICE CHAIRMAN WILLIAMSON: No, no. That's  
3 fine. It was just the value package I didn't  
4 understand. The rest of it is quite clear.

5 MR. CUNNINGHAM: Yeah. But so you -- it's  
6 not just the steel wheel. It is the package of the  
7 reliability. For example, the aftermarket guy doesn't  
8 care about the weight of the wheel. His customers  
9 don't care. So we don't need to have that value.

10 VICE CHAIRMAN WILLIAMSON: Okay. What about  
11 the just-in-time delivery? This morning it was  
12 commented that basically what the Chinese are doing is  
13 stocking a lot of stuff in warehouses in the U.S. so  
14 they can provide just-in-time.

15 MR. CUNNINGHAM: My business is I place an  
16 order. Hopefully 30 days later it shipped. Thirty  
17 days later, if the ship is not delayed, it arrives at  
18 the customer. That's a 60-day lead time. Accuride  
19 testified this morning that their value package of  
20 delivering a wheel is -- I think they said two or four  
21 days, or maybe a week. Or Tom Stewart said at the  
22 most maybe two weeks. Great value package.

23 VICE CHAIRMAN WILLIAMSON: Is the importer  
24 then stocking more just so that he can -- are you  
25 stocking more than you might otherwise?

1           MR. CUNNINGHAM: I don't stock wheels. I  
2 can't afford to.

3           VICE CHAIRMAN WILLIAMSON: Okay.

4           MR. LEE: Our understanding is that --

5           VICE CHAIRMAN WILLIAMSON: Thank you.

6           MR. LEE: -- there are only a very limited  
7 number of Chinese suppliers that have importers that  
8 are affiliated in importing and stocking in their own  
9 warehouse networks. It is not a prevalent practice  
10 because of the cost involved to have such a warehouse  
11 system set up there.

12           VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

13          From your point of view, are there differences in the  
14 production and product specification requirements for  
15 OEM wheels versus aftermarket wheels?

16           MR. CUNNINGHAM: Class A truck wants their  
17 vehicles to be lighter. They add so many things to  
18 it. When EPA requires a new fuel package, it makes  
19 the vehicle heavier. So they're constantly looking  
20 for lighter weight components. Aluminum wheels are an  
21 obvious way to do it. That's why Accuride and Hayes  
22 went to a 68-pound wheel because Accuride did, because  
23 there are only a few companies in the U.S. So that  
24 was that value package to the OEs.

25           CHAIRMAN OKUN: Okay. Thank you, and my

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1 time has expired. And thank you for those answers.

2 MR. CUNNINGHAM: Sure thank you.

3 CHAIRMAN OKUN: Commissioner Pearson.

4 COMMISSIONER PEARSON: Thank you, Madame  
5 Chairman. My greetings also this panel. It's very  
6 good to have you here, and I appreciate your patience  
7 in hanging in with us.

8 I'd like to follow up on the Vice Chairman's  
9 questions about this concept of value package, which  
10 is not something that I had thought about until now.  
11 And you might want also to elaborate for purposes of  
12 the post-hearing. But what I'm trying to understand  
13 is how important is this as a condition of competition  
14 for entering into a business relationship with the  
15 OEMs? Does one need a value package for anything you  
16 provide to them, or are there some products that if  
17 you just produce widgets, and they need widgets,  
18 they'll buy from you instead of someone who produces  
19 widgets and gidgets and fridgets?

20 MR. HATTON: Greg Hatton, KIC. As Tom  
21 indicated, value packages is his word, but a typical  
22 OEM supplier, he mentioned, has 20 or 30 part numbers  
23 that they would require. If one of the Petitioners  
24 were to lose his position as the primary supplier to a  
25 truck OE, the new supplier, whether it be Hayes or any

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1 other wheel supplier, would also need to provide that  
2 breadth.

3           And again, there is a range of wheels  
4 required by trucks that's very broad. None of the  
5 Chinese manufacturers have that broad range of  
6 capacity. So I think it would be very, very  
7 difficult. That's one part of Tom's value package.

8           The second part is again, we keep talking  
9 about the weight. The Petitioners indicate that the  
10 Chinese are able to buy this high-strength, low-alloy  
11 steel. It's not just something you go buy off a  
12 shelf. You just don't order it up from your steel  
13 company. It's this long, long development process.  
14 And based on our experience, we have not seen any of  
15 the Chinese companies doing that.

16           The other markets of the world, Europe,  
17 South America, really every other market except the  
18 United States, does not put the premium on weight that  
19 the United States does. That to me is the biggest  
20 barrier to entry that any other supplier, especially  
21 one without any experience -- it would stretch  
22 credibility to think that a supplier who comes in with  
23 allegedly a 68-pound wheel who has never built it  
24 before, who has never offered it before, would be  
25 entertained and received at any truck or trailer OE.

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1                   COMMISSIONER PEARSON: Okay. Mr. Lee, is  
2 the record quite complete on that issue, or are there  
3 more things we should understand for purposes of the  
4 post-hearing? Because as I understood the testimony  
5 this morning from the domestic industry, they believe  
6 they can be knocked out of the marketplace by just a  
7 large supplier of wheels from China with perhaps a  
8 limited product offering. And if you have a different  
9 view of the market, it would be good if you could help  
10 me to understand that.

11                   MR. LEE: I believe this is kind of a gray  
12 area because in terms of the responses that you've  
13 gotten on the qualification process, I think the  
14 questionnaire asked for a lot of checkbox responses.  
15 And in terms of the limited narrative responses, it  
16 wasn't a terribly clear picture there. It also is a  
17 little blurry because you have different OEMs that are  
18 responding to these questions, and the staff report is  
19 kind of lumping them all together.

20                   Here, we're really just talking about the  
21 OEM truck guys now. And in terms of --

22                   COMMISSIONER PEARSON: Not the trailer  
23 manufacturers, in other words.

24                   MR. LEE: Primarily, we're talking, yeah,  
25 just the OEM truck guys here. So the discussion here

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1 really is breaking new ground. And I think we can try  
2 to, you know, focus this and give you a clearer  
3 picture of what is happening on this qualification  
4 process just for the truck OEM.

5 COMMISSIONER PEARSON: Okay. And if there  
6 is a similar phenomenon for the trailer manufacturers,  
7 then address that, too. Or if it doesn't exist for  
8 the trailer manufacturers, perhaps explain why. Maybe  
9 someone would comment on that now from your  
10 experiences. Mr. Cunningham.

11 MR. CUNNINGHAM: Thank you. Tom Cunningham.

12 I like to talk about like what really happens in the  
13 marketplace. And take trailer, Wabash Trailers, the  
14 largest producer of trailers in the United States. I  
15 think they built 40,000 trailers last year, maybe more  
16 than that. That's 350,000 wheels. Accuride had  
17 supplied them as their number one primary supplier 20  
18 or 25 years. Hayes got that business in the first of  
19 2011.

20 I know the Wabash people. I've called on  
21 them. They didn't even call me and ask me to quote  
22 their business. I represent a Chinese wheel that  
23 doesn't offer the value. They know me. They know  
24 what the process is. But they also knew Hayes. Hayes  
25 is a domestic supplier with the product line that

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1 would meet what they have. I don't know the details  
2 on why the switch was made. But also in this  
3 conversation I hope that the committee will see that  
4 this is not just a Hayes-Accuride versus the Chinese.

5 This is also a Hayes-Accuride fight going on. And  
6 their price decreases. Well, they gave Hayes the  
7 business. I'm sure it wasn't because of their good  
8 looks. It had to be a price decrease.

9 So at any rate -- but that's to give you a  
10 real world picture of how difficult it is from an OE  
11 truck and trailer perspective, at least my  
12 perspective. Thank you.

13 COMMISSIONER PEARSON: Okay. So your  
14 position then is that the Chinese wheels are quite  
15 competitive in the aftermarket, and they have -- there  
16 are some challenges to competition for the Chinese in  
17 either the trailer or certain of the OE tractor  
18 market.

19 MR. CUNNINGHAM: There are real challenges  
20 to entry for sure. The other thing is -- and I think  
21 Accuride alluded to this this morning, that the  
22 highest price of a wheel, at least from Accuride's  
23 perspective, is aftermarket. So that's the easier  
24 place to enter the market and be competitive.

25 COMMISSIONER PEARSON: Mr. Schneider.

1           MR. SCHNEIDER: Can I just add that -- John  
2 Schneider. Can I just add that in our prehearing  
3 preparation, we had some discussions with everybody  
4 that's here, and nobody that's represented here has  
5 ever received a formal RFQ from any OEM, truck or  
6 trailer, for steel wheels.

7           COMMISSIONER PEARSON: Okay. So if you  
8 wanted to solicit that business, you'd have to go  
9 knock on doors or ring phones or -- pardon? Mr.  
10 Hatton?

11           MR. HATTON: I'm sorry. It would be  
12 necessary to have a wheel that met the specifications  
13 of the industry.

14           COMMISSIONER PEARSON: Okay. So you've got  
15 to find -- you would have to develop a lightweight  
16 wheel somewhere in the world outside the United States  
17 that would be acceptable in this country.

18           MR. HATTON: Or in the United States.

19           COMMISSIONER PEARSON: Or in the United  
20 States. Of course, of course.

21           MR. LEE: I think in our discussions we  
22 noted that a lot of these OEM truck manufacturers are  
23 very sophisticated global companies. They are looking  
24 for global supply chains, and they're aware of who is  
25 out in the market as potential suppliers. And yet as

1 they go through their rigorous qualification process,  
2 they're only knocking on a few doors. A lot of people  
3 may be knocking on their doors trying to get their  
4 attention, but they're not answer them.

5           You asked if, you know, you just knock on  
6 the door and try to solicit their business. I don't  
7 think that would get any response from any of the  
8 truck OEMs. You know, they have their qualification  
9 process, and they're going to be the ones to decide  
10 who they want to talk to as a potential supplier. And  
11 so far to date, it hasn't been any Chinese supplier  
12 yet.

13           MR. SCHNEIDER: Let me just add I know  
14 representatives from domestic suppliers, component  
15 suppliers, who have placed representatives in the same  
16 -- they've assigned a truck OE to that representative,  
17 and his responsibility is to cultivate business. And,  
18 you know, 15-20 years of calling him, have never  
19 cultivated any business.

20           COMMISSIONER PEARSON: It must require a  
21 great deal of patience, I should think. This is a  
22 somewhat different question. In the White and Case  
23 brief, in Exhibit 14, there is a strategic analysis of  
24 the Chinese commercial truck market by a company,  
25 Frost and Sullivan. I think this is public. I can

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1 speak about this, right? Yes, okay.

2 I was curious. On page 10, there is a chart  
3 showing the commercial truck market, where things are  
4 headed for the next several years. 2010 is the base  
5 year. And you might have to respond in the post-  
6 hearing, but my question is one of the scenarios  
7 showed the possibility of a 2.2 percent decrease in  
8 consumption of tires for the year 2011. And that's  
9 behind us now. So someone might know actually whether  
10 Chinese consumption, what did go down by 2.2 percent,  
11 or did it have a better result than that?

12 The numbers are presented in a range, with  
13 2.2 being the low, and the high being 9.5, I guess.

14 MR. LEE: We would have to address this in  
15 the post-hearing brief. Our understanding of -- there  
16 are many different industry sources looking at the  
17 Chinese commercial vehicle market. Their definitions  
18 of what vehicles they're covering may vary slightly.  
19 And trying to reconcile the various data sources can  
20 be a challenge.

21 I think you're right that, you know, as of  
22 2010, there was a range of estimates, that it was  
23 going to be a little bit soft, or on the high end it  
24 would continue to increase. You know, I think 2011  
25 did show that there was a softening of demand, but yet

1 most of the forecast that we've seen looking past 2012  
2 and beyond still show overall a projected increase.

3 I think the term with regard not just to  
4 specifically Chinese commercial vehicle demand, but  
5 also the Chinese economy, is that there is slower  
6 growth, but there is still growth. So the overall  
7 picture is that it's going up, but maybe just not as  
8 fast as it has been in the past five to ten years.

9 COMMISSIONER PEARSON: Okay. Well, thank  
10 you. Did you --

11 MR. ROGERS: Yeah. This is Tom Rogers,  
12 Commissioner Pearson. I'd just note that in the  
13 record already on table 7-3, you have information on  
14 Chinese shipments in the domestic market. And from  
15 that, you can see that the shipments of wheels  
16 themselves actually increased in 2011 over 2010. It  
17 looks like it's more than 10 percent.

18 COMMISSIONER PEARSON: Okay. Thank you.  
19 And of the advantages of running well past my time is  
20 that it makes Commissioner Johanson feel much better.

21 Thank you, Madame Chairman.

22 CHAIRMAN OKUN: Commissioner Aranoff.

23 COMMISSIONER ARANOFF: Thank you, Madame  
24 Chairman. The testimony of the panel this afternoon  
25 has been that there aren't any Chinese producers who

1 are able to make lightweight wheels or get high-  
2 strength steel that you need to make lightweight  
3 wheels. And I realize that in some sense, as my  
4 colleague Commissioner Williamson said, you're being  
5 asked to prove a negative.

6 But if you look in our staff report, where  
7 we segregated the data by weight, there are Chinese  
8 imports in the 65-75 pound category which clearly  
9 overlaps with what you've all said is the very  
10 standard 68-pound domestic product. Where are those  
11 coming from? Where are they going? And what does  
12 that say about your argument that nobody in China can  
13 make those tires?

14 MR. ROGERS: This is Tom Rogers. I'll take  
15 the first stab at that. This investigation covers  
16 wheels from 18 inches to 24-1/2 inches. And when  
17 we're talking about 68- or 79- or 82-pound wheels,  
18 we're talking about 22-1/2 inch wheels. Because that  
19 question covers all subject merchandise, it could  
20 easily be covering wheels that are of a smaller size  
21 and therefore a smaller weight. So I don't think you  
22 can rely on that table for identifying the weight of a  
23 22-1/2 inch wheel.

24 COMMISSIONER ARANOFF: Okay. Well, fair  
25 enough. And I said tires again when I meant wheels.

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1 We all have tires on the brain. But you've also  
2 argued that if the Chinese producers are not providing  
3 wheels for like trucks in the U.S., which was what I  
4 understand was using those smaller sizes, and that  
5 Chinese producers are providing maybe smaller sizes  
6 that are going into agriculture, which are offroad  
7 segments, which may be heavier -- so I'm still not  
8 sure what it makes sense that that could represent.

9 MR. ROGERS: Right. Well, we can look into  
10 it in more detail. You know, again, the investigation  
11 does cover a range of products, and it's certainly  
12 possible that there are exports of smaller sizes that  
13 are falling in those weight categories that are not  
14 going to -- you know, these truck wheels that we're  
15 talking about.

16 MR. LEE: Right. We would have to go back  
17 and find the specific importers that are reporting  
18 those -- the ones that are showing up in those  
19 categories. But I think emphatically we can say with  
20 regard to truck OEM standard 68-pound wheel that  
21 Accuride and Hayes are producing, there is absolutely  
22 no way that the Chinese are providing that kind of  
23 wheel and that that is showing up in your data tables.

24 COMMISSIONER ARANOFF: Okay. Well, I'll  
25 look forward to anything else that you can glean from

1 looking at name porters. Mr. Wu, you are the official  
2 is in charge of sales in the U.S. market for your  
3 company?

4 MR. WU: Yes.

5 COMMISSIONER ARANOFF: Okay. Have you ever  
6 paid a sales call on a U.S. truck OEM?

7 MR. WU: No.

8 COMMISSIONER ARANOFF: Have you ever sent  
9 any kind of a written offer or solicitation to a U.S.  
10 truck OEM?

11 MR. WU: No.

12 COMMISSIONER ARANOFF: Has one of them ever  
13 talked to you at a trade show or any other place where  
14 you might informally discuss doing business together?

15 MR. WU: No, not at all.

16 COMMISSIONER ARANOFF: Same thing for  
17 trailer OEMs?

18 MR. WU: Yes.

19 COMMISSIONER ARANOFF: Okay. Thank you.  
20 Mr. Lowe, do you know the answer to that question for  
21 the Chinese producers that you represent?

22 MR. LOWE: No, Commissioner, I don't have  
23 that information right off the top of my head. So  
24 consistent with what the other people said, we'll look  
25 into that and provide an answer with our post-hearing

1 brief.

2 COMMISSIONER ARANOFF: Thank you very much.

3 There was a little bit of discussion earlier about  
4 this issue of what Chinese producers or exporters may  
5 have affiliated warehousing in the United States. Do  
6 any of the companies that are represented here today  
7 -- and I guess that's five companies. Any of them  
8 have warehouses in the United States for this product?

9 MR. WU: Well, I'm speaking for Jingu. We  
10 don't have any.

11 COMMISSIONER ARANOFF: Mr. Lowe, through  
12 your companies, do you know if any of them have  
13 warehouses -- if they needed warehousing in the United  
14 States?

15 MR. LOWE: No, to the best of my knowledge  
16 none of these companies have any warehousing, and I'll  
17 confirm that.

18 COMMISSIONER ARANOFF: Okay.

19 MR. LOWE: I'm almost certain the answer to  
20 that question is no.

21 COMMISSIONER ARANOFF: Okay. Mr. Hatton,  
22 did you want to add something?

23 MR. HATTON: Greg Hatton. Our business  
24 model is different. We're an American company. We  
25 employ U.S. employees. We do have warehouses. We're

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1 a distributor, so we purchase our products and keep  
2 those in our warehouses throughout the U.S.

3 COMMISSIONER ARANOFF: Okay. Domestic  
4 producers in the panel this morning, they referenced  
5 some instances where Chinese producers or perhaps  
6 importers who may not be affiliated with them or may  
7 be affiliated with them are able to serve at least  
8 some OEM customers, maybe because they're smaller  
9 trailer OEMs or some other examples, by offering to  
10 set up a warehouse close to their production location  
11 in order to get rid of the risk associated with the  
12 long supply chain.

13 Are any of you aware of any of the companies  
14 that are actually involved in that?

15 MR. CUNNINGHAM: I'm not aware of -- I'm Tom  
16 Cunningham. I'm not aware of any of that activity.  
17 And the logic would pass that if you go to that  
18 expense, a trailer typically has a one-year contract,  
19 and go to the expense to facilitate an inventory would  
20 not make sense to me. So that logic follows my  
21 observation. No.

22 COMMISSIONER ARANOFF: Okay. Does anyone  
23 else want to comment on that?

24 MR. LEE: From the DOC proceedings, we saw  
25 that Centurion does have an affiliate that is based in

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1 Utah. My understanding is that they do have a  
2 warehouse network, but I believe they're so far the  
3 only ones that have that kind of warehousing network.

4 That's discussed by Petitioners this morning.

5 COMMISSIONER ARANOFF: Okay. That's  
6 helpful. Thank you. There was a discussion today by  
7 some of the witnesses about the fact that the larger  
8 OEMs have to really look at business risk for the  
9 larger number of parts that they need and the large  
10 number of types of parts that they need. And just so  
11 my question is -- and I certainly invite the domestic  
12 producers to answer this post-hearing as well.

13 We often see that in industries that have  
14 that concern there is a practice of having more than  
15 one qualified supplier for a larger company that faces  
16 a risk of supply disruption. But we don't see that  
17 here. Why is that? Why aren't any of even the  
18 smaller possible suppliers able to get qualified as a  
19 backup?

20 MR. CUNNINGHAM: It's a very unusual  
21 industry that we're in in the steel wheel industry. I  
22 was looking at *Transport Topics Magazine*, March 5th,  
23 and they were talking about the tire industry that  
24 supplies the heavy-duty truck. And I think there were  
25 12 different suppliers of tires to the same market

1 that Hayes and Accuride service. Because of those  
2 dynamics, I think it's even more important to this OE  
3 to be sure that he gets supply. So we don't see them  
4 out shopping.

5 You know, a vehicle can't go anywhere  
6 without wheels. So once it has been made, it is  
7 coming off that production line. If wheels aren't  
8 there, they're in trouble. So that's my number one  
9 take from it, at least from a truck and a trailer  
10 standpoint. That's why -- and there are only two.

11 COMMISSIONER ARANOFF: Right. Well, that's  
12 your point. But I think what you're -- what I  
13 understood was that purchasers have contracts with  
14 only one.

15 MR. CUNNINGHAM: That's correct.

16 COMMISSIONER ARANOFF: And why would you  
17 have only one when you could have at least two and  
18 maybe more, since there are other suppliers globally?

19 MR. CUNNINGHAM: From my experience,  
20 although this was years ago, not that many years ago,  
21 oftentimes within contracts there will be, for  
22 example, we will give you this price for 85 percent of  
23 your use. We'll give you this price for 90, this  
24 price for 100. This industry tends to work to the  
25 point that -- the other thing is the truck OEs don't

1 want to have a lot of suppliers. It's a mess, the  
2 part numbers.

3 I know John testified that they do, and he's  
4 correct, that the end user gets to specify whatever.  
5 But day to day, they'll say, this is our standard. We  
6 can certainly supply whatever you want, when they've  
7 been qualified. I'm afraid I've confused the issue.  
8 Sorry.

9 COMMISSIONER ARANOFF: No. That's all  
10 right. That's all right. Thank you all for your  
11 answers. Thank you, Madame Chairman.

12 CHAIRMAN OKUN: Before I turn to  
13 Commissioner Pinkert, I will note that I am not  
14 turning the heat up in the room. I see people just  
15 taking off their jackets everywhere, and I'm not  
16 trying to get anyone out of here. It's just we're  
17 trying to work out the fact that it's a nice day, and  
18 somehow we can't get some air in here. So we'll  
19 continue with the heat torture with Commissioner  
20 Pinkert.

21 COMMISSIONER PINKERT: With Commissioner  
22 Pinkert? I don't intend for this to be heat torture.  
23 But in any event, I want to begin with Mr. Lowe. And  
24 we've talked a lot about certification requirements.  
25 And I'm not going to be focusing on what those

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1 requirements are in these questions. But I'm  
2 wondering, you testified that you weren't aware of any  
3 Chinese company applying for certification for sales  
4 to truck OEMs. And I'm wondering, was there any kind  
5 of investigation, or did you conduct any inquiries, or  
6 did you ask around, or is it simply that you're not  
7 aware?

8 MR. LOWE: Commissioner Pinkert, the company  
9 that we deal with, Jingu, is represented here today,  
10 and the companies that our law firm represents, none  
11 of those companies have been approached by the OEMs to  
12 be qualified to produce these -- the lightweight  
13 wheels that the OEMs require. And as I said, none of  
14 these companies are able to produce those types of  
15 wheels. And we have done relatively extensive  
16 research in China based on Jingu and other companies'  
17 contacts there, and have not been able to uncover any  
18 Chinese company that can.

19 I mean, I believe the testimony was that  
20 there are approximately eight companies that have the  
21 ability to export wheels to the United States that  
22 would meet the general requirements of even the  
23 heavier weights that are used here. A lot of the  
24 companies produce wheels in the range of 80 to 85  
25 pounds in China. They produce tube-type wheels, et

1 cetera. So of the companies that do export to the  
2 United States, like I say, the ones we represent, the  
3 ones that have been talked to, none of them have ever  
4 been approached, and none of them can produce the type  
5 of lightweight wheels that the OEM, the major OEMs in  
6 the United States, require.

7 COMMISSIONER PINKERT: Thank you for that  
8 answer. And if it's possible in the post-hearing to  
9 detail some of the investigation in China of companies  
10 other than the companies that you represent who you  
11 can testify about directly, but if you could talk  
12 about the inquiries that were made, that would be very  
13 helpful.

14 MR. LOWE: Okay. We'll do that.

15 COMMISSIONER PINKERT: Thank you. Now, I  
16 want to get into the reasons why the Chinese companies  
17 can't produce the -- or allegedly can't produce for  
18 sales to the truck OEMs. And you heard this morning  
19 that there is this learning curve and that, you know,  
20 it's just a matter of time, and not a very long time  
21 at that, according to the Petitioners, before the  
22 Chinese companies will be able to meet the technical  
23 requirements.

24 Now, I'm not talking about going through the  
25 certification process. I'm leaving that to one side

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1 for purposes of these questions. But simply the  
2 question of whether they can produce the product,  
3 whether they can produce a lightweight product for the  
4 truck OEMs. And I'm wondering whether there is  
5 anybody on the panel that can talk about the learning  
6 curve, if there is one, and whether it's going to take  
7 a long time or a short time.

8 MR. LEE: I think Zhejiang Jingu they may be  
9 able to talk a little bit about this. Our  
10 understanding is that it will take a very long time,  
11 and that the learning curve is pretty steep. This  
12 morning, we heard testimony from the domestic industry  
13 talking about how long it took them to get to a  
14 lighter weight wheel. I believe they mentioned that  
15 it took them two to three years to get that product so  
16 that it could produce it consistently.

17 I think Jingu can talk about this a little  
18 bit more, but in China, there is absolutely no  
19 interest whatsoever in a lighter truck. There is no  
20 kind of interest in having a lighter truck. To the  
21 contrary, they actually want a heavy truck to handle  
22 the overloads that the Chinese freight is typically  
23 handling there.

24 So in terms of market demand in China for a  
25 lightweight wheel, there absolutely hasn't been and

1 for the foreseeable future there hasn't been, and that  
2 also gets to the issue of steel suppliers. Because  
3 there is no interest in a lightweight wheel, the steel  
4 producers have no interest in working with the steel  
5 makers like Jingu and others to work with them to  
6 provide steel that could make a lightweight wheel  
7 because there is just no downstream demand for a  
8 lightweight steel wheel, and thus for lightweight  
9 steel that could meet those specifications.

10 If Jingu has -- I will see if they can add  
11 anything to that.

12 MR. WU: Yes. My name is Jesse Wu.  
13 Regarding the lightweight wheel, why Chinese producer  
14 has not investigated or tried to even make that wheel,  
15 the reason being is this require a very high-strength  
16 steel. It's not something currently in China, and of  
17 these steel mill can produce. And even if they do, it  
18 has got to go through a lot of testing to meet that.  
19 And right now, just in Chinese market alone, the  
20 trailers -- for example, we supply one of the largest  
21 trailer manufacturer in the world, CMC. They produce  
22 100,00 trailers a year, and they don't require any of  
23 those weight wheels.

24 We can just readily produce the current  
25 weight wheel we have and ship it to them. So there is

1 no need for us to invest all that money and time to do  
2 that. And again, the qualification, the weight -- nor  
3 we have the technology, nor the people, the supports  
4 to do that. I think one of the Petitioners, they make  
5 one of their light wheels. It take a long time to  
6 master that, I think.

7 COMMISSIONER PINKERT: Thank you. I want to  
8 jump to a different topic. As you heard earlier  
9 today, there is this claim that there was basically a  
10 petition effect in 2011, and that that's why some of  
11 the performance indicators changed from 2011. And I  
12 heard you respond to that earlier today by saying that  
13 there wasn't a significant change in the market share  
14 for the subject imports during the period of time.

15 I'm wondering about the unit values of the  
16 subject imports during 2011 and whether they might  
17 have been impacted in some way by this petition  
18 effect.

19 MR. SCHNEIDER: John Schneider. If we're  
20 talking about when the initial tariffs were imposed,  
21 at least the initial tariff, we actually raised our  
22 price in the industry and actually ended substantially  
23 higher priced than the domestic guys, and our two  
24 largest customers told us that they were going to  
25 maintain doing business with us even at a substantial

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1 penalty to the North American manufacturers.

2           So we, at least with our two largest  
3 customers, we continued for a period of time. But  
4 then when the second go-around came -- I think it  
5 affected us by like 126 percent, and at that point, we  
6 were rendered uncompetitive, and basically that  
7 stopped product coming into the U.S. from our  
8 perspective.

9           MR. ROGERS: This is Tom Rogers. I think  
10 the AUV data that we have on the record right now is  
11 over the extended period, so it's for, you know, each  
12 calendar year plus the interim period. So it's really  
13 not very helpful in doing that type of analysis. But  
14 the pricing product information that you have does  
15 look at things a in little more detailed manner. It  
16 looks at it on a quarterly basis plus on a more  
17 specific product basis. And I think there we can see  
18 that the trends are fairly consistent over the entire  
19 period. The prices, I think as the staff found,  
20 fluctuate or move within a very, very band, and there  
21 is no great change over the period.

22           MR. LEE: Another reason why -- because the  
23 AUV data may be of limited value is because of the  
24 market segmentation and the range of products that are  
25 showing up in the overall data that you're getting in

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1 the AUVs. This is in contrast to the pricing product  
2 data, which is specific to a particular product.

3 So with the AUVs, you may have some data of  
4 sales to an aftermarket, to an OEM trailer, to an OES.

5 So you're going to have different pricing because of  
6 the different segments and the different product types  
7 in there. So the AUVs is an overall grab bag, sort of  
8 that combines all of these variables from the  
9 different market segments.

10 COMMISSIONER PINKERT: Thank you. Thank  
11 you, Madame Chairman.

12 CHAIRMAN OKUN: Commissioner Johanson.

13 COMMISSIONER JOHANSON: Yes. Thank you,  
14 Madame Chairman. And I have a few more questions.  
15 And the first one I'll direct to Mr. Wu, and anyone  
16 else is welcome to respond as well. And this is a  
17 followup as well to questions asked by Commissioner  
18 Aranoff and Commissioner Pinkert.

19 The Petitioners note that Chinese producers  
20 are now marketing lighter weight steel wheels in the  
21 United States. Jinning Centurion is now marketing the  
22 lightweight Gladiator steel wheel in the United  
23 States, and Xingmin Sunrise is marketing a lightweight  
24 tubeless wheel. And I'm also aware that Shandong  
25 Xingmin Wheel Company is planning to make a

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1 lightweight steel wheel at a new factory that just  
2 started in China.

3 I was wondering if you have any response to  
4 this information provided by the Petitioners.

5 MR. WU: I don't know about the three  
6 companies that you -- a determination. I have not  
7 seen it in the U.S. market that have shipped any of  
8 those lightweight wheels here, nor have I seen them in  
9 China. So certainly for us, we don't have those  
10 wheels yet. So we're not even interested to producing  
11 them.

12 COMMISSIONER JOHANSON: Yes, Mr. Cunningham.

13 MR. CUNNINGHAM: Yes. Tom Cunningham. I  
14 would add to that that I saw the Centurion ad on their  
15 web site in 2008, and I've never seen that wheel that  
16 they advertised. That's the only input I could give.

17 COMMISSIONER JOHANSON: Yes, Mr. Schneider.

18 MR. SCHNEIDER: We actually -- in response  
19 to that, we were looking at the Centurion web site,  
20 and we saw the same thing. And yesterday, I called as  
21 many of our customers as I could to poll them, to ask  
22 not only -- they've since, because of the 80D  
23 petition, they're now purchasing from someone else.

24 I asked have they -- are they using a  
25 lightweight wheel in the 68- to 75-pound price range

1 -- or weight range, excuse me. Or have they run into  
2 it anywhere in the marketplace during not only  
3 recently, but in the time that we were supplying the  
4 product, and the answer was no in all cases.

5 MR. CUNNINGHAM: Could I add one quick thing  
6 on the point of the 68-pound wheel? You could  
7 probably engineeringly build a wheel that weighed 50  
8 pounds, but it wouldn't work. It wouldn't pass any  
9 test. So some of the game about what a wheel weighs,  
10 you've also got to look at the other side of the  
11 equation. Does it work? Will it pass SHA-267, radio  
12 and fatigue?

13 So that's the other side of the equation. I  
14 guess anybody can go out and advertise, I've got a 50-  
15 pound wheel. But it doesn't mean a whole lot without  
16 the whole picture. Thank you.

17 COMMISSIONER JOHANSON: Yes, and thank you.  
18 And, Mr. Schneider, you mentioned that during -- that  
19 U.S. producers faced capacity restraints during the  
20 mid-2000s. Are you aware if that has occurred during  
21 the period of investigation?

22 MR. SCHNEIDER: It has, and all you've got  
23 to do is, you know, Google OEM truck capacity  
24 limitation or supply chain limitation, and you'll see  
25 where three of the four top OEMs went on record in

1     *Transport Topics* saying that their manufacturing  
2     output was being restricted by the supply chain  
3     inability to keep up.

4             Now, Daimler, they were the only one that  
5     didn't have the same testimony. They basically said  
6     that they were able to keep up on supply chain. Their  
7     supply chain was keeping up, although there was a  
8     tremendous amount of expedited freight that was being  
9     used to get product to the plants in a just-in-time  
10    fashion.

11            Now, that's components in general. So if  
12    we're speaking about steel wheels specifically, I  
13    don't -- they didn't identify the products that were  
14    the limiting pacing factor.

15            MR. LEE: Because our guys aren't actually  
16    dealing with them, we really can't speak to what is  
17    actually happening with the supply right now. You  
18    know, to the best of our knowledge, we haven't heard  
19    of anything like that.

20            COMMISSIONER JOHANSON: Thank you. Yes, Mr.  
21    Rogers.

22            MR. ROGERS: If I may, I think in some of  
23    the -- a couple of the questionnaires, there are some  
24    references to supply disruptions or issues with  
25    availability. That is, the purchaser questionnaires.

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1           COMMISSIONER JOHANSON: Okay. Thank you. I  
2 know that the European Union is a major third-country  
3 market for Chinese exports. It is a third-country  
4 market. I guess there is some contention as to how  
5 big that is. I was wondering if you could describe  
6 demand projections for the European Union and other  
7 third-country markets and what those third-country  
8 markets are.

9           I know that there is -- I believe there is  
10 an antidumping order in India.

11           MR. LOWE: If I could -- this is J.C. Lowe  
12 with Mayer Brown. If I could address that question  
13 briefly. There is information in the record, a  
14 projection, for exports to the European Union. It's  
15 confidential by one of the responding companies. And  
16 so I would refer you to that. And we can -- I'll be  
17 sure to highlight that in our post-hearing brief of a  
18 quantity of wheels that they plan to export to the  
19 European Union.

20           And so otherwise -- I mean, you know, I  
21 don't have any additional information on the -- like I  
22 believe Mr. Wu testified up to his information, the  
23 European Union is not a major -- or has not been in  
24 the past a major market of Chinese exporters.

25           MR. LEE: I would address the nature of the

1 orders in question. I believe the EU order was  
2 involving aluminum wheels, not steel wheels. The  
3 Australian order that they're referring to was  
4 demountable wheels, which is a very, very small, minor  
5 part of the market. The India wheels are for tubed  
6 wheels because of the road conditions in India. You  
7 know, they're using a tube-type that is not used here  
8 in the U.S.

9           With respect to Argentina, the record showed  
10 that there was a prelim determination in 2009, but no  
11 final determination to date and, you know, the WTO  
12 rules do have a permit as to how long provisional  
13 measures may last. Jingu has told us that they have  
14 shipped to Argentina since that prelim date without  
15 being subject to any antidumping duties. So we don't  
16 have any details as to the size of those markets, but  
17 we would submit that none of those markets that have  
18 these alleged antidumping actions are really relevant  
19 to our commercial steel wheels.

20           COMMISSIONER JOHANSON: Thank you. That is  
21 the conclusion of my questions.

22           CHAIRMAN OKUN: For purposes of -- I believe  
23 this would be post hearing for all counsel.  
24 Petitioner counsel, both in the brief and in the  
25 testimony today has pointed us to the purchaser

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1 questionnaire responses on what is likely to happen in  
2 the future to support his threat arguments, so for  
3 post hearing if you could take a look at those  
4 responses and provide me with your analysis of how we  
5 should take those into account for evaluating threat  
6 factors.

7           And then Mr. Cannistra, I'll just go back to  
8 you, I know you've been sitting back there very lonely  
9 in your third row and it always -- honestly if I were  
10 representing a company that feels like they didn't  
11 hear -- or feels like they were being affected without  
12 having a real say I'm sure I would also be here. But  
13 it is just for me personally because everyone can  
14 approach this differently, the fact that the light  
15 product argument was not raised when we flagged it in  
16 the prelim puts me at least in a position that is not  
17 what I'm looking at. I mean, I don't think that we  
18 have the information to be doing so. So it troubles  
19 me that it's being raised at this point.

20           But to the extent there are data issues, and  
21 you flagged some of those, if you could continue to  
22 work with our staff post hearing to understand that --  
23 whether there is any way to look at the record to help  
24 understand the competitive conditions that you  
25 highlight I will look at that.

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1           MR. CANNISTRA: Sure, sure. And if I could  
2 just make a brief comment?

3           CHAIRMAN OKUN: Sure.

4           MR. CANNISTRA: If I could. Just to clarify  
5 on the like product, we are not seeking to expand in  
6 any way the like product. The like product is  
7 currently defined to include all steel wheels. So  
8 what we're asking the commission to do is to look if  
9 the existing like product actually needs to be parsed.

10          CHAIRMAN OKUN: Right. But I'm just saying,  
11 just for my purposes, we don't have the information on  
12 the record so --

13          MR. CANNISTRA: Sure.

14          CHAIRMAN OKUN: -- it wasn't collected that  
15 way, so you know, being asked to do something I don't  
16 have evidence for in my view.

17          Mr. CANNISTRA: Sure, I certainly understand  
18 that. But I think that one additional thing that  
19 contributes to that lack of evidence is the absence of  
20 Titan. We hear very, very little about Titan in this  
21 proceedings. So to the extent, the import -- there is  
22 some lack of evidence to the import side, there's  
23 certainly -- the purchase side, which we're working  
24 to remedy as quickly as we can, but there is clearly  
25 evidence lacking as well from the domestic production

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1 side.

2           And it's interesting, just listening to the  
3 discussion today, almost every question that I heard  
4 and almost every answer that I heard was imbedded with  
5 almost a belief that -- when we were talking about  
6 OEM, the question was meant, well, except for mining  
7 and construction titles, even when I heard references  
8 to individual producers today there was frequently  
9 references to the two U.S. producers with very, very,  
10 very little clarification offered.

11           There are not two U.S. producers, there's  
12 four potential U.S. producers. There's Titan, and  
13 Caterpillar also believes GKN also produces in the  
14 U.S. as well. And I offer that because those are  
15 perceptions. They are perceptions in this room,  
16 they're perceptions in this industry, and perceptions  
17 in and of itself is one of the like product criteria.

18           And I think all of the evidence today suggest that  
19 the industry, both domestic as well as the import  
20 side, certainly perceive off-road to be a very  
21 different industry than the on-road applications.

22           Even Petitioner's testimony today, we heard  
23 today. They don't know if their tires are being used  
24 in a mining or a construction application. I can  
25 guarantee you, if they were being used on a

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1 Caterpillar truck, they would know. They would  
2 certainly know that.

3 And so, as we go through this process and we  
4 certainly were to fill the factual record and the gaps  
5 that exist, we do hope some understanding is shown  
6 that what has happened of the timing of Caterpillar's  
7 place in this investigation simply reflects the  
8 perception that everyone has even carried forward in  
9 this room today.

10 CHAIRMAN OKUN: Okay. I'll look forward to  
11 the additional factual information that you can  
12 provide post-hearing.

13 And then, let's see, I wanted to -- I had a  
14 data question with respect to information that's on  
15 the record on the forecast. This might have been --  
16 well, I don't know if this was phrased before. This  
17 is the ACT and FTR forecast from the trucking -- and  
18 I'm not sure which brief this is in right now, but if  
19 there's more recent data from any of these or other  
20 sources, again just looking at forecasting  
21 information, would be helpful. Mr. Rogers?

22 MR. ROGERS: Well, as far as I know, the  
23 most recent -- and we can research this obviously, but  
24 the most recent data that I've seen is what Accuride  
25 put in their 8K last week and that shows calendar year

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1 data through 2011 and projections through 2015. So,  
2 we can see when that was actually issued.

3 CHAIRMAN OKUN: All right, okay. I'm aware  
4 of that. I appreciate that. And then just, I think  
5 you've had some chance for counsel to respond to the  
6 argument that the pendency of the petition, the filing  
7 of the petition affected the volume price and,  
8 therefore, that those trends -- that accounts for  
9 those trends and, therefore, that we should not look  
10 at that as -- that the industry was not affected by  
11 subject imports, that this is the counterfactual  
12 argument. And I wondered if there was anything else  
13 you wanted to add, in addition to the responses I  
14 heard to Commissioner Pinkert with respect to the  
15 AUVs, I think they focused on that.

16 MR. LEE: Yeah. I mean, I think that pretty  
17 much summed it up there. We can address it in greater  
18 depth with the proprietary information. We're kind of  
19 limited to what we can really say, so we can do that -  
20 -

21 CHAIRMAN OKUN: Okay.

22 MR. LEE: -- post-hearing.

23 CHAIRMAN OKUN: I appreciate that. If you  
24 could take -- pay attention at post-hearing, address  
25 that post-hearing. And I think with that, I have

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1 covered my questions. I want to thank you for all  
2 those responses and let me turn to Vice Chairman  
3 Williamson.

4 VICE CHAIRMAN WILLIAMSON: Thank you, Madam  
5 Chairman. Just a few additional questions. Let's  
6 see, do you contact -- are your contracts typically  
7 contain technical support clauses and I guess if you  
8 don't have any OEMs, what I was going to ask you is  
9 different OEMs, after market sales, but you don't have  
10 the OEM contracts, I guess.

11 MR. WU: In China, an OEM, yes, there is a  
12 clause to indicate the technical side of it.

13 VICE CHAIRMAN WILLIAMSON: Okay. What about  
14 contracts in the U.S. market with -- and the after  
15 market?

16 MR. WU: After market, no.

17 VICE CHAIRMAN WILLIAMSON: Okay. So, you  
18 don't provide technical support in the --

19 MR. WU: No.

20 VICE CHAIRMAN WILLIAMSON: -- importers.  
21 Okay. Now how costly and time consuming is it to  
22 switch from producing non-subject wheels, such as  
23 wheels that are below 18 inches or above 24-1/2  
24 inches, how costly to switch to subject wheels?

25 MR. WU: It's about half the --

1           MR. LEE: You're asking about like within  
2 the 18 inch to 24 inch, like how much to shift there?

3       Or are you talking --

4           VICE CHAIRMAN WILLIAMSON: No, just to shift  
5 from, say, producing either 18 to 24 inch to other  
6 wheels that are outside the subject category, or if  
7 you're producing non-subject wheels, how time  
8 consuming is it to switch to producing subject wheels?

9           MR. LEE: If you're making a big shift, like  
10 if you're going from a passenger vehicle wheel to a  
11 commercial vehicle wheel, you're essentially doing a  
12 complete new plant. You wouldn't be able to do that  
13 without setting up another plant. That's my  
14 understanding.

15          VICE CHAIRMAN WILLIAMSON: What about in the  
16 truck line?

17          MR. LEE: Similar. I think if you're  
18 looking for an incremental change, like from a 17-1/2  
19 inch to an 18 inch, that is theoretically -- my  
20 understanding is that it's possible to do that because  
21 it's within the ranges that your existing equipment  
22 can handle. But, it's not like you can one day do a  
23 22-1/2 inch wheel on that line and then the next day  
24 or the next week switch it out to produce a 16 inch  
25 wheel. It doesn't -- physically, from an engineering

1 standpoint, it doesn't work like that, according to  
2 what Jingu told us.

3 VICE CHAIRMAN WILLIAMSON: Okay. So, it  
4 depends on what you -- if you have equipment that is  
5 doing 18 inch, you can go down maybe a little bit.  
6 But --

7 MR. LEE: I believe -- I guess if you look  
8 at what Hayes is doing, Cedalia, I believe, is doing a  
9 primarily passenger or light truck and Akron is doing  
10 just commercial vehicles. You know, theoretically,  
11 could Cedalia do a bigger commercial truck wheel? I'm  
12 not sure, but the folks here are saying no. You know,  
13 it's a generally understood fact in the industry that  
14 Hayes or Cedalia plant is not in the commercial  
15 vehicle wheel segment. Only Akron is.

16 VICE CHAIRMAN WILLIAMSON: Okay, thank you.  
17 Not now, but post-hearing, how many producers of  
18 subject steel wheels are there in China? And please  
19 provide a coverage estimate for the producers that  
20 responded to our foreign producer questionnaires.

21 MR. LEE: We'd be happy to address that in  
22 our post-hearing.

23 VICE CHAIRMAN WILLIAMSON: Okay, thank you.  
24 And with that, I have no further questions. I want  
25 to thank you for your answers.

1 CHAIRMAN OKUN: Commissioner Pearson?

2 COMMISSIONER PEARSON: Thank you, Madam  
3 Chairman. There already has been some discussion  
4 about the possibility of producing a light weight  
5 wheel in China and I understand right now, it's not  
6 clear that that's actually being done. But, if a firm  
7 was to make a decision to produce such a wheel, would  
8 I be correct to understand that they would be doing it  
9 with the intent not to sell it in China, because it  
10 would have a hard time handling the road conditions  
11 and the heavy loads, but only for export?

12 MR. WU: Yes. This is only for U.S. market.

13 COMMISSIONER PEARSON: Okay. And if a firm  
14 -- this is all hypothetical, but, you know, when we're  
15 thinking about threat, we can look out in the future  
16 and wonder what might happen. To produce such a tire,  
17 is it more a matter of cost, of spending the money for  
18 the equipment to produce it? Or is it more a matter  
19 of developing the technical skill to -- or is it both?

20 MR. WU: Yes, it's both. It's the amount of  
21 cost, time consuming, and allowing mass into the  
22 machinery and, also, the raw material.

23 COMMISSIONER PEARSON: Okay. Mr. Cunningham  
24 -- Mr. Rogers, sorry.

25 MR. ROGERS: I just wanted to clarify that

1 when we're talking about light weight wheels, that we  
2 should be care that we specify the actual weight that  
3 we're talking about, because what may be a light  
4 weight wheel in the U.S. may not be considered a light  
5 weight wheel in China. And somebody in China may call  
6 a 79 pound wheel light weight because the standard  
7 there is much heavier. So, we'll be certain to  
8 specify the weights.

9 COMMISSIONER PEARSON: Fair enough. Would  
10 it be good to specify 70 pounds or under then, would  
11 that get us to a light weight? No? Okay. Mr.  
12 Cunningham, you had a comment?

13 MR. CUNNINGHAM: Yes, thank you. Beyond the  
14 technical aspects, which is really not my expertise,  
15 if you make it, you need to be sure you have a market  
16 for it. So, I believe that it's a longer process to  
17 get, for example, a freight liner to say, okay, Mr.  
18 Cunningham, I'll look at your wheel, than it would be  
19 to do the technical aspects. And let's say it take  
20 two years -- I don't know, but let's say it takes two  
21 years to make the wheel commercially available, if  
22 that were the case and I want to sell it, I need to be  
23 going to freight liner tomorrow to get that processed,  
24 so it's just in time to have a potential customer.  
25 So, to me, and I just want to interject, there's a lot

1 more involved and it's all about the customer and  
2 whether they would accept the process.

3 COMMISSIONER PEARSON: Thank you. You  
4 actually anticipated my next question, which is --

5 MR. CUNNINGHAM: I'm sorry.

6 COMMISSIONER PEARSON: No, no, no, that's  
7 good, that's good. We're thinking alike maybe. The  
8 expectation would be if a Chinese manufacturer was to  
9 make this 70 pounder lighter tire -- wheel, rather,  
10 that it would probably not be to sell in the after  
11 market because the testimony, as I understand it, is  
12 that heavier tires are less -- heavier wheel, it's  
13 getting to be a long day -- heavier wheels are less  
14 expensive and they control the after market. So, the  
15 Chinese manufacturer, if he's going through all this  
16 effort, would be wanting to perhaps initially target  
17 the trailer manufacturers that might be looking for  
18 lighter weight tires. Is that correct? Or would he be  
19 going directly to Freightliner and the other truck  
20 manufacturers?

21 MR. CUNNINGHAM: If I were to -- wanted to  
22 target this, I think the first thing I would do, and  
23 this goes back to John Schneider's testimony, I would  
24 go to a fleet, who had a requirement for a light  
25 weight wheel, and say, when you buy your Freightliner

1 tractors and your Wabash trailers next time, would  
2 you, please, at least put my wheel in your  
3 specification. I'll take an Accuride. I want that 68  
4 pound wheel or I'll take my wheel as an option. That  
5 would be the first thing. And that takes a lot of  
6 time because they're not going to just hey, Tom, how  
7 you're doing. Okay, we're watching your data book.  
8 So, that way when that order comes in from the  
9 Freightliner salesman to the Freightliner plant, they  
10 say, well, they'll take my wheel and we'll offer it,  
11 but we're going to have to certify it, so it's sure  
12 not going to be on this order. But that would be the  
13 first step I would take, is call on the user. You  
14 have to call them all at the same time is the truth of  
15 the matter.

16 COMMISSIONER PEARSON: Okay. Mr. Schneider?

17 MR. SCHNEIDER: I'll just add to that, you  
18 know, again the testimony that Denny Weisend gave  
19 earlier today, you know, he commented on the barrier  
20 to entry to the truck. You have to be able to cover  
21 all the part numbers and I think we addressed that a  
22 little bit earlier, too. So just the fact that you  
23 have this -- if they were to develop a light weight  
24 wheel, we're using a hypothetical scenario, if they  
25 were, they would still have to be able to cover all

1 the part numbers and the range of the requirements,  
2 which none of them do today. So, that's a barrier to  
3 entry.

4 The other issue I'd say is when we talk  
5 about the Accuride, Hayes light weight product, I  
6 think the testimony today was, again from Mr. Noll,  
7 that that just didn't happen over night. It took a  
8 long time and, specifically, to the 68 pound wheel.  
9 And I think if you look at it, I can't say this  
10 definitively, but I believe that there's been a  
11 progression, you know, from an 80 pound wheel down to  
12 a 68. In other words, they went to a certain weight  
13 and then they got through all of the hoops that were  
14 required to get through that and then found that they  
15 could go to another weight and then to another weight  
16 and then to another weight and finally end up at a 68  
17 pound wheel.

18 That being said, you know, for -- and let me  
19 add, these are probably the most experienced top wheel  
20 engineers in the world who are specific to this  
21 market. These guys know what they're doing at  
22 Accuride and Hayes with regard to engineering their  
23 product for this marketplace. So, I think to just say  
24 that the Chinese are just going to overnight be able  
25 to, you know, take a product and make a 68 pound wheel

1 without the -- as Bill Noll alluded to, the technical  
2 input and the requirements it takes beyond just the  
3 steel that is required to make this product, the  
4 secret sauce, if you will, frankly, I just don't see  
5 it.

6 COMMISSIONER PEARSON: Yes, Mr. Cunningham?

7 MR. CUNNINGHAM: Thank you. One other  
8 aspect of this light weight 66 pound wheel and the  
9 advantage is, of course, the value. The user wants  
10 it, the trailer -- the truck guy, the trailer guy  
11 says, man, my trailer is light.

12 The other thing is the manufacturer. High  
13 tinsel strength steel costs more per pound, but you're  
14 taking 10 or 12 pounds out of a wheel. There's also a  
15 cross benefit. So, if you can get more money for it  
16 because of the higher value, and, yet, at the same  
17 time have a lower cost product or an even product with  
18 what you did have, there's a goldmine. So, there's a  
19 great motivation from a manufacturing standpoint to do  
20 that, to satisfy the market.

21 COMMISSIONER PEARSON: Okay. And Mr. Lee, I  
22 think I'm correct to infer that your position is that  
23 all of these steps can't happen within the reasonably  
24 foreseeable time frame that we would be looking at in  
25 a threat consideration?

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1           MR. LEE: Right. I mean, I think this  
2 morning Mr. Schagrin referenced a 12-month, one-year  
3 period, you know, as the threat, that there are long-  
4 term agreements that are up for renewal. That's the  
5 window that they're concerned about. If that's what  
6 he thinks is the imminent period, we are emphatically  
7 saying there's absolutely no way we're going to be  
8 taking any of those long-term agreements because no  
9 one is even remotely in that qualification process.

10           COMMISSIONER PEARSON: Thank you, very much,  
11 to all of you. I've enjoyed this afternoon's  
12 conversation and I have no further questions. So,  
13 Madam Chairman, back to you.

14           CHAIRMAN OKUN: Commissioner Aranoff?

15           COMMISSIONER ARANOFF: Thank you, Madam  
16 Chairman. I want to go back to the discussion of  
17 aluminum wheels in the market. We've been told that  
18 in the U.S. market, there's been a shift away from  
19 steel and toward aluminum wheels that is continuing in  
20 the market. Are aluminum wheels used in China and do  
21 Chinese manufacturers make them?

22           MR. WU: No, not in China, almost all steel.

23           COMMISSIONER ARANOFF: Okay. Are they  
24 making any aluminum wheels for export?

25           MR. WU: Maybe some after market, but maybe

1 to other countries. I'm not aware of.

2 COMMISSIONER ARANOFF: Okay. And my  
3 understanding is that Chinese producers are making  
4 aluminum for auto applications, is that correct?

5 MR. WU: Yes, that's correct.

6 COMMISSIONER ARANOFF: Okay. So there's not  
7 currently a trend toward the use of aluminum wheels on  
8 trucks in China?

9 MR. WU: I don't see any foreseeable future  
10 for now.

11 COMMISSIONER ARANOFF: Okay.

12 MR. SCHNEIDER: But let me just add to that.

13 The barrier of entry on the steel side is great. The  
14 barrier to entry on the aluminum side is exponential.

15 The manufacturing process of an aluminum wheel is far  
16 more technical than the manufacturing process on a  
17 steel wheel.

18 COMMISSIONER ARANOFF: Okay. Let me turn to  
19 this issue of the switch over in China from tube type  
20 wheels to tubeless wheels. Well, let me ask Mr. Wu  
21 first and then we can also ask with respect to other  
22 Chinese producers. Does your company also have  
23 facilities that produce tube type wheels in China or  
24 just tubeless?

25 MR. WU: We're just only produce tubeless

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1 wheels, but other manufacturers, they do tube type  
2 wheels. A majority of them, they do.

3 COMMISSIONER ARANOFF: Does that include  
4 other Chinese producers who are exporting to the  
5 United States the tubeless ones?

6 MR. WU: Yes.

7 COMMISSIONER ARANOFF: Okay. There's a  
8 discussion in the briefs about the pace at which a  
9 switch over to tubeless wheels may be happening in the  
10 market in China. And I think the argument in the  
11 Respondent's side was that this is going to reenforce  
12 demand in China for tubeless steel wheels and so  
13 absorb some substantial part of production there. The  
14 domestic industry responded that, look, nobody goes  
15 out and replaces a wheel until wears out or until they  
16 buy a new truck, whichever happens first and so there  
17 wouldn't be any additional demand generated by that.  
18 I wanted to give you an opportunity to respond to  
19 that.

20 MR. CUNNINGHAM: May I? Tom Cunningham. If  
21 you think about the logic of a steel wheel or an  
22 aluminum wheel on a vehicle, what wears out?  
23 Certainly not the wheel. Bill Noll testified it's  
24 infinite and I agree with that. Aluminum wheel,  
25 they're both warranted for five years. What wears

1 out? The tire. And fleets all over the world are  
2 replacing tires all the time. So from a -- and we've  
3 seen it in the United States. We have the same  
4 dynamics, where there were tube type in this country  
5 years ago. There were massive switch overs. Fleets  
6 didn't want to maintain two different things, a tube  
7 type with a different wheel than a tubeless with a  
8 different wheel.

9           So the logical is when that tire wears out,  
10 that's when you make the changeover. And there are  
11 many good reasons to change from -- Buy Spot tires  
12 have gotten very expensive and hard to get. The tire  
13 is the dog. The wheel, I the tail and if you get that,  
14 then you know we're only here for the tires. So,  
15 that's what motivates fleets in China and did in the  
16 United States, is that changeover. The tire wears  
17 out. Depending on how often the vehicle goes, it  
18 could be three months, six months, could be a year but  
19 no longer than that, I think. Would it? I'm not a  
20 tire guy, but that's my perception of it. So within a  
21 year, you're changing the tire. You might as well buy  
22 a tubeless wheel and put a tubeless tire on, then  
23 you're going.

24           MR. LEE: The argument that Petitioners,  
25 they threw out the red herring argument, that we were

1 saying that the tubed wheels are just going to be  
2 thrown away. You know, there's a natural course at  
3 which tires and wheels need to be replaced. The pace  
4 at which tires need to be replaced is much faster. As  
5 Tom was saying, when a Chinese truck fleet needs to  
6 replace a tire, if they're using tubed wheels at the  
7 time, now is a good time to replace tube to tubeless  
8 wheels.

9 COMMISSIONER ARANOFF: Well, now is only a  
10 good time if that's the more cost-effective thing to  
11 do or if some regulation is requiring you to do it.

12 MR. LEE: Right. And that's the other --

13 MR. CUNNINGHAM: There are other benefits.  
14 If your fleet is like -- in all regards, you have a  
15 lower inventory cost. You have better tread wear. It  
16 runs cooler. Frankly, it's safer. You don't have a  
17 side ring that could pop off and hurt someone. So,  
18 it's just an efficient way to do it. That's why we  
19 did it. That's why the Chinese are doing it.

20 MR. LEE: And Fengeng or Jesse can talk  
21 about there have been recent events in China, in which  
22 the government has noted that they do want to push the  
23 transition to tubeless from tubed. Perhaps Jesse can  
24 talk about that.

25 MR. WU: Yeah. The Chinese Government now

1 is mandating in the market to change the law of not  
2 overloading trucks. And if you go to China, the  
3 majority of the trucks that you see are on the road  
4 are overload, I mean, very heavily. So, they see the  
5 damage on the road and the cost. So, they are already  
6 taking very serious steps to change that. So what we  
7 know is in 2011, 70 percent of the wheels on the road  
8 are tube type and 30 percent are tubeless. In 2012,  
9 we see 60 percent tube type, 40 percent tubeless. So  
10 as that change -- so it gradually is going to change  
11 over. Also, that translates to after market, as well.

12 If they need a wheel, the change is going to  
13 tubeless.

14 COMMISSIONER ARANOFF: Okay. I appreciate  
15 that. So let me turn to this issue. You're a Chinese  
16 manufacturer. You have a plant. You're making the  
17 tube type wheels. The market is going away slowly.  
18 Can you convert that plant to the production of  
19 tubeless wheels or you have to have a whole new plant?

20 MR. WU: You know, I don't think they can,  
21 but, I'm not sure about the question. So --

22 COMMISSIONER ARANOFF: Okay. If anyone  
23 wants to supply something on that post-hearing, that  
24 would be helpful because it obviously goes to the  
25 issue of what Chinese capacity is available. If you

1 can make a tubeless wheel in a tubed wheel plant with  
2 relatively little change, then we might want to look  
3 at that capacity.

4 MR. LEE: We haven't really run into the  
5 tubeless guys because they're not shipping to the  
6 U.S., so -- the tube type. Sorry, the tube type  
7 producers. We would have to look around to see who  
8 they are, what their capacity is, and research, you  
9 know, how easy or difficult it is to transition.

10 COMMISSIONER ARANOFF: Okay. I mean, that's  
11 one of the questions that you've asked us to resolve  
12 because the domestic industry has pointed to a number  
13 of producers in China and you said, oh, they only make  
14 tubed type wheels and that's part of the answer, but  
15 it may not be all of the answer. So, I'll look  
16 forward to what you can add.

17 MR. WU: Also, what we know is a lot of --  
18 there's no new investments into any of the tube type  
19 equipment. It's been mostly is now into tubeless or  
20 converting it.

21 COMMISSIONER ARANOFF: Okay. So, I have one  
22 more question and I should have asked this to the  
23 Petitioners this morning. So, I hope they'll take the  
24 opportunity to answer it post-hearing. And if anyone  
25 on this panel would like to say something about it,

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1 please feel welcome to do so. There's some discussion  
2 in the record about wide based wheels, as opposed to  
3 conventional wheels, and I was interested in getting  
4 information on when those wheels first appeared in the  
5 U.S. market. What U.S. and non-U.S. suppliers are  
6 capable of making that kind of seal wheel. What the  
7 benefits to purchasers are of using wide based wheels  
8 and how those benefits are different from shifting  
9 from steel to aluminum or from heavy weight steel to  
10 high strength light steel. I don't know if anyone on  
11 this panel has had experience with those wide based  
12 wheels. Mr. Cunningham?

13 MR. CUNNINGHAM: I'm sure Accuride or Hayes  
14 would be your better source, but I'll just take a  
15 second. Michelin came out with a wide based tire and  
16 they were the only producer for a long time and so  
17 they had a -- they pushed very hard. The logic was  
18 you're maintaining one assembly and it takes the place  
19 of a dual, two steel wheels or two aluminum wheels.  
20 What we've seen, because people want to make their  
21 vehicles lighter, typically, if they make that move to  
22 a wider base, most of the time it's an aluminum wheel  
23 because their mind set already to try to reduce the  
24 weight cost. There are steel wheels that are wide  
25 based, but they're a small minority of the case. And

1 we don't make them and we don't import them.

2 COMMISSIONER ARANOFF: Okay. I guess I'll  
3 invite all parties, if there's anything about these  
4 wide based wheels that's relevant to the Commission's  
5 decision in this investigation, please feel free to  
6 put something in the post-hearing brief. And if you  
7 don't think it's relevant, please feel free not to  
8 spend a lot of time on it. With that, I have no  
9 further questions. I do want to thank all the  
10 witnesses on this afternoon's panel. Thank you, Madam  
11 Chairman.

12 CHAIRMAN OKUN: Commissioner Pinkert?

13 COMMISSIONER PINKERT: Thank you, Madam  
14 Chairman. I just have a few follow-up questions. Mr.  
15 Lee, you talked earlier about the underselling and you  
16 maintain that there is no indication of price  
17 suppression or price depression and I understand your  
18 arguments on that. I'm just wondering whether you can  
19 explain the market dynamic behind the underselling,  
20 itself.

21 MR. LEE: Perhaps I can ask my industry  
22 witness to sort of talk about the pricing, you know,  
23 as to why they're -- what they see in the marketplace,  
24 in terms of the relative prices of Chinese compared to  
25 the U.S. prices, whether they really are seeing

1 Chinese prices being below the U.S. prices  
2 consistently, you know, when they are actually  
3 competing against each other. For example, in the  
4 after market.

5 MR. CUNNINGHAM: Tom Cunningham. The market  
6 segments are so different. When we think of -- even a  
7 steel wheel, we think of value and what wears the  
8 value and at what level will the transaction occur. I  
9 sell in trailer, container loads only. That's my  
10 business model, which is different than my competitor  
11 and the way they do it. There is more value to be  
12 able to pick up eight wheels than to have to buy 532  
13 wheels. There's an investment. There's space. All  
14 of those things have to do with the value.

15 I think what happened is, in this market, is  
16 that Accuride, with their very light weight wheel and  
17 the desire to go light weight in our industry, was  
18 able to collect more money for that. And then there  
19 was -- but there was a market that was there that  
20 Accuride vacated completely, which was the heavier  
21 steel wheel and that's the market that we penetrated.

22 I think a lot -- I don't know, of course, the data,  
23 but if you compare the light weight wheel price with  
24 my wheel price and then bring in the Statesman, I'm  
25 not sure how much underselling was done and I don't

1 have the documents to know that. But, I just think  
2 sometimes we compare two different things and say it's  
3 a steel wheel, it will fit on a truck, it will fit on  
4 a tire, therefore, what's your price, and that's just  
5 not the case in our industry. I don't know if I  
6 answered that very well.

7 COMMISSIONER PINKERT: You may wish to  
8 follow up on that in the post-hearing, Mr. Lee.

9 MR. LEE: We'll try to follow up. Thank  
10 you.

11 COMMISSIONER PINKERT: Thank you. Mr.  
12 Cannistra, I do have a question for you. You talked  
13 about Titan not participating in this proceeding. In  
14 fact, you mentioned it twice, to my knowledge. And  
15 I'm wondering whether you can tell us what's going on  
16 there. Is there a reason that you can think of why  
17 they might not be participating?

18 MR. CANNISTRA: We cannot and had they been  
19 participating. And I actually had the luxury of not  
20 being on the APO in this case, so I have actually no  
21 idea what contact has been made by the Commission to  
22 Titan. What I do know is they seem to have not  
23 provided a questionnaire in the preliminary phase of  
24 this investigation. They've not communicated anything  
25 to Caterpillar, which is really one of the reasons why

1 Caterpillar perceived this case to be an on road case.  
2 It stays in Accuride. You know, those are on road  
3 guys. If it was on road and off road, Titan would be  
4 involved. So, they actually -- they have no idea and  
5 we're left with the same question that you have, where  
6 is Titan, which unfortunately for us was what created  
7 the mis-perception that the scope of this case only  
8 included on road tires in the first instance. So, we  
9 don't know.

10 COMMISSIONER PINKERT: Thank you. Mr. Lee?

11 MR. LEE: In our brief, we noted that Titan  
12 is an experienced petitioner in the off road tires  
13 case. We've been confusing tires and wheels so often,  
14 I almost just messed up on that one there. Titan tire  
15 was the petitioner in the off road wheels case, off  
16 road tires case. So, we would expect that if they  
17 were really interested in this wheels case, they know  
18 the drill. They know how to submit their  
19 questionnaire response. Our takeaway from their lack  
20 of participation is that they are either not  
21 interested, not injured, or it's not in their interest  
22 to submit a questionnaire response. So, we believe  
23 that it would be appropriate for the Commission to  
24 apply adverse inferences as to what's actually  
25 happening on this unspecified off road segment of the

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1 steel wheel market here.

2 We have also identified, in terms of  
3 addressing the data issues, we've identified specific  
4 purchasers and importers that you could use to carve  
5 out the off road wheel segment of the data.

6 MR. CANNISTRA: If I could offer just one  
7 quick additional thought. Titan came before this  
8 Commission on its own about four years ago and  
9 advocated that the like product in their particular  
10 case should be off road tires. Now here we are four  
11 years later, we have the scope of the investigation  
12 and we're all confusing tires and wheels, because I  
13 think the scope of this case confuses tires and  
14 wheels. So, Titan would need to now come before the  
15 Commission and if they agreed with the scope of this  
16 particular antidumping investigation, advocate the  
17 position, well, there's no distinction between an off  
18 road tire and an on road tire when it's actually  
19 attached to a steel wheel but when they're separate,  
20 they're different like products. And that, I think,  
21 is part of the dilemma for Titan. Their off road  
22 tires, their off road wheels, they took one position  
23 in the off road tires case. I would suspect they felt  
24 probably locked into the same position in this case,  
25 as well. It's a position that they couldn't take and

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1 they decided to effectively sacrifice the steel wheels  
2 case in expectation of keeping the OTR case or at  
3 least maintaining their position in the OTR case. I  
4 think that's perhaps part of the underlying dilemma,  
5 too.

6 COMMISSIONER PINKERT: Thank you. I would  
7 invite the Petitioners to comment in their post-  
8 hearing on the non-participation of Titan and what  
9 that shows and if they think that there's something  
10 that we should do in light of that non-participation  
11 or not do. And my final question is a question for  
12 the economic consultant on the panel or any other  
13 economic consultant that may wish to comment on it.  
14 As you know, in the staff report, there's a claim that  
15 U.S. demand is inelastic. And I want to give you the  
16 opportunity to comment on that claim and any bearing  
17 that it might have on the price suppression issues  
18 that have been raised today.

19 MR. ROGERS: I'll address that more  
20 thoroughly in our post-hearing submission, but I tend  
21 to agree that the demand is relatively inelastic.

22 COMMISSIONER PINKERT: Thank you. And with  
23 that, I have no further questions for this panel. And  
24 I appreciate the testimony and I look forward to the  
25 additional information in the post-hearing.

1           CHAIRMAN OKUN: Let me check with my  
2 colleagues to see if there are any last questions from  
3 the dias.

4           (No further questions.)

5           CHAIRMAN OKUN: No. Let me turn to staff to  
6 see if they have questions of this panel.

7           MR. CORKRAN: Douglas Corkran, Office of  
8 Investigation. Thank you, Madam Chairman. Staff has  
9 no additional questions.

10          CHAIRMAN OKUN: Do counsel for those in  
11 support of imposing duties have questions? Mr.  
12 Schagrin?

13          MR. SCHAGRIN: The domestic industry parties  
14 have no questions for this panel.

15          CHAIRMAN OKUN: Thank you, Mr. Schagrin.  
16 Well, before we turn to our closing rebuttal  
17 statements, let me take this final opportunity to  
18 thank this panel of witnesses very much for your  
19 participation here, for answering our many questions,  
20 and for your continued cooperation, as we finish our  
21 investigation. Let me review the time and then I'll  
22 allow this group of witnesses to move back into the  
23 chairs in the room. Petitioners have a total of 19  
24 minutes remaining: 14 minutes for direct, plus five  
25 for their closing. Respondents have a total of 21

1 minutes: 16 for their direct, plus five for closing.

2 If counsel have no objections, we will proceed with  
3 combining those times and inviting you up to do your  
4 closing and your rebuttal at the same time.

5 All right, thank you. Let's take a couple  
6 of moments to let people arrange themselves.

7 (Whereupon, a brief recess was taken.)

8 CHAIRMAN OKUN: Mr. Schagrin. I think we'll  
9 just identify Mr. Schagrin is preparing to do his  
10 closing and rebuttal for the benefit of the court  
11 reporter.

12 MR. SCHAGRIN: Well, good afternoon. I  
13 apologize that all of us missed the nicest early  
14 spring day in Washington history for the 8th of March.

15 But, of course, we have big issues to deal with, the  
16 Commission and all the respective counsel.

17 Let me start with one broad general issue  
18 and that is an issue of, you know, participation and  
19 effort in trying as counsel are supposed to do, and  
20 I've always believed in this, in getting the most  
21 complete record before the Commission. I think our  
22 understanding is that Accuride and Hayes represent  
23 probably well over 90 percent of this industry. Not  
24 only did they participate in the filing of the  
25 petition and all of the previous parts of this, but I

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1 can tell you through the final phase, they have spent  
2 probably not dozens, but hundreds of hours trying to  
3 both answer questions from your staff to clarify  
4 issues, as well as going through verification.

5 I will also tell you, I don't consider it  
6 confidential, that when my clients told me that Titan  
7 also made subject products, I've known Mr. Stewart,  
8 who is Titan's counsel in I guess is referred to as  
9 the off-the-road tires case, I think what's happened  
10 since this is more like the war between Titan and GPX.

11 But, I said, we're filing this case. This is a long-  
12 standing client of yours, I hope you will be able to  
13 participate. It's not fair for me to talk about any  
14 of his responses, but I can tell you that on the part  
15 of Petitioner's counsel, there has been no lack of  
16 effort to try to get Titan to participate in this  
17 investigation. There has been significant effort. I  
18 say that as somebody who has sworn to tell you the  
19 truth today, I have done everything I believe I can  
20 do, because they're clearly not my client, nor are  
21 they a company without counsel. They're a company  
22 with counsel. So, I have to go through their counsel  
23 and we've done our best. And I believe your staff has  
24 done their best to get them to participate.

25 I don't think their lack of participation

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1 goes to very much other than the potential of this  
2 like product issue, which was brought up too late.  
3 But, later, I will get to what I hope will be a  
4 solution for Caterpillar, if this presents them with  
5 any problems.

6           Let's look at the bidding since the  
7 beginning of this case. At the preliminary  
8 conference, there were four different U.S. purchaser  
9 who came before the Commission at the conference and  
10 basically said, we don't buy Chinese wheels because of  
11 price. We buy Chinese wheels because we can't get  
12 domestic wheels. At this final hearing, only one of  
13 those four are here. What does that tell you? That  
14 tells you that probably the other three were able to  
15 acquire domestic wheels. You can look at the capacity  
16 utilization of this industry throughout the period of  
17 investigation and if there's one issue that would ever  
18 be a red herring during the POI is the claim by anyone  
19 that from January 1, 2008 until the present, that all  
20 the domestic industry cared about with OEMs and OEM  
21 production was at times just so going bonzo, that they  
22 couldn't and didn't want to bother with the after  
23 market. That is just a complete red herring during  
24 this POI.

25           What I heard from one of the witnesses today

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1 was that happened late '90s and continued through mid  
2 and I thought, and I'll look at the transcript, that  
3 he said mid 2000. I didn't think he meant the mid  
4 2000s, because that would take us out to about 2500.  
5 But, I think he was saying the middle of 2000. There  
6 was no doubt that back in the late '90s, there was  
7 probably some surges and that may have happened. It's  
8 certainly not applicable during your POI. I would  
9 even say that Mr. Cunningham, if Cunningham was not  
10 just a broker and was like KIC and had distribution,  
11 that he could also purchase from either Accuride or  
12 Hayes. No one would refuse him the right to purchase  
13 their wheels if he were not just a broker, but an  
14 actual distributor.

15           And let's look at what the staff report  
16 says. I think the economist, Mr. Rogers, is  
17 excellent. He can appear on any side of the ledger.  
18 You can pay him some hefty fees and he'll do a very  
19 good job for you. But, he said, and there's -- you  
20 know, there's evidence of this. It's in the staff  
21 report. Yes, the staff report does say one purchaser  
22 reported that domestic producers had blocked their  
23 attempts to purchase domestically-produced steel  
24 wheels. Obviously who that is, is confidential.  
25 We'll talk about that in the post-hearing. One out of

1 33, wow, does that sound like that was a real issue  
2 during the POI? No. That sounds like it was a real  
3 red herring.

4 Now let's talk about competition. The other  
5 thing that was said was said by Mr. Lee. It was that  
6 there really isn't competition between the domestic  
7 industry and Chinese imports because, and I believe  
8 once again looking at the transcript, he said  
9 something to the effect of the Chinese can't sell the  
10 OEM market. Now, maybe he was busy while the  
11 witnesses from KIC were testifying. I'm almost  
12 positive that their testimony in describing their  
13 business was that 25 percent of their sales were to  
14 the trailer market. The trailer market is an OEM  
15 market. You know from your record that the Chinese  
16 are selling into the OEM trailer market, a market  
17 governed by one year contracts. So, clearly, they're  
18 doing that.

19 Now, the OEM trailer producers have  
20 different requirements for quick delivery from  
21 producers or importers than OEM truck producers. I  
22 don't think so. I think they have the same. It may  
23 not be "just in time," like it gets there every two  
24 minutes. But, you've got to stock the product and  
25 make sure that they're not carrying huge inventories.

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1 And that's why I think KIC has that business and not  
2 Cunningham, because KIC said their business model was  
3 that they have distribution points around the United  
4 States, so they can supply the OEM business.

5 More instances of supplying the OEM  
6 business. In the past couple of years, Oshkosh Truck,  
7 which is the ninth largest truck OEM in the United  
8 States and the largest U.S. producer of fire trucks,  
9 now that's a pretty important use. We don't want the  
10 fire truck pulling out of here, you know, from across  
11 the street and not being able to make it to the fire  
12 because the wheels fail. Well, they're purchasing  
13 their requirements from a Chinese wheel company.

14 We, also, know that in 2010, 2011, Sunrise,  
15 one of the three largest Chinese producers and  
16 exporters to the United States, one of the three  
17 required Respondents at DOC, sold Packar wheels for  
18 their OES. Now even to sell a Packar wheels for their  
19 OES, you have to be qualified. And so, Sunrise has  
20 gone through the process and a lot of Chinese  
21 producers are starting the process of getting  
22 qualified.

23 One other injury issue, so, clearly, there's  
24 a huge amount of competition in the after market.  
25 Let's talk about what was presented in chart three by

1 the Respondents. They talk about Accuride's  
2 information. Well, first, it's total wheels. I  
3 thought Mr. Lee and I both agreed, we should focus on  
4 steel wheels, the like product. Obviously, you have  
5 the data on Accuride's steel wheels. It's nothing  
6 like the data on their wheels from both steel and  
7 aluminum.

8           And then to be quite honest, which I pointed  
9 out to their counsel because I think this was in a  
10 securities filing, we know from the staff report that  
11 the data in here for Accuride share and import share  
12 of both the OEM trailer market and the OEM after  
13 market is wrong. I can't tell them what the data is.  
14 It's confidential. I can tell them it's wrong and  
15 they shouldn't file things with the SEC once we all  
16 know the information is wrong. In fact, you know from  
17 your staff report, I can characterize it that imports  
18 offshore actually have a majority of the after market  
19 for steel wheels.

20           Let's talk about the impact of the filing of  
21 the petition. Essentially, I thought you would hear,  
22 oh, it didn't really bother us until November. Well,  
23 we'll give you some of the monthly import data, but I  
24 think one of the best items on this is in Table 5-6 on  
25 5-14 of the staff report. It shows for product six,

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1 the biggest product sold, the heavier wheels to the  
2 after market, the one where most of the Chinese wheels  
3 were, that leading from early '09 through the middle  
4 quarter of '11, they were going up, up, up. Between  
5 second quarter '11 and third quarter '11, they went  
6 from 80,000 units to 48,000, about a 40 percent drop.

7 I don't know how else to tell you what the impact was  
8 in the third quarter of the imposition of the duties.

9 I think you've got it right there in your own staff  
10 report.

11 Let's turn to threat. First, the Chinese  
12 say, trust me, our market is going to boom. They give  
13 you a study in their pre-hearing report from, I  
14 believe it was 2010, from some study group. We will  
15 give you a study from JD Power. I think everybody  
16 recognizes that name. They are the experts in the  
17 auto and truck business worldwide. We're going to  
18 give you something from last month. It's going to  
19 have their estimates from China for 2012. They are  
20 flat to down. The same for 2013, very mild increases.

21 So what does China have? China has massive over  
22 capacity.

23 Can they change some of their over capacity  
24 from making tube type wheels to tubeless? Mr.  
25 Hampton, who has a great deal of expertise about

1 equipment within wheel manufacturing facilities, has  
2 told me that you only need to make two equipment  
3 changes within a factory to change that production  
4 line from making tube type to tubeless wheels. As  
5 we've stated in our pre-hearing brief, do you think  
6 these Chinese producers, who have millions involved in  
7 their production machinery, to make tube type wheels,  
8 if China says we're not going to use those anymore?  
9 Do you have they are all just going to shut down their  
10 plants? No. They're going to do what rational people  
11 said, particularly if you can just get the money from  
12 the government-owned banks, they're going to change  
13 them into making tubeless wheels.

14 Now, is there something that hinders the  
15 ability of Chinese producers to supply OEM users.  
16 Here is where I'm particularly thankful that both Mr.  
17 Schneider and Mr. Cannistra were here to give you  
18 their testimony today and that's because Caterpillar  
19 said, I'm almost positive I got this right from Mr.  
20 Cannistra's testimony, that they have two qualified  
21 suppliers, GKN and Centurion. Wow, does the name  
22 Centurion ring a bell? We talked about them all  
23 morning. They are one of the largest Chinese wheel  
24 producers. They are the only Chinese wheel producer  
25 to have stocking depots in the United States and they

1 have been recognized as a qualified supplier to  
2 Caterpillar. Does Caterpillar want to wait eight  
3 weeks to get wheels for the tractors from China? I  
4 don't think so. I am sure that Caterpillar is  
5 providing -- or that Centurion is providing  
6 Caterpillar OEM service just like any other OEM  
7 supplier.

8           What did Mr. Schneider say? Twenty-five  
9 percent of their sales are to trailer manufacturers.  
10 KIC said, we're not like Cunningham. We're not just a  
11 broker. We have distribution points around the U.S.  
12 What do they do with those distribution points? At  
13 least at some of them, for their 25 percent in the  
14 trailer market, they're stocking product because the  
15 trailer producers don't want to wait six to eight  
16 weeks. They want lower inventories, quick delivery,  
17 something akin to just in time.

18           Wow, when Centurion approaches other U.S.  
19 OEM customers, how great must it be? I mean,  
20 Caterpillar's counsel can say the same thing, how  
21 great must it be to say, I am a qualified supplier to  
22 Caterpillar. That's like somebody coming to me and  
23 saying, I supply Rolls Royce, is it okay if I work on  
24 your car? Of course it is. I mean, Caterpillar is  
25 like the gold standard of product quality. I have

1 nothing but great respect for that company. Even  
2 though they oppose me in trade cases, they are a great  
3 American company in their product lines and the  
4 ability to sell them makes it clear that the Chinese  
5 can supply U.S. OEMs.

6           We have information on the record that  
7 there's probably three Chinese companies working on  
8 light weight wheels. Light weight wheels that the  
9 Chinese Respondents said this afternoon couldn't be  
10 used in the China market. So, if they're working on  
11 them, if Centurion, Sunrise, and I believe the other  
12 company is -- I can't probably read all my handwriting  
13 here -- but the three of the four largest Chinese  
14 producers are working on making light weight wheels.  
15 Have they perfected it yet? Maybe not. Do you think  
16 they're going to slow down? No. Look at the data in  
17 your staff report.

18           The Chinese industry, the little part of it  
19 that's responded so far, says they only sell about  
20 half of their production in China. They must export.  
21 They've got to create products for export. Otherwise,  
22 their factories are pretty useless.

23           By the way, as to Caterpillar, if there's a  
24 product Caterpillar can't source in the United States  
25 that they get from China, they can contact me. It's a

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1 changed circumstance for review. I just did one of  
2 these with Ford on a non-malleable fitting product.  
3 You know, whether people oppose us or not, I always  
4 treat everybody fairly. If the product is not made in  
5 the United States, it ought to be out from the  
6 coverage of orders. I think that their counsel knows  
7 where to contact me.

8           So, in terms of accessing the U.S. market,  
9 boy, how could you have better representatives than  
10 Mr. Schneider and Mr. Cunningham? I think between the  
11 two of them, they had about four decades of working  
12 for Accuride. Accuride doesn't mind the fact that  
13 former employees are out using their knowledge to  
14 contact their customers, if they're not violating any  
15 non-compete. It's the American way. But my goodness,  
16 between these two gentlemen, they must know every  
17 Accuride customer there is, which is, I think  
18 according to the testimony this morning, about 1,000  
19 customers. That's okay and I don't mind that that's  
20 what they do for a living. I only object to one  
21 thing, they should not have a right to enrich  
22 themselves through the sales of subsidized and dumped  
23 Chinese product.

24           In conclusion, there is ample evidence on  
25 this record that there has been injury over the POI.

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1 There was growth in market share. The biggest growth  
2 was in the fourth quarter of 2010, going into the  
3 first part of 2011, before the petitions were filed.  
4 They were downturns in all of the domestic industry  
5 indicators over that time and the industry started  
6 seeing relief. The after market that supposedly Hayes  
7 and Accuride didn't care about, as we've given you  
8 information on, Hayes and Accuride sales in the after  
9 market just absolutely boomed in the second half of  
10 2011 and going into '12, because they love to sell  
11 into that market.

12           When it comes to threat, China has ample  
13 excess capacity. They're producers are working on  
14 products specifically designed for the U.S. market.  
15 You only have a fraction of the information on that  
16 excess capacity. The biggest players pursuing the  
17 U.S. markets, Centurion and Sunrise, weren't here  
18 today to tell you about what they're doing to try to  
19 penetrate the OEM market. They're trying to get  
20 qualified at major OEMs. The threat is real. The  
21 threat is imminent. It can put these producers out of  
22 this business, as they have been put out of other  
23 business lines. For those reasons, we, respectfully,  
24 request that you make an affirmative final  
25 determination. Thank you.

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1           CHAIRMAN OKUN: Thank you.

2           MR. SCHAGRIN: Didn't even get to my yellow  
3 light. We can enjoy the weather.

4           MR. LEE: I, too, am a little anxious to  
5 enjoy the weather, too, so I'll make my comments a  
6 little brief. We really appreciate the hard work that  
7 the staff put in to collecting all the additional  
8 information for this final investigation. We know you  
9 have five finals lined up in a row here and we  
10 appreciate being the first and we really appreciate  
11 your thoughtful consideration of our case and we hope  
12 our testimony has helped you to better understand  
13 what's happening in the steel wheel market.

14           As the split vote from the preliminary  
15 determination showed, we feel that the Petitioners  
16 have a pretty weak case. Their arguments are full of  
17 contradictions and inconsistencies. For example, you  
18 know, they're talking about the pervasive underselling  
19 and what that means and that's having a price effect.

20           And, yet, market shares are not really changing that  
21 much and we're not really seeing a dramatic dip, drop  
22 in pricing. So what's actually happening here? We  
23 submit that it has more to do with overall demand.

24           There are other inconsistencies here. They  
25 have made a very major point about the threat that

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1 their OEMs are about to be taken away from them.  
2 We're kind of in a position where we're proving the  
3 negative and we've submitted that we are not there.  
4 We have nothing to submit because we're not doing  
5 anything with the OEMs. If they think that there  
6 really is a Chinese producer that is appearing before  
7 the large OEMs, it seems that it's incumbent on them  
8 to provide the documentation. Our understanding of  
9 how the OEMs work is that there are very rigorous  
10 companies. Nothing gets down without any type of  
11 documentation. If you are going to go through an OEM  
12 qualification process, you have to, as a company, as a  
13 supplier, be qualified. You have to have your factory  
14 qualified. You have to have your specific product  
15 qualified. And all along the way, you should have  
16 documentation as the supplier works with the OEM. So  
17 to the extent that Accuride and Hayes are concerned  
18 about a Chinese producer that is about to take away an  
19 OEM contract from them, we would hope that they would  
20 be able to provide some type of documentation that  
21 shows that it's more than just an OEM talking to a  
22 potential Chinese supplier and using the appearance  
23 that they might be working with them in the near  
24 future, rather than something that is actually in a  
25 qualification process.

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1           So, if you actually set aside the rhetorical  
2       and actually look at the data, the cold hard truth is  
3       that the domestic industry is not injured and they're  
4       not threatened with injury.

5           Again, as I stated in my opening statement,  
6       attenuated competition does not mean no competition.  
7       Mr. Schagrin has noted a lot of anecdotal evidence as  
8       to what's happening in the marketplace, but I urge you  
9       to look at what's actually happening in the data.  
10      Your staff report is reliable. The complaints about  
11      the under reporting or the lack of coverage of the  
12      Chinese subject imports is just plain wrong and we can  
13      walk through that in detail in our post-hearing brief.  
14      But, we submit that the foreign producers  
15      questionnaires are adequate. The importer coverage of  
16      the subject imports is also adequate.

17           Once you look at the data, you'll see that  
18      subject import volumes actually decreased over the  
19      POI. Market shares are not changing significantly and  
20      any market share increases were very small and cannot  
21      be considered significant in light of the attenuated  
22      competition. The data also shows there is no price  
23      suppression, price depression, as prices for both  
24      domestic and subject imports generally stayed within  
25      consistent bands. Underselling is not significant,

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1 given that no significant market share gains were made  
2 by subject imports over the entire period. Finally,  
3 no price suppression, as cost were artificially  
4 inflated by the bankruptcy-related non-recurring  
5 charges. In short, no adverse price effects.

6 So, turning to the injury -- the impact part  
7 of it, the Petitioner's financial performance also has  
8 improved since the prelim. They're not injured and  
9 they're not vulnerable to injury.

10 So, ultimately, this case is looking at  
11 threat. So, Petitioners are obviously very concerned  
12 about the Chinese and those fear, we appreciate they  
13 believe wholeheartedly in the fear that the Chinese  
14 are about to come through and break the OEM market.  
15 But, we submit that the data just doesn't support  
16 those fears. So, if you actually look at the capacity  
17 data, the actual shipment data from the Chinese  
18 producers that are there, you don't see that spike.  
19 You don't see it particularly in the OEM segment.

20 If you look at the Chinese home market  
21 demand, even if there is a softening of demand in the  
22 Chinese home market, the claims that there's excess  
23 capacity really is not borne out by the data. The  
24 Chinese market is over -- is many times larger than  
25 the U.S. market. Mr. Schagrin submitted an article

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1 talking about how China produced one million heavy  
2 duty commercial vehicles, heavy duty trucks, and three  
3 million commercial vehicles as a whole. If you look  
4 at the industry reports for the North American market,  
5 if you add up total OEM truck builds, trailer builds,  
6 and the after market, you don't get to a million  
7 trucks. So, the Chinese market is exponentially  
8 larger and we submit a data showing that the changes  
9 in capacity, the increases in capacity are actually in  
10 line with the increase in shipments that have occurred  
11 in the past. So, the notion that there is excess  
12 capacity and that a down year in China is resulting in  
13 excess capacity, that's definitely not for the U.S.  
14 It's just purely unfounded.

15 So, in light of all this, since there have  
16 been no adverse volume or price effects during the  
17 period, so there's no basis to find that there will be  
18 adverse volume or price effects that threaten the  
19 domestic industry in the imminent future. Given that  
20 there's no indication that the attenuated competition  
21 caused by the distinct market segmentation will change  
22 in the foreseeable future, as demand for the OEM truck  
23 and trailer segments is expected to increase in the  
24 imminent future. In short, Petitioners are not  
25 injured and not threatened with injury by reason of

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1 the subject imports. Thank you.

2 CHAIRMAN OKUN: Thank you. Post-hearing  
3 briefs, statements responsive to questions, requests  
4 of the Commission, corrections to the transcript must  
5 be filed by March 15, 2012. Closing of the record and  
6 final release of data to parties is April 10, 2012 and  
7 final comments are due April 12, 2012. With no other  
8 business to come before the Commission, this hearing  
9 is adjourned.

10 (Whereupon, at 4:56 p.m., the hearing was  
11 adjourned.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Certain Steel Wheels from China  
**INVESTIGATION NO.:** 701-TA-478 and 731-TA-1182 (final)  
**HEARING DATE:** March 8, 2012  
**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:** March 8, 2012

**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 E. 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:** Christopher Mazzuchi  
Signature of Court Reporter

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