UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**)**	**Investigation Nos.:**
TAPERED ROLLER BEARINGS FROM CHINA	**)**	**731-TA-344**
	)	**(Fourth Review)**

REVISED AND CORRECTED

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BEARINGS	)	(Fourth Review)
FROM CHINA	)	

Tuesday, July 31, 2018

Main Hearing Room (Room 101)

U.S. International Trade Commission

500 E Street, S.W.

Washington, D.C.

The meeting, commenced, pursuant to notice, at 9:40 a.m., before the Commissioners of the United States International Trade Commission, Chairman David S. Johanson, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

DAVID S. JOHANSON, CHAIRMAN (presiding)

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CONGRESSIONAL APPEARANCES:

THE HONORABLE SHERROD BROWN, UNITED STATES SENATOR, OHIO

OPENING REMARKS:

In Support of the Continuation of Order (Terence P. Stewart, Stewart & Stewart)

In Opposition to the Continuation of Order (Lyle Vander Schaaf, Brinks Gilson & Lione)

In Support of the Continuation of Antidumping Duty Order:

Stewart & Stewart

Washington, DC

on behalf of

The Timken Company ("Timken")

Christopher A. Coughlin, Executive Vice President and Group President, Timken

Brian J. Ruel, Vice President for the Americas, Timken

Marcus W. Propst, Plant Manager - Controller - Operations, Supply Chain, Latin America, Timken

Michael A. Disenza, Vice President and Group Controller, Timken

In Support of the Continuation of Antidumping Order (continued):

Steven P. Russell, Business Manager - Americas, Timken

Monica L. Janiak, General Manager, Controller, Operations, Supply Chain, and Latin America, Timken

S. Ryan Hartong, Attorney, Timken

Robert Harper, President, Local 1123, United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union

Joseph Plott, Chair for Bearings, Local 1123, United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union

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Rebecca Gentner, Trade Compliance Manager, Dana Incorporated
Gordon Paton, Manager, Technical Services and Field Support, Mevotech L.P.
Lyle Vander Schaaf, Fei Hu, Jieun Lee - Of Counsel

REBUTTAL/CLOSING REMARKS:

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P R O C E E D I N G S

(9:30 a.m.)

MR. BISHOP: Will the room please come to order?

CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation No. 731-TA-344, Fourth Review Involving Tapered Roller Bearings from China. The purpose of this review is to determine whether revocation of the anti-dumping duty order on tapered roller bearings from China will be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.

Schedules setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand the parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information.

Please speak clearly into the microphones and state your name for the record for the benefit of the court reporter. If you will be submitting documents that contain information you wish classified as business confidential, you are requested to comply with Commission Rule 201.6. Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that all witnesses for today's hearing have been sworn in. There are no other preliminary matters.

CHAIRMAN JOHANSON: Very well. Will you please announce our Congressional witness?

MR. BISHOP: Our Congressional witness is the Honorable Sherrod Brown, United States Senator from Ohio.

STATEMENT OF THE HONORABLE SHERROD BROWN

SENATOR BROWN: Thank you, Chairman Johanson. Congratulations on, I believe this is your first meeting that you're chairing. I was hoping I was going to get to talk by telephone to Commissioner Schmidtlein and Commissioner Williamson, but I guess that was only for the vote, right? So anyway, thank you. It's a pleasure to be here.

Thanks for the opportunity to testify again. I appreciate that. This case is critical for the Petitioner, the Timken Company located in Stark County, Ohio and the American Workers it employs. Timken is an Ohio

company, a global leader in bearings production. I was here last month testifying on behalf of Timken and its Ohio workers in a different case on tapered roll bearings.

Last month, I reminded you that Timken employs thousands of Ohioans. 1,400 of those workers make the bearings covered in this case. They work on tapered roller bearing production in towns across Ohio, North Canton, Bucyrus and New Philadelphia. These communities need these high-paying manufacturing jobs. Unfair trade can have a devastating impact. Just last year, a bearings plant closed in Sandusky near Lake Erie. 400 workers lost their jobs. When the factory closes, it's of course terrible for the workers and their families. But the traumatic effects stretch to entire communities. Our trade laws were written to help protect U.S. workers and businesses from unfair trade practices.

I'm hoping the outcome in this case will help to prevent more Ohio bearings workers from getting pink slips. Unfair trade practices are a real and constant threat to bearings manufacturers and their employees. Last month I testified on behalf of Timken's Ohio workers in a separate case, one dealing with the threat to U.S. manufacturers from Korean imports.

Whether it's Chinese producers like in today's case, or Korean producers, foreign competitors have

consistently used unfair trade practices to attempt to gain market share in the U.S., and they've been doing it for decades. The case that's under review today was filed by Timken believe it or not more than 30 years ago, in 1986. It's only because of our trade laws they've been able to fight back against dumped imports over the past three decades.

The question before this Commission today is whether the domestic tapered roller bearings industry is at risk of being materially injured by Chinese imports if the tariffs currently in place are lifted. In a previous sunset review in 2000, 2006, 2012, the Commission found that yes, China is still cheating each time, and lifting tariffs would put American companies and American jobs at risk.

I hope the Commission will reach the same conclusion this year in your review. As I testified a few weeks ago, it's clear the domestic industry is still under threat from foreign imports. In the last few years, domestic industry's production, capacity utilization, U.S. shipments and inventory decreased.

Employment and wages related to tapered roller bearings have also declined. Financial indicators of the domestic industry's net sales, gross profits, operating income also have declined, all of them despite the fact that the sector remained profitable overall.

We know what happens when we lift tariffs on some Chinese producers, because we have tried it over the years. They go right back to dumping in our market, they go right back to undermining American manufacturers. We have an opportunity in this Commission to protect U.S. producers and workers from a surge of unfairly traded imports in today's case. Commerce has already determined that lifting the tariffs would result in a continuation or a reoccurrence of dumping by Chinese producers.

I urge the Commission to issue a final determination that lifting the tariffs, that lifting the tariffs would result in a continuation or a reoccurrence of material injury of the domestic market, so that Timken and its workers can get the relief they need to compete in the global market. Thank you, Mr. Chairman.

CHAIRMAN JOHANSON: Thank you, Senator Brown. Do any Commissioners have questions for the Senator? No, there are none. We appreciate you being here today.

SENATOR BROWN: Thank you, of course. Thank you.

CHAIRMAN JOHANSON: Thank you.

MR. BISHOP: Opening remarks on behalf of those in support of continuation of the order will be given by Terence P. Stewart of Stewart and Stewart. Mr. Stewart, you have five minutes.

OPENING REMARKS OF TERENCE P. STEWART

MR. STEWART: Thank you. Good morning Chairman Johanson, Commissioners and staff. I'm Terence Stewart of Stewart and Stewart, here this morning on behalf of the Timken Company and its workers. The record before the Commission in this sunset review supports a finding that revocation of the anti-dumping duty order on imports of tapered roller bearings from China will likely result in the continuation or recurrence of material injury in the reasonably foreseeable future.

China is the largest producer of TRBs in the world, some three times the size of the U.S. industry, and has become the second largest exporter. The staff report shows significant underselling of domestic product even with the order in place. The order has been beneficial to the U.S. industry overall and to Timken, as the order has both reduced the level of dumping found on individual companies and resulted in a far lower share of the expanding exports from China coming to the United States.

Share of TRB exports from China to the U.S. in the last 20 years has been as high as two-thirds of China's total exports, and is now down to 15.3 percent. That is the effect of the order. But for the order, the size of the domestic industry would be much smaller than is true today.

Based on the declines to the domestic industry

that have occurred in the recent period of review, the domestic industry would be viewed as vulnerable. But whether vulnerable or not, revocation of the order would do significant damage to the industry in the reasonably foreseeable future. As the Commission noted in its report of the second sunset review, when the China order was revoked for several companies, imports from those companies "soared." That same result would happen on a greatly expanded scale if the order is revoked in total.

Only eight Chinese producers submitted questionnaire responses to the Commission questionnaire. But they showed production of 34 million tapered roller bearings in 2017, which was an increase of more than 50 percent in just the three years examined, 2015 to 2017.

However, as Timken's questionnaire response and prehearing brief demonstrate, there are more than 250 companies in China including all of the major multi-national bearing companies who produce TRBs there. Indeed, public information from the China Bearing Industry Association shows production of tapered roller bearings of some 232 million tapered roller bearings in 2017, a figure roughly three times U.S. production that same year.

Prices in China and other markets are significant lower, and prices in the U.S., examples of prices on specific part numbers were supplied in Timken's

prehearing brief. With higher prices, the U.S. is obviously an attractive market for Chinese producers if the order is revoked.

Moreover, even with the order in place, the imports have come in from China, undersell domestic product by an average of 45-1/2 percent. Commerce found that revocation would lead to continuation or recurrence of dumping, at margins as high as 60.25 percent. The staff report confirms what has been found in prior sunset reviews. Most purchasers view Chinese and U.S. product as always or frequently interchangeable.

Price is one of three most important factors, and nearly all other factors are viewed as comparable. Thus for many purchasers, the decision will come down to price. Timken's prehearing brief reviews the duties being imposed by the U.S. government following the 301 investigation will not prevent Chinese TRBs from continuing to seriously undersell domestic product and all other imports.

Finally, Chinese producers have continued to improve their product breadth and quality, and the Chinese market has a large number of TRB facilities by major multi-nationals. All have excess capacity, many have existing customers in the U.S. for TRBs or for other bearings. Thus, revocation of the order will result in a very large surge in imports into the United States across

all TRB product types and end uses.

While those in opposition to the continuation of the order challenge again whether the domestic like product should be broken into two segments with wheel hub assemblies and all other TRBs, the record before the Commission has little change from the record in the third sunset review, when this issue was fully briefed. The investigation on 0 to 8 inch TRBs from Korea does not change that fact, as the Commission has repeatedly noted that different scopes of the same product can result in different domestic like product.

As the Commission did in the original investigation and in each of the prior three sunset reviews, you should find that the domestic like product is co-extensive with the scope of the order. Thank you.

MR. BISHOP: Thank you, Mr. Stewart. Opening remarks on behalf of those in opposition to the continuation of the order will be given by Lyle Vander Schaaf of Brinks, Gilson and Leone. Mr. Vander Schaaf, you have five minutes.

OPENING STATEMENT OF LYLE VANDER SCHAAF

MR. VANDER SCHAAF: Thank you. Thank you Commissioners. Let me again by thanking you for deciding to go to a full review in this investigation. I know that's always a difficult decision. You don't know if people are going to even show up in your full reviews, and we're hoping

that we can provide you with a fulsome enough record to make that decision worth your while.

I represent the Respondents in this investigation, and we are seeking not necessarily to revoke the entire order on all TRBs, but merely to convince the Commission to find a separate like product for wheel hub assemblies, and revoke the order with respect to wheel hub assemblies. The Respondents are really not advocating for revocation of the order with respect to all other TRBs; however, if the Commission does not agree with the like product advocated by the Respondents, we would of course advocate that the Commission revoke the entire order.

You will see in Timken's brief in its argument that wheel hub assemblies have not changed since the third review. Opposing counsel mentioned that. They've indicated that the record in this proceeding is similar to the third review and so the Commission should adopt the decision of the third review.

But something very important did change. There was quite a seismic shift that I recognized in the staff conference of the preliminary investigation on tapered roller bearings from Korea. When I heard Timken's position that their argument, which they had prevented in the third sunset review, of merely a continuum of tapered roller bearings products and no clear dividing lines somehow

disappeared in that preliminary investigation involving TRBs from Korea.

They continued that argument in the final investigation and were eager to see the Commission's determination and opinion in that proceeding. But the fact that Timken has argued that there are clear dividing lines separating industries, not only between small diameter and larger diameter, but between small diameter and wheel hub assemblies and other mounted bearings.

They argued that apparently there is no longer a continuum. That's what spurred us six months ago to decide, you know what? We've got to participate in this sunset review.

If you could change to the next slide. The other thing that we'll be presenting in addition to the like product argument is the issue of competition in the market. The witnesses that will be here today on the Respondents' panel will explain how there are essentially two markets in the United States that were original equipment manufacturer market and the after-market.

Based on their evaluations and experience in the market, they think about 80 percent of the U.S. sales of wheel hub assemblies, tapered wheel hub assemblies are in the original equipment manufacturer market, and about 20 percent in the after-market, depending on the product in the

time period.

There are no subject imports being sold to the original equipment manufacturers. That market is dedicated solely to the U.S. producers and other high value OEM suppliers. The subject imports from China are not sold there. There's also a segment within the after-market, and the after-market, just like there is for almost all auto parts out there, there is a premium line and an economy line.

The imports do not sell in the premium line. The U.S. producers sell only in the premium line. The U.S. producers do not sell in the economy line. Would you change to the next slide?

This is an example of Timken's website, information you can get from Timken's website where they specifically identify that they are in the premium line of products, and they distinguish themselves from the economy line of products. You'll see the same thing on the websites for manufacturers like SKF and others, that supply the OE market.

Finally, our witnesses will also address, in addition to the issue of the lack of direct competition between the imports and the domestic product, where the imports are limited only to the after-market and only to the economy line, so they don't compete with the premium line in

the after-market.

Because they don't sell into the OEM market, they don't compete there. But you'll also see the domestic industry is performing well. Most of that information, I think all of that information is confidential so we can't discuss it. But we also believe that because the Trump Administration has imposed tariffs of 25 percent of wheel hub assemblies, and it's about to impose another ten percent on additional types of wheel hub assemblies, that the domestic industry is going to be insulated from any possible effect from the revocation of this anti-dumping duty order.

So one of the other things we think is important in this investigation is while we were talking to our witnesses, we tried to figure out how it is that Timken operators, how they produce, what they produce, and we came across some information that shows that Timken wheel hub assemblies with tapers inside will be sold that are made in Korea, and in this example available from FAG.

In the next example, we can see that SKF is offering Koyo wheel hub assembly in the after-market. So we're very curious about how Timken can supply these other manufacturers' bearings in the after-market. And so in concluding, I'd just like to say, ask everybody where they were in 1987. A lot has changed. This is the fourth

review. Sunset reviews didn't exist until 2000. We think it's time for the Commission to revoke this order. Thank you very much.

MR. BISHOP: Thank you, Mr. Vander Schaaf. Would the panel in support of the continuation of the anti-dumping duty order please come forward and be seated? Mr. Chairman, this panel has 60 minutes for their direct testimony.

(Pause.)

MR. STEWART: Good morning again Mr. Chairman and Commissioners. We're going to start our testimony immediately with Chris Coughlin.

STATEMENT OF CHRISTOPHER COUGHLIN

MR. COUGHLIN: Good morning Chairman Johanson, Commissioners and Commission staff. It is a pleasure to be back before you this morning. For the record, my name is Chris Coughlin. I serve as executive vice president and group president for the Timken Company. I am responsible for operational and commercial activities of Timken's engineered bearings, mechanical powered transmission and industrial services portfolios.

In this capacity, I oversee all operational and commercial aspects of our tapered roller bearing business. I began my career at Timken 34 years ago, and have been in my current position since 2014. Our company is

the largest producer in the United States of tapered roller bearings, and we were the Petitioner in the underlying case that resulted in the anti-dumping duty order on China being imposed.

Our company not only invented the tapered roller bearing, but it is a full line producer of all sizes and types of tapered roller bearings from our current ten plants in the United States. Our company has been buffeted for a number of decades by unfair trade practices, with a result that our U.S. operations are much smaller today than in history, and the domestic industry overall has less market share than we previously held.

That is despite leading edge technology, manufacturing and efficiency from our U.S. facilities. My colleagues from the company, United Steelworkers local president and United Steelworkers chair for our Gambrinus roller plant are here today to urge the Commission to maintain the anti-dumping duty order on imports from China.

We believe that the record in front of you, including our prehearing brief and our testimony this morning, confirm that revocation of the anti-dumping duty orders on tapered roller bearings from China would likely lead to the continuation or recurrence of material injury to the domestic industry in the reasonably foreseeable future, which is the statutory language under which you evaluate

whether to leave an order in place for an additional five years.

From Timken's own experience and from the public prehearing staff report, I know that our company and the industry overall has seen declining demand in the period under review, which ended in 2017, and that domestic producers have seen declines in recent years in a wide array of criteria that you evaluate, as reflected in the prehearing staff report.

Certainly that has been true for Timken. The slide up on the screen shows that our domestic industry has seen declines in capacity, production, capacity utilization, shipments and employment. With declining volume, our company has closed several facilities and consolidated into other facilities.

Though imports from China continue to be dumped as the Commerce Department has found, the order has had significant positive effect for domestic producers by reducing the level of dumping seen in the market, and by reducing the volume of exports from China that have entered the United States market, versus what would have happened absent the order.

As the Commission found in the second sunset review of this order, when the order was revoked for selected companies, imports from those companies soared. If

the order were revoked for all Chinese companies in this review, the imports from China would likely soar, and at dumping margins higher than what we see today under the order. That scenario would be devastating to the domestic industry.

As the next slide shows, okay, Commerce has found that dumping duties would continue to recur at rates up to 60.25 percent, with some companies having cash deposit rates as high as 92 percent. Timken is the global producer of tapered roller bearings, including facilities within China. We know general prices in China are much lower on tapered roller bearings than for tapered roller bearings in the U.S.

Moreover, the focus of Chinese exports on the European Union market since the order was entered here in the United States has meant prices in Europe also are significantly lower than prices in the United States. We have provided some examples in our prehearing brief of the extent of price differences between the United States, European Union and China. So the order is having the positive effect of reducing the price depression and suppression that we and other domestic producers would have experienced without the order being in effect.

Despite that fact, imports from China that are present in our market continue to significant undersell U.S.

product, as has been confirmed by the ITC prehearing staff report, where the average margin under-selling was 45.5 percent on pricing products compared to others.

Thus, revocation of the order and a resumption of significant dumping will result in a large surge of imports from China at very depressed prices in a short period of time. Declining import prices due to Chinese dumping would directly affect the prices Timken and other U.S. producers would be able to obtain for their tapered roller bearings.

The Commission has recognized in prior reviews, and the staff report reconfirms, that price of tapered roller bearings is a very important purchasing factor for purchasers, with other 90 percent reporting price as one of their three most important factors.

The same purchasers reported that U.S. and Chinese tapered roller bearings are comparable on a wide range of factors, including the most important other factors of quality and availability. Indeed as can be seen, purchasers ranked nearly all factors comparable between Chinese and U.S. tapered roller bearings with the exception of price, where Chinese product was seen as lower by purchasers, and for technical support, where U.S. producers were viewed by many as having an advantage.

As the staff report shows that a majority of

the questionnaire responses reported by the United States and Chinese tapered roller bearings are always or frequently interchangeable, because the majority of purchasers see Chinese and U.S. tapered roller bearings as interchangeable, with comparable quality and availability, the purchasing decision will often come down to price.

By continuing to undersell tapered roller bearings at high margins, even with the order in place, without the discipline of the order Chinese imports will be able to push United States tapered roller bearings out of the market, as Chinese producer can quickly ramp up their volumes.

We and all other major multi-national bearing producers have actually invested heavily in China to service the Chinese market and other markets. All of the multi-nationals have long-standing relationships with original equipment manufacturers here in the United States and globally, and with after-market channels that generally produce a full line product in China that could be easily exported to the U.S. absent the order.

Moreover, our research indicates that there are more that 250 tapered roller bearing producing companies in China. Many of the companies export tapered roller bearings or other bearings to the United States, and have existing relationships with both original equipment

manufacturers and after-market customers.

China's overall tapered roller bearing capacity and production is much larger than the U.S. industry capacity, at least three times as large. While only a part of the Chinese tapered roller bearing producers are members of the Chinese Bearing Industry Association, public data from the Association show that production of tapered roller bearings in 2017 in China of more 230 million bearings.

The data is from the eight Chinese producers who responded to the Commission's foreign producer questionnaire and public data from the Chinese Bearing Industry Association. Not only is the Chinese tapered roller bearing industry already massive, the Chinese government continues to push it to grow despite excess capacity that exists in the industry.

The five year development plan currently in effect for the Chinese bearing industry calls for additional capacity growth in the industry, despite the fact that public sources have the Chinese industry's excess capacity already as high as 45 percent. Thus, the capacity utilization rate of the eight Chinese companies who submitted questionnaires is not likely to be representative of the industry's situation.

A significant part of the push in the Chinese

industry has been to move away from manufacturing only low-end bearings. This is again reflected in the 13th five year bearing plan as we show, and of course there is substantial capacity in China owned by the multi-national producers, with a wide range of tapered roller bearing products available for export.

Data we have supplied in our prehearing brief and summarized shows that both Chinese operations of multi-national companies and Chinese domestic companies produce every type of tapered roller bearing, from the small bore use in automotive, heavy truck and general industrial, to large bore used in primarily in industrial, railroad, wind energy, wheel hub assemblies and other housed or packaged bearings.

In short, there is no part of the U.S. demand that will not be under attack from imports from China if the order is revoked and dumping ramps back up. China is the second largest tapered roller bearing exporter in the world, and its rank continues to climb over prior review periods, where it was the third or fifth largest exporter.

Imports into the United States are significant, relative to both U.S. production and apparent consumption. While the staff report doesn't provide information on imports from China, U.S. import statistics, including double flanged wheel hub units without ball

bearing, show dramatic increases as reviewed in the information, and replace Japan as a source of imports even with the order in place by 2017.

Using the same data for U.S. imports from China, it is clear that Chinese imports also account for a significant portion of the tapered roller bearing consumption in the U.S. and compared to domestic production. The U.S. is the largest export market for China, but the order has had the beneficial effect of reducing the volume shipped to the United States from more that 80 percent in the late 1980's to 62 percent in 1995, and to just 15 percent today.

Other countries have taken the brunt of the ramp-up of production and exports from China, of severely depressed price tapered roller bearing product. While there has been upward demand in the United States and in certain overseas markets in certain sectors in the last year, tapered roller bearing demand is tied generally to overall economic performance.

As reviewed in our prehearing brief, the likely GDP growth in China, Europe and the United States over the next several years is expected to decline from current levels. Thus, even before one considers the ability to shift volume from China and other export markets, the current substantial excess capacity in China will be

available to significantly and quickly ramp up exports to the United States, a process that will be highly damaging to the U.S. operations of producers like Timken.

There is substantial ability to shift volume from both China's home market and from other countries to a higher-priced United States market. China's global exports are some seven times as large as those to the United States, and exports to just the three largest European export markets are larger than those to the United States, providing large volumes of product that could be transferred to the United States market.

The President has imposed additional duties of 25 percent on imports of some tapered roller bearings from China as part of the announced actions following the Section 301 investigation on various intellectual property issues of concern to the United States, and has announced the possibility of ten percent tariffs on various wheel hub products.

While we obviously don't know how long such tariffs will remain in effect, or if the ten percent duties will go into effect, if the order is revoked, such tariffs, even if maintained or implemented, will not prevent a massive increase in volume from China in the next several years. As U.S. import statistics reveal, Chinese product is much lower priced than product from other countries, and as

the staff report confirms, also from product produced here in the United States.

Even with additional duties and even if not offset by increased dumping, which was found likely by Commerce, Chinese prices will continue to be far lower than imports from other countries and will significantly undersell domestic producers. With renewed and expanded dumping, the price depression and suppression will be even greater.

In our questionnaire response, Timken reviewed the likely consequences to its operations if the order is revoked. The majority of all part numbers produced by Timken in the United States operations are produced by various Chinese producers, as confirmed by a review of public catalogues online.

As the heaviest concentration of catalogue parts are those produced in our three high volume U.S. plants, Bucyrus, Gaffney and Lincolnton, revocation of the order will lead to significant loss volume from one or more of these plants, and result in the reduction in production and/or closure of at least one facility within several years of the revocation.

Similarly, our larger bore facilities, including Asheboro and Tyger River, will be under attack on price and volume from various Chinese producers, as well as

Chinese operations of multi-nationals producing larger bore product. Similarly, as reviewed in our next slide, for products like railroad package bearings, there are at least four Chinese facilities presently certified by the American Railroad Association, which would permit rapid opportunity for imports into this important market segment.

That would harm a number of facilities producing cups, cones and rollers, and our Mascot, Tennessee facility as well. The next slide looks at wheel hub assembles. There are already huge imports from China, and there are many other Chinese producers and operations of multi-national producers that could immediately harm U.S. producers in the after-market, and could within one to two years make significant inroads into even original equipment portion of the wheel hub assembly demand.

The increased penetration of Chinese imports into the United States' original equipment market would occur quickly. Chinese producers, including multi-national bearing companies all now producing in China, already have substantial relationship with U.S. producers that will allow them quick access to U.S. accounts.

Multi-nationals, including Timken, faced with intense pricing pressure from a large volume of Chinese tapered roller bearings across a wider range of part numbers, would lose significant volume in their U.S.

facilities. While some volume might be maintained being sourced from foreign operations, including Chinese facilities, the effects on the domestic industry would be substantial and serious. Within one to two years, there would be significant reductions in U.S. production, shipments, employment, wages, capital expenditures and the almost certain closure of one or more major facilities.

While that is the likely scenario that would occur from the large surge in dumped Chinese tapered roller bearings following revocation and the Commission can and should prevent that scenario from developing by rendering an affirmative determination in this sunset review, and maintaining the order for an additional five years. I will be pleased to answer any questions.

STATEMENT OF BRIAN J. RUEL

MR. RUEL: Good morning, Chairman Johanson, Commissioners, and Commission staff. I am pleased to be back appearing before the Commission in this important sunset review on tapered roller bearing exports from China.

My name is Brian Ruel, and I am the Vice President for the Americas at the Timken Company. In my current role I oversee all aspects of customer contacts in the Americas such as sales, application engineering, and service engineering.

I have responsibility for sales to both OEM

customers and to our distributors, regardless of a particular market such as automotive, heavy truck, various industrial, rail, and so on. This is my 34th year in the bearing industry, and with Timken. I've been in my current role since the beginning of 2016.

Including the original investigation, the Commission has found on four separate occasions that domestic like-product in this case is co-extensive with the scope of the investigation and now Order.

In our view, there is no reason for the Commission to revisit the question of whether or not wheel hub assemblies should be treated as a separate domestic like-product. Just to clarify, I use the term "wheel hub assembly" in my testimony, but the term is interchangeable with the term "wheel hub unit."

The Commission has noted that such assemblies were part of the original investigation and specifically rejected requests to treat these products as a separate domestic like-product in the last sunset review. Factually, while there are more products being offered today than in the past, there have been no changes in either types of products that are offered as either housed bearings or packaged bearings, nor have the comments of questionnaire recipients materially changed.

Thus, we believe the Commission should simply find

no reason to revisit the question of domestic like-product yet again. If the Commission chooses to revisit, it should reach the same conclusion--namely, that there is a single domestic like-product co-extensive with the scope of the Order.

We have supplied various photos of tapered roller bearings in our prehearing brief, and have brought some sample TRBs to the hearing this morning as physical exhibits. You will find photos of the various physical exhibits, and of some additional larger bearings throughout my prepared testimony or as attachments. Before you we have placed examples of tapered roller bearings demonstrating the large variety of tapered roller bearing products covered by this Order, including small unhoused single row TRBs, large single and double row TRBs, various housed and packaged TRBs that are not wheel hub products, and every generation of wheel hub assembly.

The array of tapered roller bearings on the table to your right--the table to your right, a photo of that display is included as attachment one to my prepared statements. In addition, as we discuss later, on the table to your left you will see both Chinese and U.S. tapered roller bearing solutions for the wheel-in of vehicles, single row TRBs, and each generation of wheel-in assemblies.

You will see on the table to your right a number of single row TRBs. These types of TRBs come in hundred, if not thousands, of sizes from one inch to more seven feet in diameter. I have pictured one of the smaller end and of the larger row TRBs that are on the table in my prepared testimony.

TRBs also come in multiple rows, whether two or four. There are several double row TRBs on the table fo your right. It is also the case that all wheel hub assembles are double-row TRBs. I have included pictures of several double-row TRBs, including two that are also on the table in my prepared testimony.

Also on the table to your right are examples of housed or packaged bearings other than wheel hub assemblies. Since the original investigation, there has always been a market for TRBs that come in some sort of housing or pre-sealed package. While a number of bearings produced with housings or in packages has increased over the years, the use of such housings or inclusions within a package has not.

The Order has always covered a variety of housed or packaged tapered roller bearings. The bearings are similar to wheel hub units in that they may include a housing or additional components which essentially serve to facilitate assembly, ensure accurate performance and, in

some cases, handle some additional tasks. Thus, a wide range of TRBs are housed, such as our Type E bearings.

There are two examples on the table in front of you from our Type E housed bearings, and pictures of them are included in my prepared statement for east of identification. As you can see, the size of these housed TRBs is roughly comparable to that of the GEN-2 or GEN-3 wheel hub assemblies.

Additional photos of types of Timken Type E housed TRBs that are covered by the scope of this Order are contained in my prepared statement.

For example, cartridge and hanger tapered roller bearings. Types of housed tapered roller bearing units were specifically mentioned in the original scope language. Tapered roller bearing wheel hub assemblies are simply a type of housed or packaged TRB.

The Commissioners' questionnaire definition of "wheel hub assembly" includes bearings with or without flanges, and thus include GEN-1, GEN-2, and GEN-3 TRBs. Wheel hub assemblies in other types of housed and packaged TRBs have elements added to the TRB to facilitate assembly of the final product. They are preset and/or pre-sealed to improve performance, and in some cases to perform other functions.

For example, on the table to your left, and the

table to the right, you will find various generations of wheel hub assemblies. Some are package type GEN-1 for ease of mounting, preset and pre-sealed for improved performance, and others such as GEN-2 or GEN-3 have additional material to permit ease of mounting and come with or without an anti-lock braking system sensor.

There is a picture of a GEN-3 wheel hub assembly with a sensor in my prepared statement, but the same GEN-3 product will come without the sensor as well.

On the table to the right, you will see not only a GEN-1 wheel hub assembly, but one of a number of other package bearings in the market. Specifically, you will see a large unit in the upper right-hand corner of the table which is an AP bearing, which is used on railroad cars.

While examples are not on the table, other package bearings such as Timken's Pinion-PAC pack bearing for truck axles and Sheave-PAC bearings for oil and gas drilling, are examples of packaged TRBs. All of these bearings are similar in that they have inner and outer races, rollers, and cages, and additional material to facilitate utilization in a given application.

As you will see on the table on your right, and in the picture in my testimony, a cutaway of a GEN-1 wheel hub assembly, which is a type of a double row TRB. You will also see an AP railroad TRB, and there is a picture of a

cutaway of a similar bearing in my testimony.

Timken's Pinion-PAC-, which is in the top picture, and Sheave-PAC on the bottom picture, is also pictured in my prepared statement. As noted, GEN-2 and GEN-3 wheel hub assemblies may come with or without the anti-lock braking system sensors. However, sensors are not a feature limited to wheel hub assemblies, as many types of bearings come with sensors.

Pictured in my testimony are TRB units from SKF used in railroad applications with sensors used to detect wheel slide in order to avoid skidding and locking during braking. The sensor can also measure rotational speed, bearing temperature, vertical or lateral acceleration, and bearing condition.

The next picture is a TRB from Schaeffler used in industrial manufacturing applications with built-in sensors that can detect temperature, speed revolutions, vibration, and displacement.

So there is nothing which distinguishes wheel hub assemblies, even if limited to GEN-2 and GEN-3, from a large number of other tapered roller bearings produced by Timken and other TRB producers. Tapered roller bearings were created to deal with the special needs of wheel-ins to address the combination of radial and thrust loads that vehicles endure when turning.

Wheel hub assemblies are simply variations of how OEMs can opt to solve the wheel-in needs with tapered roller bearings. The evolution of the wheel-in solutions is presented in a brochure Timken put out in 2006 entitled "At the Center of the Hub Evolution," which is attached along with other literature from Timken on wheel hub generations in attachment two to my prepared testimony.

During the third sunset review, we brought samples of TRBs that are used to solve wheel-in needs in passenger vehicles and light trucks where TRBs are being used. You will see in front of you on the table to your left both Chinese and U.S. produced TRBs that solve the wheel-in needs in the vehicle manufacturers that have been used over the years and continue to be used at least in the aftermarket for vehicles on the road. Photos of the display on the table to your right are included as attachment three to my prepared statement. We have updated several slides which show that all of the different solutions for wheel-ins continue to be used on cars and trucks on the road today, just as they were back in 2012 at the last sunset hearing. Thus, there is no change in physical characteristics and end uses between the third sunset review and this one.

The first slide shows types of vehicles where either two-row TRBs or GEN-1 wheel hub assembly, or a GEN-2 or GEN-3 wheel hub assembly are used to solve the wheel-in

needs of an OEM. Any of the options from two single-row tapered roller bearings to a GEN-1 TRB wheel hub assembly, to a GEN-2 or a GEN-3 wheel hub assembly can be used at the design phase.

After the design phase, only the solution picked can be used. This is true today as it was true in 2011 and in earlier years. Thus, the level of interchangeability between wheel hub assemblies and other TRBs have not changed since the third sunset review. There was and is potential interchangeability at the design phase, but not afterwards.

The second slide shows a percentage of vehicles on the road that have each type of TRB solution in the wheel-in when the vehicle uses TRBs there. While two single-row TRBs are not used much by OEMs on new models today, they remain a major solution in the aftermarket for vehicles that remained on the road at the end of 2017.

As the Commission has noted in prior sunset reviews, there are more than 26,000 TRBs that can be produced, spanning a huge size range from less than an inch to more than seven feet in diameter, and ranging in price from as little as a $1 to $100,000. Indeed, a given TRB of identical dimensions can vary by 20 times or more in price depending on the precision level, specific characteristics sought, likely volume, et cetera. Thus, there have always been TRBs other than wheel hub assemblies that are priced

considerably higher than wheel hub assemblies, just as there are TRBs that are priced at comparable prices or much lower than wheel hub assemblies. That remains true in this review, just as it was in the third and earlier reviews. Examples of the wide range of TRB products within the scope of this order are included in attachment four at the end of my testimony.

Timken sells wheel hub assemblies to both OEMs and into distribution. While automotive and truck would be primary uses, there have been uses for GEN-1 since at least the third review in other sectors such as agriculture. The GEN-1 wheel hub assembly, Timken's UNIPAC, also has been used in various industrial applications. Timken worked with some OEMs at the time of the third sunset review, possible uses of GEN-2 or GEN-3 on nonautomotive applications, but other solutions were ultimately adopted.

The channels of distribution are identical for wheel hub assemblies in other TRBs. Sales will go to automotive OEM and distribution and to the industrial OEM and distribution.

Automotive OEMs and their tier suppliers will buy both wheel hub assemblies and unhoused TRBs. Distributors will always carry both. Thus, there is no change in demands of distribution since the third review and there is in fact an identity of channels between wheel hub assemblies and

other TRBs.

I will stop here and turn our review over to Marc Propst, our Gaffney Plant manager, to review the issues of manufacturing facilities, processes, and employees. Thank you.

SATEMENT OF MARCUS W. PROPST

MR. PROPST: Good morning, Chairman Johanson, Commissioners and Commission Staff my name is Mark Propst. I'm currently the plant manager of the Gaffney Bearing Plant at the Timken Company but has also served as Plant Manager of Timken's Lincolnton Bearing Plant which currently produces the well hub units as well as other TRDs.

I've also been plant manager at Timken Charlotte Precision and Airspace Bearing Plant in Rutherfordton, North Carolina. In my current role I have overall responsibility for the operations and performance of the Gaffney Plant. I've been with Timken in Operations for over 37 years.

I understand that a number of the Commission Staff had the opportunity to visit both Gaffney and Lincolnton earlier this year so hopefully my comments will bring back what I'm sure most of you who traveled to the plants would have seen. Gaffney and Lincolnton are two of the largest TRB plants that Timken has in the United States.

The company seeks maximum efficiency in the U.S.

Production operations to it is not uncommon for components of TRBs produced in one plant to be shipped to a second plant for final assembly. Gaffney produces cups, cones and rollers that are both used in its own facility to produce finished bearing assemblies; they are sold to Timken customers as well as producing cups, cones and rollers that are shipped to plants like Lincolnton for final assembly or combination.

I was plant manager at Lincolnton when Timken launched production of the Gen 2 or second generation TRB wheel hub assembly. I was there when the first Gen 2's came off of the production line. Lincolnton assembles wheel hub assemblies whether Gen 1, Gen 2 or Gen 3 from both components produced on the cup, cone and roller lines at Lincolnton are brought in from other plants like Gaffney.

Thus, it is accurate to say that the cones for Gen I and Gen 2 and the cups and rollers used for Gen 1, Gen 2 and Gen 3 hub units are made from the same plants on the same equipment and by the same employees who produce components for non-wheel hub assembly bearings. At Lincolnton, housings and other components that are purchased are used to create Gen 2 and Gen 3 wheel hub assemblies from the components produced elsewhere in the plant or in other plants such as Gaffney and are assembled on dedicated lines within the Lincolnton Facility.

The Gen 3 wheel hub assembly has the cone radius ground into the housing on the dedicated line. Sensors may or may not be added depending on the customer's preference. Other house or package tape or roller bearings besides wheel hub assemblies will go through similar multi-plant productions with cups and/or cone assemblies produced from components of one or more Timken plants and assembled with other components or housings to complete a housed or packaged bearing of the type shown in the prehearing brief or on the table to the right this morning.

AP railroad bearings, Pinion-PAC bearings for truck axles, ship pack bearings for the oil and gas sector and various other TRBs would be examples. From my personal knowledge, the production facilities, processes and employee issues reviewed above have not changed since the 2012 hearing.

Let me talk briefly about the risk of the Gaffney Plant if this order is revoked. Our plant is operating well below optimal capacity utilization rates reflecting the challenges our management and sales force have had in obtaining business, even with the China order in place. It is my understanding that many Chinese bearing companies produce many of the high volume part numbers that characterize the bulk of the items produced in Gaffney.

Prices in China, as Chris Coughlin has explained,

are much lower than the prices in the U.S. Revocation of the order will almost certainly lead to a large ramp-up of import volume from China, much of its sizes and part numbers that will directly affect Gaffney's order volume and ability to remain viable.

I add my voice on behalf of our employees and to others on the Panel and ask the Commission to render an affirmative determination and maintain the order on TRBs from China. Thank you.

STATEMENT OF MICHAEL A. DISENZA

MR. DISCENZA: Good morning, Chairman Johanson, Commissioners and Staff. I am please to be here this morning with my colleagues to review the importance of maintaining the antidumping order on TRBs from China. My name is Mike Discenza. I serve as Vice President and Group Controller for the Timken Company.

I have been with Timken for the last 17 years and have held various positions within the finance area of the company. I have been a plant controller, operations controller for the bearing business, segment controller for mobile industries, assistant corporate controller at the time we spun off the steel business and have been group controller for the company for the last three years.

My current responsibilities include business controlling functions, decision support, analytics around

business profitability, capital investments, operations finance, financial and operations forecasting. As I understand the sunset review process, the Commission is examining whether revocation of the antidumping order will likely result in adverse consequence to the Domestic Industry.

The statutory term is whether revocation will likely lead to the continuation or recurrence of material injury in the reasonably foreseeable future. Chris Coughlin has provided an overview of the reasons revocation would be harmful to Timken's U.S. Operations. Large capacity expansions in China, increased export orientation, significant price underselling even with the order in place and likely GDP growth slowdown in major markets are all factors you will undoubtedly consider.

The existence of the order has helped reduce the level of dumping occurring and has resulted in less of the export volume from China coming to the U.S. than would otherwise have been true. The Commission has, in the three prior sunset reviews had little difficulty understanding the potentially damaging consequences of revocation with facts basically similar to the above.

This has been true regardless of whether the Commission viewed the Domestic Industry as vulnerable or not based on recent performance. Since the last sunset review

overall demand through 2017 has declined at least for the period of 2015 to 2017 while Timken's global businesses have improved that has not been true for its U.S. tapered roller bearing business.

We are operating at low capacity utilization at many of our facilities and the profitability of large amounts of our business with ODM customers is far below our cost of capital. While the company is investing for growth and improved efficiency it is limiting capital expenditures in the U.S. to maintenance and efficiency improvement projects.

There is little doubt the situation for Timken and for the entire Domestic Industry would be much worse but for the order on TRBs from China. We know that the large increases on exports to the EU have made the EU market for TRBs a much more challenging environment than has been true here in the U.S. Prices for many products are lower in Europe than in the U.S.

Revocation of the order would put intense pressure on prices and volumes in the U.S. Market in a short period of time. Reduced volume would put pressure on closing one or more facilities. Downward pricing pressure would result in Timken losing more volume, reducing profitability on business that did book or shifting volume away from the U.S. All of those results would be very

damaging to Timken's U.S. Operations.

We assume the Commission will continue to find that there is a single domestic like product in this review, just as it has done in each of the prior sunset reviews and in the original investigation but even if the Commission finds two domestic like products, at least for Timken based on its data, the ultimate decision by the Commission should be the same.

The entire TRB industry or the two industries consisting of all TRBs other than wheel hub assemblies and the one consisting of wheel hub assemblies would likely be significantly adversely affected by the revocation of the order within the reasonably foreseeable future. While Timken's trend lines may be different for wheel hub assemblies than for all other TRBs, the condition of Timken's total TRB business in the U.S. is quite similar to the TRB business other than wheel hub assemblies.

To the extent the industry is similar to Timken's performance, the case for extension of the order is as strong or stronger than in the 3rd sunset review period. The wheel hub assembly business is operating on much tighter margins despite improved volume with the order in affect and would be adversely impacted, first in the aftermarket and then in OEM within time periods reflective of the market dynamics involved.

Timken has been committed to a regional supply arrangement around the world. For the Americas that has meant the primacy of our U.S. Operations but significant pieces of our U.S. business are far below our cost of capital, putting pressure on the company to reduce capacity in the U.S. and shift supply offshore.

Revocation of the order on China will cause swift and significant harm to our U.S. Operations and we assume to all other U.S. Producers within a 2-3 year time period. I would be pleased to answer questions.

STATEMENT OF ROBERT HARPER

MR. HARPER: Good morning, Commissioners. My name is Bob Harper. I'm President of Local 1123 United Steel Workers, Paper, Forestry, Rubber Workers, Manufacturing, Energy, Allied Industries and Service Workers International. I have been with the USW for 19 years and have been a local presence for the last three years. I am now serving a second term for a three-year term.

The USW represents 850,000 working men, women in a wide array of industries. USW Local 1123 in Canton, Ohio represents the workers in Timken's Gabrinus Rolling plant. The Gambrinus plant employs about 130 USW members and I am accompanied today by one of those workers, Joe Plott. Joe is the Chair of Bearings for our local and will also be testifying.

Gambrinus Rolling Plant produces taper rollers which are shipped to Timken's other TRB plants for use in producing TRBs. It is my understanding the Commission Staff visited a number of these Timken factories earlier this year. Rollers from Gambrinus are used in each of the facilities you visited: Gaffney, Lincolnton, Tiger River but also another Timken Facility here in the U.S. and also exported to Timken operations abroad.

Our members who work in the roller plant are highly skilled workers. They have gone through significant training to be able to do their jobs. Their jobs in Gambrinus offer them a pay rate that they can raise a family on, have a decent house, send their kids on to college. We cannot afford to lose these jobs in Canton.

The Canton area has already lost a lot of good paying manufacturing jobs in large part due to foreign competition the type of jobs that have provided good benefits and a safe environment contributing to a good community. Those are the types of jobs we want our members to have but in the Canton area we are down to only two manufacturing plants, Gambrinus Roller and Timken Steel Factory.

Our local represents both of those plants. For our members to be able to maintain their jobs and standard of living it is critical that conditions of trade be fair.

The existing antidumping duty order on imports of tapered roller bearings and parts from China is the key component to ensuring reasonable conditions for fair trade in the marketplace. Our members have seen what can happen to companies, workers, their families and their community when an unfair trade practices are not addressed in timely manners.

China is a huge country and often operates in manners that have no relationship with the market forces. The company witnesses have reviewed that the impact the revocation of the order would be on the U.S. plants. Make no mistake, our USW members in Gambrinus Roller Plant also very likely to be harmed if the order is revoked.

If Timken faces reduced demand for products because of a surge of dumped Chinese CRVs there is necessarily a reduction in the demand for rollers from the factories including Gambrinus that produces the company's rollers. We understand that Chinese TRB industry is huge and produces a full range of TRBs in more than 250 companies. Thus, all the parts of the U.S. TRB marketplace are at risk if the antidumping order for the TRBs from China is revoked.

I understand that the Commission found in the second sunset review that we, when the order was revoked selected individual Chinese companies' imports from those

companies' soared. That will undoubtedly happen on a much larger scale if the order is revoked on all companies. Reduced production by Timken on TRBs will result in the reduction of tapered roller at Gambrinus cost and our members' compensation, hours of work and jobs.

At some point the declining environment results in the closure of overall plants which will harm other members, their families and other communities. That is why on behalf of the USW men and women working at Gambrinus Roller Plant I respectively ask you to find the revocation of the order of TRBs from China will likely lead to continuation or recurrence of material injury to the Domestic Industry in the reasonable foreseeable future.

Thank you for your attention.

STATEMENT OF JOSEPH PLOTT

MR. PLOTT: Good morning, Commissioners and Staff. My name is Joe Plott. As Bob Harper introduced me, I am the Chair of the Bearing of USW local 1123. I am also one of the 130 U.S. Members employed at Timken's Gambrinus Roller Plant in Canton. I currently work in the heat treat area of the plant. I worked at the roller plant for 20 years and have been a USW member for the entire time.

At Gambrinus we make the best rollers in the world. The rollers we make are shipped out to be assembled into bearings at Timken's high volume plants in Lincolnton

and Gaffney into large bore bearings at Timken's Tiger River Plant; into aerospace bearings at New Philadelphia, Ohio; into rail bearings at Mascott, Tennessee and other Timken facilities.

Our volumes range from over a million rollers per month for some rail bearing rollers down to a single set of rollers for one bearing. For those of you who may have never been in a tapered roller bearing facility or roller facility, you should know that tapered rollers are critical to the performance of TRBs since they are the rolling element and may have many specific features that will be critical to the operation of a particular TRB in the market.

For those of the staff who I understand visited Timken's facilities earlier this year. You would have seen many of our operations are efficient, capital intensive and driven by a skilled workforce. That is certainly true of the Gambrinus Roller Plant.

As is often true in manufacturing and production, workers face what is hard and demanding work and are engaged in constant improvements of the work flow, product quality and productivity. We are very proud of the high quality product we produce and the role we play in ongoing improvements.

The workers of the Gambrinus facility are highly

skilled at the job of producing rollers of the exacting specifications demanded by the Timken customers requires our members to develop special skill sets. We have received considerable training in order to be able to do this specialized operator jobs required to work to make rollers of the high quality we do.

An average operator would receive six months to one year on the job training depending on the area of production they were in specific skills that are developed are highly specific to the unique steps of bearing production. Some don't translate into other manufacturing jobs that may be available in the area.

That is concerning to us because Gambrinus has continually downsized and is now operating at lower volumes than we have in the past and below what we could be producing now. In the past 5 to 6 years we have lost probably a quarter of our workforce, 40 to 50 positions have been taken out of the plant. As Bob described, these are good living wage jobs that are no longer supporting families and our Canton community.

Layoffs also impact those workers who remain in the plant and as the workers that remain have to pick up the slack. Every time we are negotiating a contract we hear about the risk of our jobs as our facility is not able to stay competitive. Our jobs are absolutely at risk if this

order on Chinese TRBs goes away.

Production at our roller plant depends on the demand for TRBs produced at Timken's other U.S. facilities. If they can't sell enough TRBs because Chinese Imports are being dumped on the U.S. Market we won't produce the volume of rollers we need to stay open. We can make the best rollers in the world but we can't compete with subsidized Chinese economy.

I join others on the Panel respectively asking that you make the affirmative determination in this review and allow the order on Chinese TRBs to continue to protect U.S. workers from unfair import competition.

STATEMENT OF TERENCE P. STEWART

MR. STEWART: Mr. Chairman, this is Terence Stewart again. Because of some of the technical difficulties, I would refer the Commissioners to the slide presentation that was incorporated into Mr. Coughlin and Mr. Ruel's testimonies. I'm going to go through just a few slides to summarize the testimony and the materials that we had in our prehearing brief and the prior submissions.

First, on the benefits of the order. There's little doubt that the domestic industry has benefitted from the continuation of the anti-dumping duty order on TRBs as this chart clearly demonstrates.

Dumping has been less severe than it would

have been and far fewer of the exports from China have been directed at the U.S., despite the large size of the U.S. market and better prices than exist within China or major export markets like the EU.

This can be seen in the decline in share of exports since the late 1990's through last year, when exports were only 15.3 percent of China's total exports. Turning to conditions of competition, demand for TRBs is, as the Commission has always found, they derive demand from the demand from any end use products, and so tends to follow overall GDP trends.

Projections for GDP growth in the U.S. over the next three years are for declines from the growth seen in the first half in 2018, and for a decline in growth in China and Europe over the same time period. With the low capacity utilization, there's obviously supply from domestic producers, and we believe from Chinese producers as well.

Because TRBs are a very small part of the total cost of end products into which they are assembled, movement in prices of TRBs has virtually no effect on demand. The Commission has repeatedly found that there's a reasonable interchangeability between the U.S. and Chinese and other TRBs, and that interchangeability is confirmed in this review as well.

Morever, the Chinese government and Chinese

companies have focused on improved quality and expansion of product offerings over recent five year plans. All channels of distribution are served by U.S. and Chinese producers.

While some OEM sectors may have limited OEM penetration by Chinese producers at the moment, many multi-national companies with operations in China and Chinese producers sell to OEMs other bearing products, and would be able to access these segments in the reasonably foreseeable future if the order were revoked.

Likely volume of subject imports because of the very poor response rate from the Chinese producers to the ITC's questionnaire, foreign producer questionnaire data in this review do not reasonably reflect the size or direction of the Chinese tapered roller bearing industry. Public information from the China Bearing Industry Association, which we have provided, shows TRB production in 2017 at over 230 million bearings for its members, who are just part of the total industry in China.

CBIA member TRB production is three times U.S. production, with further capacity being added as reflected through press accounts reviewed in the staff report and a prehearing brief. China's 13th five year development plan for the bearing industry projects growth of production of 18.4 percent through 2020.

Public sources in China indicate excess

capacity has been as high as 45 percent of the overall bearing sector during the Period of Review. Even at the capacity utilization rates of a handful of Chinese producers who responded, there was large volumes available through remaining capacity, as well as volumes of inventory and from the ability to shift from lower priced markets such as China and the EU.

There is large capacity for multi-national companies' China operations, and there are Chinese producers who have been working overtime to both expand breadth of offerings and the quality of their products with many producers meeting the international standards, with a large number of bearing research centers now in China.

China continues to have significant export orientation as reflected in the staff report and public information Timken supplied on a larger group of companies last year in response to initiation of the review, and as can be seen in China's continued rise as a leading exporter of TRBs. With declining demand growth, continued expansion of capacity, there will be a continued need to export from China.

The U.S. is the logical export market absent the order, because of its large size and better prices than are found in China and major export destinations from China. Even with the order in place, the record reveals investments

by Chinese companies to expand their presence in the U.S. market, and that will obviously accelerate if there were to be a revocation.

Since the original investigation, each sunset review has shown ongoing underselling. Margins of 45.5 percent were found in this review. As in the past, this is important because of the importance purchasers place on price, coupled with the fact that other purchasing factors are generally viewed as comparable between U.S. and Chinese product.

Thus, lots of sales will go to the lowest price, explaining growth from China even in a declining U.S. market, and even with the order in effect. With Commerce having found that dumping will continually recur, with margins up to 60.25 percent, revocation will result in significant pricing pressures in the market. This is true even with the 25 percent duties being imposed on some TRBs under the 301 action, and the possibility of ten percent tariffs on other TRBs.

The result of revocation would be disastrous for the domestic industry. During the Period of Review, there have been declines in capacity, production, shipments and employment. There is significant substitutability of Chinese and domestic product from many purchasers. There are existing relationships in the U.S. for both

multi-nationals and other Chinese TRB producers for other bearings.

Moreover, most U.S. OEMs have an active presence in China and hence familiarity with capabilities of Chinese producers for the China and export markets, including the U.S. market for some companies. For such market realities, imports from China would surge if the order is revoked, just as exports from three companies surged when the order was revoked for them in the past.

U.S. producers would lose volume, layoff workers, close facilities, suffer price declines and the erosion of profitability. This would be true across all areas of TRB demand in the U.S. Thus, the Commission should determine that the revocation of the order on TRBs from China would likely lead to the continuation or recurrence of material injury in the reasonably foreseeable future.

While those opposing continuation of the order seek to have the Commission revisit what is the domestic like product, it is Timken's position that such a review if conducted will result in the same outcome. As in the original investigation and prior sunset reviews, the domestic like product is co-extensive with the scope of the order.

The facts with regard to wheel hub assemblies are essentially identical to what was presented and decided

by the Commission in the third sunset review. The fact that the Commission examined the domestic like question in the original Korea investigation is obviously not controlling as the investigation had a significantly different scope, and Commission case law recognizes that different scopes can have different domestic like products, a fact that doesn't vary simply because of a finding of a continuum in one or both of the underlying investigations.

In any event, the Commission should render an affirmative determination regardless of whether it again finds a single domestic like product or changes its finding and determines that wheel hub assemblies are a separate domestic like product. With that, Mr. Chairman, we will stop our direct presentation.

MR. BISHOP: Mr. Chairman if I may, before we turn to questions, I would like to apologize for our audio-visual difficulties this morning, and ensure counsel and witnesses that the Commission has been afforded your handout to follow along with the slides that we were unable to present. Again, I apologize.

CHAIRMAN JOHANSON: Thank you Mr. Secretary, and also I would like to thank the witnesses for appearing here today. Before we begin with questions by the Commissioners, Commissioners would like to go down to the table and take a look at the different bearings on display.

I think that would help us better understand the product we are discussing today.

MR. STEWART: Would it be helpful if one of the Timken folks were there, so we could answer any questions. We could have a mic so it would be recorded.

CHAIRMAN JOHANSON: That would be helpful, yes. Why don't we do that? Also, I'd like to invite any of the Respondents to come forward as well when this is being recorded.

MR. STEWART: Mr. Chairman this is Steve Russell from the Timken Company, we'll be very happy to answer any questions.

CHAIRMAN JOHANSON: Alright thank you Mr. Stewart.

COMMISSIONER BROADBENT: Okay, so my question is --

MR. BISHOP: Wait, we need to get you a mic.

COMMISSIONER BROADBENT: Okay, is this on?

MR. BISHOP: It's on.

COMMISSIONER BROADBENT: Can you kind of walk me through domestic-like product in the Korea case --

MR. BISHOP: Can you hold it up, please.

CHAIRMAN JOHANSON: Yes --

COMMISSIONER BROADBENT: We had a continuum in this case.

MR. STEWART: Yeah this is Terry Stewart, let me start the Korea case obviously deal with 0 to 8 inch.

MR. BISHOP: Terry I need you to speak more into the mic.

MR. STEWART: The Korea case dealt with 0 to 8 inch TRB's that were not -- did not have housings. So this size would be a 0 - 8 inch and this would be a 0 - 8 inch. This would not be -- this would be over 8 inch. These would not be because there are some housings, these would both be 0 - 8 inch and none of these products down here would be 0 to 8 inch and I think these are both within 8 inches so it would be included.

So it included single row, double row, four row, but nothing that was housed such as these units that they were 0 to 8, and there are lots of basically the bulk of the Gen 2 and Gen 3 bars would be 0 to 8 and so included parts that would be 0 to 8 if they had been produced and sold just as an unhoused TRB.

COMMISSIONER KEARNS: Is Generation 1 -- is this not a housed bearing?

MR. STEWART: Well it is -- it is considered a wheel hub unit, sometimes called wheel hub assembly and it is -- my understanding is that the advantage of that particularly in any of this is very similar to any other double row tapered roller bearing that has been sealed.

The advantage it has is that when you were using the single row and this I think you'd probably be a better person to explain it but the single rows are put into a wheel and had to be -- had to be adjusted and that would be done manually and also perhaps had needed to be degreased or things like that.

So you take care of all of that with the Generation when it is pre-sealed so that this saves the company time when it's just going to be inserted into the wheel end.

COMMISSIONER KEARNS: Alright good.

CHAIRMAN JOHANSON: So can you all clarify -- I note down here we have wheel hub assemblies named at the table. What other products would be wheel hub assemblies at the table?

MR. STEWART: The table is set up so the wheel hub assemblies as defined in the questionnaire which is flanged or unflanged. These would be the flanges right? This, when it first came out also came out with a version later that had a flange on it but so as your questionnaire has defined, it would be these three generations -- Gen 1, Gen 2, Gen 3, there's also a Gen 2 that some people produce.

We provided cutaways because there had been interest when staff was down at the plant to bring up the

cutaways so that people could see where the tapered bearings are and we could see that the tapered bearings are here. They are here in this Gen 1 and on the Gen 3 you have the race actually being formed into the housing itself.

So this constitutes our understanding of the Commission's definition of wheel hub assemblies, which is consistent with what we argued for and what was also the definition in the third Sunset Review, and our understanding for every previous time that it's been looked at.

So it would be these products and so we set them up so that you could both see we picked these Chinese products up in the marketplace and these are Timken products and we also just bought in the marketplace so that you have a single row and for a wheel end you would use two of these, alright -- or you'd have a Gen 1 which is basically a double row TRB and then they get built up into these units -- the Gen 2 and the Gen 3 and so these are cutaways.

We brought these housed units because these housed units have been produced and been specifically included in the original scope back in the 1980's and these are roughly the same size so you could see that there are other housed units that are produced by domestic producers like Timken that are essentially the same size.

And then this is the railroad bearing, right, and this is the AP bearings and this is similar to these in the

sense that you have a sealed unit with two -- with multiple TRB's. Now we have in Mr. Ruel's testimony in the back there is a blow up of a railroad bearing, so you can see all of the components just like if you were following the testimony of Mr. Ruel you would have seen with the Pinion Pac and the Sheave Pac there was a blowout of the Sheave Pacs so you could see it all over the premise.

So when you have something that is more than or that is an integrated bearing into something else, you will see that there are some additional components, whether it is the housing that you see or whether it is an end cap as you would have on a rail bearing or things of that sort.

CHAIRMAN JOHANSON: Thank you that concludes -- oh I'm sorry we have one more question from Commissioner Kearns.

COMMISSIONER KEARNS: I heard your response on Generation 1 but I'm still not sure would you call this a housed bearing or is it not housed because it doesn't have as much around it. I get that it's a double TRB.

MR. STEWART: It was viewed -- it has always been viewed as a wheel hub unit, alright? And so we'll have assemblies as an undefined term in the industry and most literature you will see everybody includes Gen 1, Gen 2, Gen 3 in their wheel hub unit assemblies, however they have it up on their website, alright -- that's true for domestic

producers.

That's true for foreign producers that we've seen and it's true in the catalogue that is attached to Mr. Ruel's testimony which was done in 2006 before -- obviously not in connection with any of the Sunset Reviews.

This just takes a look at what has happened for people who are trying to deal with cars or light trucks in terms of improving the product so that it makes it easier for companies to assemble it or for repair shops to put the product in.

COMMISSIONER KEARNS: And the railroad -- you would call that a wheel hub assembly as well?

MR. STEWART: No.

COMMISSIONER KEARNS: Or no, you don't call that a wheel hub?

MR. STEWART: We call it -- it's called an AP bearing, it's a package bearing so --

MR. RUSSELL: We have the chart up here right now so.

MR. BISHOP: Just keep talking I'm going to figure that out.

MR. RUSSELL: Let me walk you through this one so this is the breakout of the rail AP bearing here. What Terry was talking about we have two tapered rows that are inside of this outer race and seals and within casts and

locking nuts so very similar to our TRB wheel hub units -- the same type of construction here.

COMMISSIONER KEARNS: And it attaches to a wheel right, or no?

MR. RUSSELL: This would be put inside yeah -- some move inside of a, you know, like a freight locomotive wheel hub.

COMMISSIONER KEARNS: Correct, okay. And do I remember there are other wheel hub units that aren't attached that aren't used in automotive such as in agriculture -- agricultural equipment?

MR. RUSSELL: We do sell -- we do provide what we are calling our UNIPAC. We do provide that out in the end so I through it also in the off-highway sector. It can be commonly used in some fan housings and some you know, AG implements like discs and stuff that like so we do -- we do sell that product.

MR. STEWART: And at the time of the third Sunset Review, testimony that Steve gave at the time was that they were working with -- implement people to see if they wanted to go to a Gen 2, Gen 3 type of solution for the wheel ends.

And my understanding is that despite working with them the companies came up with other solutions that they preferred so they have not gone that direction but there was -- there has been work with companies to the extent they

have an interest.

COMMISSIONER BROADBANT: I just have one more question. Which of these displayed the Chinese imports growing the fastest -- where is the real tough competition?

MR. STEWART: From the -- from the custom's data if you look at the way the tariff schedules are structured, there is within 8482 which is where bearings are located, under 8482-20 the first two 10 digit numbers are called wheel hub units with flanges and without flanges.

Our -- I am not sure. We had originally had thought that that would have covered all three of these things, but accordingly it would cover -- it would cover this side of it. Since that time and over the years there have been breakouts under the 8708 which are car parts, or vehicle parts and so there is a vehicle part which is identified -- there are like 4-5 HTS numbers that the staff identified where "wheel hub units" that presumably would be Gen 2 or Gen 3 might be coming in.

The one that would make the most sense from an outsider's perspective and I have to say I don't know how the Chinese are entering or the importers are entering them, is there is a number that deals with double flange wheel hub units other than wall bearings and that should be -- that should cover those two.

For some reason the staff did not include the

import statistics for that in your staff report, I think because it was under an 8708 number and it's possibly covered more than tapered, but as far as we know the only thing other than wall that gets used today is these tapered roller bearings.

CHAIRMAN JOHANSON: Do Respondents have anything they would like to add to this?

MR. VANDER SCHAAF: No I think we'll present it in our testimony.

CHAIRMAN JOHANSON: Alright thank you.

COMMISSIONER BROADBENT: Thank you very much, that was helpful.

MR. RUSSELL: We do provide what we are calling our Unipac. We do provide that out in the Ag sector, also in the off highway sector. They can be commonly used in some fan housing and some, you know, Ag implements like discs and stuff like that. So we do -- we do sell that product.

MR. STEWART: And in the -- at the time of the third sunset review, the testimony that Steve gave at the time was that they were working with Ag implement people to see if they wanted to go to a Gen 2/Gen 3 type of solution for their wheel ends, and my understanding is, is that despite working with them, the companies came up with other solutions that they preferred, so they have not gone that

direction.

But there was, there has been work with companies, to the extent they have an interest.

COMMISSIONER BROADBENT: (Off mic.)

MR. STEWART: Well, from the Customs data, if you look -- if you look at the way the tariff schedules are structured, there is within 84.82, which is where bearings are located, under 84.82.20, the first two ten-digit numbers are called wheel hub units with flanges and without flanges.

I am not sure. We originally had thought that that would have covered all three of these things, but clearly it would cover this item. Since that time and over the years, there have been breakouts under the 87.08 which is car parts or vehicle parts, and so there is a vehicle part which is identified -- there's like four or five HTS numbers that the staff identified, where quote-unquote "wheel hub units" that presumably would be Gen 2 or Gen 3 might be coming in.

But one that would make the most sense from an outsider's perspective, and obviously I don't know what the Chinese or how the Chinese are entering them or the importers are entering them, is there is a number that deals with double flange wheel hub units other than ball bearings, and that should be -- that should cover those two.

For some reason, the staff did not include the

import statistics for that in your staff report, I think because it was under an 87.08 number and it possibly covered more than tapered. But as far as we know, the only thing other than ball that gets used in these is tapered roller bearings.

CHAIRMAN JOHANSON: Do the Respondents have anything?

MR. VANDER SCHAAF: No.

CHAIRMAN JOHANSON: All right. All right. We will now begin Commissioner questions starting with Commissioner Broadbent.

COMMISSIONER BROADBENT: Thank you. Thank you for coming. It makes a big difference to have everyone here, and to kind of show us the product and I appreciate the folks being here from Canton. I was there over the weekend. I went to Atwood Lake and had a kind of great summer weekend. It was beautiful in Canton, Ohio.

Mr. Stewart, I used to work for someone that always quoted me, Ralph Waldo Emerson, about consistency being the hobgoblin of small minds. I'm just -- I am uncomfortable with these different like product determinations that we might be doing, and I just wondered if you could kind of walk me through your thinking, because I know you've had to make some different arguments. I know you and Commissioner Kearns talked about this at our last

hearing on the Korea case.

MR. STEWART: Thank you, Commissioner. It is always possible that a student of an agency doesn't understand what the agency is actually doing. But our understanding has been that we've been trying to follow what the Commission has done in other cases, and obviously your starting principle has always been that you start with the scope of the case.

I was asked at the -- during the preliminary conference of the Korea case if we were abandoning or claiming that the position that the Commission had taken in the China third sunset review was incorrect, since we were arguing that the -- that the domestic like product in that case should be co-extensive with the scope, which was limited to 08.

My position was no, that we believe that the third case was decided correctly. We were continuing to argue in the China fourth review that that was the correct interpretation, and our reading of your case law suggested that where you have a broad product array, which we have historically characterized as a continuum in this sector, that you look at it different, whether you are looking at subdividing the existing scope versus what you look at when you have a smaller subset and are looking at expanding outside of that subset.

We obviously haven't seen what the Commission's decision reads like on the Korea case, and so we don't know what you all decided specifically in that case.

But as far as we can tell from the language of other cases, you apply a different analysis when you have a broad product line that is the scope, where there are, as in here, over 26,000 different items that range in size and range in price, and where the challenge to the domestic like product is not focused on all items that may have additional elements to them, but rather to a subset.

You know, in your recent decision last year in aluminum extrusions, there had been a challenge to the domestic like product for certain subsets of further, quote-unquote "further finished product." But the scope of that case included a lot of products that went through further finishing processes, and the -- this is the language out of that decision.

In the language that you all used was that it doesn't get you home to claim that you have a separate like product if you are looking at a subset of a group that is common. So you look on this table, just looking at the housed bearings that are similar in size to wheel hub units, and one that has the orange, the orange ends, for example, that is not sought to be a separate like product and yet it

is virtually identical in terms of composition to what might be in a wheel hub assembly.

Similarly, your definition of wheel hub assembly in the questionnaire included Gen 1, and Gen 1 is virtually identical to what you would see in almost any double row tapered roller bearing except it may be pre-sealed. So in the context of looking at distinctions based on what people have argued, where you have the entirety of the industry that is the scope, we believe that the case has not been made that you should be breaking it into pieces.

When the source of the problem was a subset of the product, as we had in Korea, then we believe that we had the right to make and the right to ask you to look at whether or not you could find a reasonable line, even if not a clear line, as you look at when you're trying to decide whether you're going to break up a larger entity.

And so that, that was -- that was and continues to be our belief, that that's how your case law seemed to us to read, and hence why we believe we are acting consistently, and it may be that I have a small mind, but nonetheless on this we have tried not to be saying no no, do it this way for us on this case, and ignore what you did in that case.

We think that the two are consistent with the

underlying logic of your other decisions.

COMMISSIONER BROADBENT: But how much does it get down to what the definition of a continuum is?

MR. STEWART: Well, in prior cases that we've been able to see where this type of issue has been raised, where you have a group that is trying to break off a piece of the puzzle, and here the group is trying to break off wheel hub assemblies, and the wheel hub assembly as you defined it or as your questionnaire has defined it as you've collected data, doesn't match what they're now arguing.

They're now arguing they'd like to limit it to just Gen 2 and Gen 3. But Gen 2 and Gen 3 are not what was teed up when the questionnaire was being sent out to be asked on.

So in your other cases that included tens of thousands of different items, if somebody seeks exclusion or a separate domestic like product for a subset of product, where they haven't taken into account products that are within that entire expanse that are very similar, then your answer has been that that isn't a justification for a domestic like product distinction because there remain items that are very similar, the example of the aluminum exclusions.

So even if it was Gen 2 and Gen 3, you've got the AP railroad bearing, you've got the house bearings,

you've got those other items that we had in the pictures that are very similar-looking and very similar in terms of composition, that are not being sought to be broken out, that fit within that 26,000 part number grouping that is the TRB industry.

COMMISSIONER BROADBENT: So how often would you counsel us in certain cases to expand Commerce's scope, if Commerce comes with a fairly limited product scope, as a general matter?

MR. STEWART: Well, if you look at the history of decisions out of the Commission, at least in my recollection, and I haven't gone back and documented this specifically, my read is that the vast majority of your cases you end up finding a domestic like-product that's co-extensive with the scope.

Where you choose to go beyond the scope, which was obviously part of the argument in the Korea case, you find an inability to find a reasonable basis to limit it to whatever that scope happens to be.

And so when we were in the Korea case I had--I'm sure I had a memo on that exact topic and I'd be happy to try to respond to it in the posthearing, but my recollection is by and large you will find that whether you have a broad scope or a narrow scope, the Commission generally will find a domestic like industry that's co-extensive. Occasionally

it will go broader, and occasionally you will subdivide. But those tend to be more the exceptions than the rule, and based on what the purpose of the domestic like-product is, that always seemed to me to make a lot of sense. If your problem is products in Group A, why would you be looking at a domestic industry that's broader than the products that are competing with that Group A?

Sometimes you do. Sometimes those are the decisions, but I'd say those tend to be relatively rare decisions.

COMMISSIONER BROADBENT: Okay. Alright, thank you for that.

Mr. Stewart, the Commission did not find the domestic industry to be vulnerable in the last five-year review. What conditions have changed since the last review that would make the Commission's findings different here?

MR. STEWART: My recollection is that in the-- and again I'm happy to give a fuller review in the posthearing--obviously if you look at where the industry is in terms of capacity, production, shipments, and profitability, it is doing less well in this review than it was doing in the third review. And those would be bases.

I think if you looked at the overall of where apparent consumption is, that you would see that you're in a different position than historically you've been in in prior

reviews in looking at the domestic industry on a sequential basis. So I think that there are certainly bases for you to find that the industry would be vulnerable.

But again, you made affirmative determinations, two or three--I think two times in the past where the decision was the industry wasn't vulnerable but would still be--suffer material injury within the foreseeable future if the Orders were revoked. And we think whether you find this to be vulnerable or not, that should be the answer.

COMMISSIONER BROADBENT: Okay. Thank you very much.

CHAIRMAN JOHANSON: Commissioner Kearns?

COMMISSIONER KEARNS: Thank you. And thank you again to all the witnesses for appearing before us today.

Just to follow up real quickly on Commissioner Broadbent's question, you talked, Mr. Stewart, a bit about through the history of our decisions on domestic like-product. Can you just say a little bit more about sort of the rationale for having domestic like-product decisions depend on the scope? Why not just predetermine domestic like-product like we do--there's the North America Industry Classification System where you can just go to a book and there's this, we've decided this is an industry, and this is a separate industry? Why don't we just do that here and say we've already decided tapered roller bearings means

this, and it doesn't mean that, and that applies to every single investigation regardless of what the scope of a Department of Commerce investigation looks like?

MR. STEWART: Thank you for the question, Commissioner Kearns. I guess the answer is that if the Commission decided that that's how it wanted to do these cases, it probably could do that and probably would get upheld by the reviewing court.

That has never seemed to me to be a--consistent with where the statute is aimed. Over the years, going way back, you often will have very narrow cases where people have very specific problems and they're trying to deal with a very specific problem.

And if you kind of use a boilerplate fixed frame of reference, it means that you can't deal with a problem that may be real or may be specific but isn't as broad as it may be in 5 or 10 years. And that basically says an industry that's being hurt doesn't have the right to come in and get relief until the scope of the harm is so broad that you would recognize it or it would fit within a kind of a constant parameter.

So from a petitioner's point of view, I would say that would be what the concern is. From ease-of-administration, could you justify doing something that said we view the world as being 300 industries, and if

you've got a case in one of those 300 industries come see us. If you don't, stay away. I don't think that's what the Congress envisions, and that's not where your law has been historically.

You've done it on a case-by-case basis, and obviously you have factors that you look at, and the factors will vary based on the facts that you get.

COMMISSIONER KEARNS: Okay, thank you. My next question is still in this same vein of the domestic like-product.

What percentage of a wheel hub assembly is attributable to the TRB that it houses? Respondents estimate on page 34 of their brief that the price of a wheel hub assembly is roughly four times greater than the price of the TRB contained within it. Do you agree with that?

MR. STEWART: Let me just make sure that we're talking about the same thing. Because if you look first at GEN-1, obviously for GEN-1 100 percent of the value of the wheel hub assembly is the bearing.

And then when you get out to GEN-3, part of the challenge is that the cone is actually part of the extra material because it is--the cone is actually shaped into that. And so there is no easy way on the GEN-3 to identify what you would consider to be the bearing, because the bearing, essential part of the bearing includes the cone,

and the cone is, is now a significant part of that housing.

And on the middle one, I don't think that it would be four times. I would think it would be reasonable for the GEN-2, 30, 35 percent, something like that.

MR. RUEL: As Terry says, it's really hard to delineate because the bearing is integral. And certainly the GEN-1 is certainly easily understood because it is a bearing, but as you move up the bearing becomes integrated into the overall assembly. So where do you draw that dividing line. I think it's difficult to give you a percentage.

MR. STEWART: But I think that the number would be higher than 25 percent even if you were just kind of looking at the components that were the bearing, putting GEN-3 to the side because I do think you have a problem with GEN-3 simply because you've got the cone that is actually ground into the face of the housing.

COMMISSIONER KEARNS: Okay. So if we were to find a separate domestic like-product, that wheel hub assemblies are a separate domestic like-product, we can't even identify a TRB that is in that wheel hub assembly because they are so integrated?

MR. STEWART: I don't know that that would be the answer that you would get from us. First of all, on GEN-1 it's easy to identify because it's 100 percent. In

GEN-2, my understanding is that the TRB pressed in. And so there is a variant. But the bearing may be unique to wheel hub unit. So it wouldn't have a market use other than being put into the GEN-2. And in the GEN-3 you would have a cup and you would have rollers that would have been made for the item. And the cone itself would be ground into the face. So you would have some components that would be out there. They would also probably be unique to the GEN-3 bearing--or the GEN-3 unit.

COMMISSIONER KEARNS: Okay. A separate but related question: What is the difference in price between a Generation 1 wheel hub assembly and a Generation 2 wheel hub assembly?

MR. RUSSELL: I guess I can answer a couple of those questions. This is Steve Russell again. I think your question largely depends on what channel we're selling those bearings on, as well. There is [sic] cases to where we do sell a UNIPAC or a GEN-1 for probably a larger dollar amount than a GEN-2 or a GEN-3 in the OE. In general, I'd say market for market, or channel for channel, the extra features and values that a GEN-2 or a GEN-3 would probably be double or triple the price of a GEN-1.

COMMISSIONER KEARNS: Okay, but did I hear you say that in some cases the Generation 1 could actually be more expensive than the Generation 2?

MR. RUSSELL: Correct, right.

COMMISSIONER KEARNS: Okay. Are there some housed tapered roller bearings that are more expensive than a Generation 2 or a Generation 3 automotive wheel hub assembly?

MR. COUGHLIN: Yes. Yes, examples could be some of these industrial products in certain applications where the price would be higher.

COMMISSIONER KEARNS: Okay. Roughly how much higher would you estimate? Or how high could it be?

MR. RUEL: I think that's a difficult question to answer because they are not like-industries. You're dealing with very fragmented industries potentially for the type E or the housed units--look at the ones with the orange covers on it--versus a high-volume application for a specific application. So it's very difficult to give you an answer to that question without context around the industry, the volumes, and--

MR. STEWART: But the answer could be that you could find them that are substantially higher priced?

MR. RUEL: Absolutely.

MR. RUSSELL: Yeah, one good example that was up on the screen earlier is one of our wind applications. It's basically a large UNIPAC, as a comparison. That bearing is running probably in the six figures, or hundreds of

thousands of dollars, versus, you know, something in the $20 to $40 that we provide in the automotive segment.

COMMISSIONER KEARNS: Okay, thank you.

I think--I can't remember which witness, but I saw the chart in the brief and this morning about when Generation 1, 2, and 3 wheel hub assemblies began to be sold. Do we have it right that Generation 1 has been sold since roughly 1987? Generation 2, 1988? Generation 3, 1999? Is that about right?

MR. RUEL: We probably could clarify in the posthearing brief, but my records--and I'll let Steve correct me--is the unit bearing, or GEN-1, was in the late '70s, about 1980. The GEN-2 came on in the 1990s. And then GEN-3 came on in the late 1990s. So as we continued to work in that case with automotive OEMs, we continued to improve the features.

COMMISSIONER KEARNS: Okay, so now you're looking at the --

MR. RUEL: This is an aftermarket chart of usage. This is looking at all of the vehicles that are in operation in the United States. So if you go over to 2017, to 100 percent, so roughly 264 million vehicles that are running around the streets of the United States. As you now look at the years, you can see the different wheel-in solutions that were in those cars that are running around

today.

COMMISSIONER KEARNS: Okay, so the reason why-- you said this is an aftermarket chart. So the reason why you still see some of the blue, which is I think just tapered roller bearings, not GEN-1--

MR. RUEL: Correct.

COMMISSIONER KEARNS: --is because they're still replacing older automobile TRBs?

MR. RUEL: Correct. The new vehicles.

MR. STEWART: We did identify in another slide that there is still at least one vehicle on which the double rows are being--the single rows are still being used.

One quick answer, Commissioner Kearns, when we filed the case in 1986, GEN-1 was in existence. And we had indicated in the Petition, and it's reflected in your decision, the Commission's decision at the time, that there were developments underway to move beyond the GEN-1, and that that was intended to be covered, as well.

But the GEN-1 was there at least by the late 1980s and was something that was of concern to the company. So it may have come in in the late '70s.

COMMISSIONER KEARNS: Okay, thank you. My time is up.

CHAIRMAN JOHANSON: I would again like to thank the witnesses and their counsel for appearing here today.

Post-hearing, could Timken please present a likely injury analysis for the industry producing wheel hub assemblies, in the event that that Commission finds on this record a separate domestic like-product for wheel hub assemblies and therefore a separate domestic industry producing the same?

I understand that this would be an alternative argument for you, and that Timken's primary argument is that the Commission should continue to find a single domestic like-product and industry. But it would be helpful if you articulated why an affirmative is nevertheless warranted even under the Respondent's theory of this case.

MR. STEWART: We will do that, Chairman.

CHAIRMAN JOHANSON: Thank you, Mr. Stewart. Timken has argued in detail using various available data sets that the size of the Chinese TRB industry is many times larger than the handful of foreign producers that submitted questionnaire responses. And this is in your brief at pages 29 to 35.

Post-hearing, to the extent that you're able to, based on the available information, can you please include a similar analysis of the size of the Chinese industry producing wheel hub assemblies? For example, capacity, production, excess capacity, and exports. This would be for consideration in the event that the Commission were to find

a separate domestic like-product for wheel hub assemblies.

MR. STEWART: We will try to do that. I can tell you that the information sources from things like the China Bearing Industry Association, we have not found that they break out wheel hub units. So we're not sure that there will be the same Chinese data.

We did include in our prehearing brief information on a large number of other companies that produce wheel hub assemblies in China, including most of the major multinational companies. But we will see if we can find some information. It just will be that we won't have the same access to data because it's not in the CBIA database.

CHAIRMAN JOHANSON: I understand, Mr. Stewart. I know that it might be difficult to find, but to the extent that you all can, I think that would benefit the Commission.

Also post-hearing, to the extent that you're able to, can you please present any comparison data for prices of domestically produced wheel hub assemblies versus Chinese produced wheel hub assemblies?

MR. STEWART: Yes, we would be pleased to do that.

CHAIRMAN JOHANSON: Okay, thank you, Mr. Stewart.

Getting back to some of the questions that were

posed by Commissioner Broadbent, I have one more, or at least one more along that line. What role should the definition of the like-product and TRBs from Korea play in the Commission's consideration of the domestic like-product in this review?

MR. STEWART: Well we would be sure that the Commission would look at it, and look at the logic of however you came to your conclusion. But your starting point is always: What is the scope? And since you have wildly different scopes, by definition whatever you did in the Korea case would simply be background information as opposed to some kind of controlling determination, because you're looking at a much different scope. You might reach the same conclusion, but if you did it would be simply because in Korea you said X therefore you should say X in the China case.

CHAIRMAN JOHANSON: Thank you, Mr. Stewart. When I look at the compilation in the prehearing staff report of U.S. producers, U.S. importers, and U.S. purchaser's questionnaire responses respecting the six factors of the like-product test, a large group of responses seemed to indicate that TRBs and wheel hub assemblies are either never or are only somewhat comparable. And this is at the staff report at Table I-4 and page 1-31.

Why don't these data demonstrate a clear dividing

line between TRBs and wheel hub assemblies?

MR. STEWART: Thank you, Chairman. In our prehearing brief, we went through the staff report's six factors and compared them to the answers that had existed in the third sunset review, and the answers were quite similar. The language that you used in the questionnaire was different, but the answers were quite similar, suggesting that there was a big difference.

And it probably depends in terms of what people were thinking about when they were answering the question, even though you have a definition of wheel hub assembly. It is not plausible that people could say that the GEN-1 is not similar to a double-row tapered roller bearing.

So how you could come to that conclusion might be that you were pretending that it's not part of what is a wheel hub assembly. To say that the channels of distribution are different is obviously totally wrong.

What you would have found in the Korea case is that, since there were specific questions and information provided, there is a large number of TRBs that are bought that are other than wheel hub units by auto producers and tier suppliers. And those people are the same people who buy wheel hub units, whether it's GEN-1, GEN-2, GEN-3, or 2-single-row.

So there's no difference in channels of

distribution either in the OE or in the aftermarket. It is true that you will find some similarity in industrial distribution. You won't find much other than GEN-1 in the industrial OE. But most of your decisions as to channels of distribution stop at OE versus distribution, and don't go subsets of OE or subsets of distribution.

CHAIRMAN JOHANSON: Thank you, Mr. Stewart, for your response.

The pre-hearing staff report breaks out separate data for wheel hub assemblies. For example, at Table C-2 of the staff report. The specific numbers are largely confidential, so my questions will be more general. Why is consumption up for wheel hub assemblies during the review period? Is this a result of growth in the automotive part of the market in general, or something more specific to this type of product?

MR. COUGHLIN: Light truck growth, which is the primary usage of that product, "light truck" being pickup truck.

MR. STEWART: So in other words, you could have overall motor vehicle sales in the U.S. that were flat or even down, but if there was an increased share of light truck sales because light trucks will be more likely to use tapered roller bearing wheel hub units as opposed to ball bearing wheel hub units, which are used in most passenger

vehicles.

MR. COUGHLIN: The heavy market for these products is SUV, light truck, is where tapered wheel-in units are generally used. On passenger car, you have ball bearing units. So the SUV, light truck market has been doing very well in the United States. I don't have the exact figures in front of me, but that's been the strength of the U.S. automotive market.

CHAIRMAN JOHANSON: Mr. Coughlin, are tapered roller bearings used in light trucks and SUVs as opposed to ball bearings, is that due to weight considerations?

MR. COUGHLIN: I'll defer to my engineering, but, yeah, it's the engineering. It's thrust loads. It's loading characteristics of those types of applications, versus a standard passenger car.

CHAIRMAN JOHANSON: Okay. Okay, thanks for your response there. And following up on that, what are your projections for demand in the U.S. market for wheel hub assemblies going forward? Is this considered a growth area in the bearings market in general?

MR. RUEL: I think we see steady to slight growth. If we look at just the light truck, the projections on the light truck and full frame sport utility builds going out over the next 10 years, that we believe they'll be flat to slightly up.

CHAIRMAN JOHANSON: How much of that will be affected by Ford? Isn't Ford now going to be producing just light trucks and SUVs for the United States market?

MR. RUEL: No effect. They're going to be no longer manufacturing passenger cars, and instead they're going to be manufacturing smaller SUVs that don't--this does not have an impact on that. So if you think of, in Ford terms, the F150, the F250, the F350, that is unaffected by Ford's recent announcement.

CHAIRMAN JOHANSON: Okay, but they will not be producing sedans for the U.S. market?

MR. RUEL: Correct. But the conversion from passenger vehicles to smaller or compact SUVs would be using ball bearing hub units, not the tapered roller bearing hub units that we are looking at here.

CHAIRMAN JOHANSON: Okay.

MR. RUEL: So there would be really no effect.

CHAIRMAN JOHANSON: Okay. I told my son about this, and he said well who's going to produce police cars? I don't know about that. I'm going to have to look that up, because I think most police cars are Fords. Anyway, the yellow light is on, so I am going to stop my questions there.

Commissioner Broadbent?

COMMISSIONER BROADBENT: Okay, Mr. Stewart in

your prehearing brief you state that the Section 301 remedies imposed on China that include wheel hub assemblies will not be a sufficient deterrent if the Oder is revoked. Given the continued presence of low-priced imports from China during this review period, what makes the current AD Order more effective than those imposed under the 301 remedies?

MR. STEWART: Well, first of all, we all have assemblies, at least the Gen2, Gen3, I believe that those, if they are potentially subject to a 10% duty, so they're not part of what we believe would be subject to the current 25% duty that kicked in on July 6th. And I say that simply because the bulk of the volume that comes in comes in under the 87089915 number, if I'm recalling the numbers correctly.

So if one is looking at the wheel hub assembly side of the thing, it will be a relatively small duty if it goes into effect. And the margins are, for most of the major companies in China who are not exporting, they're not exporting because they have very high cash deposit rates. And high cash deposit rates go all the way up to 92% based on dumping that's been found in the past.

And so if you take away that limitation and you look at the commerce expectation that dumping would recur or continue and the margins could be up to 60%, that would tell you that whatever you will have significant downward

pressure on prices and that the dumping would more than offset whatever duties get imposed. And that would be true even if it's the 25%.

We also looked in the petition at the U.S. import statistics on a ten-digit level basis for everybody else, since we didn't limit it to wheel hub units. And what you found was that, even if there was no change in prices from China, and they simply increased prices 25% to reflect the 301 duties, 95% of imports from China would still undersell all other imports. And obviously, it's a lot lower than the 45-1/2% underselling that was found on the six products that were examined by the staff.

So we think, based on the precedent that you've looked at on 10-mil products and your sugar cases in the past, that it's pretty clear evidence that whenever duties remain in effect won't in any way offset the potential unfair trade practices.

COMMISSIONER BROADBENT: Okay. Mr. Stewart, to what extent has the additional duty on imports of steel articles under Section 232 affected the prices of TRBs?

MR. STEWART: Let me ask the client if they have a view on that.

COMMISSIONER BROADBENT: Mr. Coughlin?

MR. COUGHLIN: Yeah, I'm -- it's difficult to assign specifically to that specific issue. Most, you know,

moving, as an example, U.S. Timken, we do not import a lot of steel. We use domestic steel, so the 232 tariff does not directly impact us in that way. Now, U.S. steel makers are raising their prices, so they've been doing that since the announcement of that. So we get a secondary effect more from that perspective.

So most of the bearing industry is doing one of two things. With original equipment manufacturers, a lot of times there is a raw material surcharge, so as the raw material indexes go up, the prices go up accordingly to recover the raw material from the original equipment manufacturer. And then in the distribution channels, most companies did annual price increases in this year to recover the raw material price increases that have been passed through by the steel makers.

COMMISSIONER BROADBENT: Okay. What is the likely impact of the current investigations and potential resulting action of the investigations under Section 232 of imports of automobiles? Including SUVs, vans and light trucks and automotive parts on Timken?

MR. STEWART: I think if we could, Commissioner Broadbent, we'd like to respond to that post-hearing. We haven't talked about that issue particularly. Obviously it's out there and we don't know what the report will be or what the administration will recommend. But we'd be happy

to try to respond post-hearing if that's okay?

COMMISSIONER BROADBENT: Okay. I'll have to find something else to ask you then. Hang on just a second. How are tapered roller bearings and wheel hub assemblies developed for the aftermarket. What factors bear on the decision to introduce a bearing in the aftermarket?

MR. RUEL: When you use the term "developed", they're developed at the OEM stage, so we'd sit down with a design group at a OEM manufacturer and develop the design and fully validate the product and then obviously produce and launch the product. In the aftermarket, there is no re-design work that occurs. The original -- you're making the same bearing for interchangeability that the original vehicle possesses.

MR. STEWART: If I could respond, perhaps the question was inspired by opposing counsel's opening comments. Because of the broad array of products that are produced, not all products will be produced in the U.S. and on items like wheel hub units, it is possible in the aftermarket that--because Timken is a full-line supplier to the aftermarket-- that for items that they do not have the OEM business for, they may buy small quantities of wheel hub units from other producers that will be sold into the aftermarket by Timken, just as other companies will buy products from Timken where Timken is the OEM supplier and do

that if they are active in the aftermarket.

So they will bring product in from overseas from their operations. If there's part numbers that they produce overseas that they're not producing in the States, they'll buy from other producers, local or foreign. If there're specific items where the quantity that they would be putting out into the market is too small, and that often is an aftermarket characteristic. Because the aftermarket is looking for a supplier to be comprehensive.

COMMISSIONER BROADBENT: Okay, but for -- and I'm sorry, I'm not quite following. For Timken to decide to sell something in the aftermarket, do they sell everything that they've already sold at OEM in the aftermarket? Or is there a decision? How do you decide to go into the aftermarket?

MR. RUEL: If we're talking about automotive aftermarket, largely that is true, that we would then offer that to the automotive distributors. To just add a little bit more color to what Terry said, that coverage is important to automotive warehouse distributors. So coverage, meaning that you cover the vast majority of the applications that could come into for repair.

Timken does not manufacture absolutely every solution for every OE application, so therefore, in order to improve coverage, we will purchase products that we did not

manufacture for OEM purposes to complete, or to expand the coverage of our line to our automotive warehouse distributors.

COMMISSIONER BROADBENT: Okay, but all the products that you do produce, you provide in the aftermarket as well?

MR. RUEL: Yes.

COMMISSIONER BROADBENT: Okay. Good. And then the pricing on that, how does the pricing generally compare? I know you talked to Commissioner Kearns about this, but -- I mean is it -- it can be higher, lower --

MR. COUGHLIN: Higher. Yeah. Higher in the aftermarket.

COMMISSIONER BROADBENT: Always?

MR. COUGHLIN: Always?

COMMISSIONER BROADBENT: As a general rule?

MR. COUGHLIN: Yeah, I guess, yeah.

COMMISSIONER BROADBENT: Okay, good. Thanks. That's helpful. All right. I think this was Mr. Coughlin and Mr. Disenza, you were switching seats on me at one point, but I think Mr. Coughlin said, when he was talking about problems in the industry caused by the imports, you said you were limiting capital expenditures in the U.S. to maintenance? And then -- and how does that compare to what kind of expenditures you're doing overseas?

MR. DISENZA: This is Mike Disenza. That was me, Commissioner. Yes, so we stated that because of the underperforming business in the United States, we don't generate the profits to substantiate a return on investment. So we've limited our investments here in the U.S. to primarily maintenance, capital and operational improvement capital or efficiency improvements.

Outside of the U.S., bearing manufacturing, we've actually been expanding capacity. We've invested for growth in many areas outside of the United States. So the company is spending for growth, continues to spend capital spending, roughly 3-1/2% of our sales, but less than that in the United States.

COMMISSIONER BROADBENT: And what are the top three of those markets that you're expanding?

MR. DISENZA: Maybe Mr. Coughlin can talk about the market?

MR. COUGHLIN: Eastern Europe is a big market. India is also a big market. Those would be the two primary that you would look over the last five years where the major investment. Now, you know, we invest all over the world, but those are two of the biggest areas.

COMMISSIONER BROADBENT: And then how about China?

MR. COUGHLIN: Yeah, but we did a big investment

in China in, say, between 2000 and 2010, '12, now we've done some other investment there, but the big investment in China was done in that time frame. So yeah, we have the six plants in China and yeah, we compete very hard in the domestic Chinese market.

COMMISSIONER BROADBENT: Got it. Okay, thank you very much.

CHAIRMAN JOHANSON: Commissioner Kearns?

COMMISSIONER KEARNS: Thank you. Just continuing on the question from a minute ago about aftermarket versus OEMs, if I heard you right, I guess my question is, why would you produce a tapered roller bearing or a housed tapered roller bearing, a wheel hub assembly for the OEM market here in the United States, but produce its replacement for the aftermarket abroad?

MR. COUGHLIN: We would not in these units here. These units here are produced in the United States for the Timken Company at least. I think that Terry was referencing is, think of, you know, just think of AutoZone or NAPA, you know, they have to be able to service every automobile that could potentially come in in the aftermarket, right?

And the issue is, each manufacturer, we do these OEMs, Schaeffler does these OEMS, and say, SKF has these OEMs. So they need to carry a broad range of products to service all types of automobiles in the aftermarket. And

for them to create that portfolio of products, they're getting parts from all over the world, necessary -- I mean your BMW could be made in South Carolina, might be made in Germany. So you may be getting the replacement bearing from Germany as an example for your BMW. So that's, I think, what Terry was referencing.

COMMISSIONER KEARNS: Okay. That helps.

MR. COUGHLIN: This is also why the manufacturers buy and sell to each other. So it's very common for the multinational bearing makers to cross-sell to each other to provide the full range of bearings for the aftermarket. These Chinese products generally, you know, are backward engineered, right? They sort of get to design-copy it and then they provide that product. But the multinational manufacturers tend to buy and sell to each other in the premium market.

COMMISSIONER KEARNS: But why is that? I mean if it's going to AutoZone anyway, why doesn't sales --

MR. COUGHLIN: Well, because we don't make it. Because --

COMMISSIONER KEARNS: But why doesn't AutoZone just purchase it from Koyo directly?

MR. COUGHLIN: Well, right, but AutoZone's maybe a bad example, because they do exactly what you just described. But many of the distributors are brand-loyal to

only certain couple brands.

COMMISSIONER KEARNS: Okay.

MR. COUGHLIN: It's not practical for them to carry all brands. So they tend to focus on several brands, if I can use that terminology and then, you know, so this could be an SKF-type distributor, this could be a Timken-type distributor.

COMMISSIONER KEARNS: Okay.

MR. COUGHLIN: So that's why you see that.

COMMISSIONER KEARNS: Okay, okay, thank you. I wanted to turn to underselling. Mr. Stewart, as you noted, I think the average underselling is about 45% from our underselling data. And in many cases, it's quite a bit more than that.

Can you speak to -- I mean it seems to me that that's such dramatic underselling that I almost have to wonder if these are really, you know, two products that are being sold to different users for different purposes.

Can you speak -- I mean I know our pricing data is very specific on individual products, but -- why would I not think these must be different markets in some sense, whether it's aftermarket versus OEM or in some other sense?

MR. STEWART: Thank you, Commissioner Kearns. Let me start, then I'll turn it over to the experts. In the original investigation, I believe that the underselling

margins out of ten were north of 70%, as well as found maybe even higher.

And so one would say that there's been a reduction in underselling margins over the time period that used to be 100% that were undersold, and now we're down to 99.15% that are undersold. So one would say that that's progress.

Part of the issue you always have in your pricing data--and I don't know if it's true here or not--but the pricing data goes after part numbers or sizes and there may be a series of permutations off of that, all right?

So in -- I'm not sure if it was in my testimony or if it was in someone else's testimony--you can have the same part number that may have ten or twenty different specifications that could move your price from a very small price to a very large price, even though it would all have that same part number, would have a bunch of suffixes at the end that would distinguish what the item was, what the materials were, what the specifications were, etcetera.

So some of the underselling could draw from that. But that tends to be true in every case that the Commission has before it, where you may have greater or lesser of that issue involved in the data which would be, I suppose, a form of noise, and one would think that the Chinese would have fewer variations that they would be shipping in, and hence,

they may be clustered more at the lower range of that.

But I can tell you that the competition on the products, while there are certainly producers in China that Timken would view as having a lesser quality than a Timken product, and while certainly the company prides itself on the quality of its products and the longevity that it can generate, when you go into the marketplace, if it is a Gen2 item for a Ford F-150, you're gonna have people buying the Chinese product because the price is significantly lower than the Timken product.

And a lot of distributors, whether it is -- we're spending a lot of time talking about wheel hub units since the opposition is limited to talking about that, but we haven't even talked about the industrial side, which is a large part of the market as well.

And there's large industrial distribution. Most industrial distributions will carry a Chinese line to be able to offer lower prices on the identical part numbers because customers come in and they say, "I need a replacement part. Here's the part number," and you can say, "Okay, I can fill it with this, I can fill it with this. This one's 20% lower. Would you like it?"

COMMISSIONER KEARNS: Okay. Thank you. And since we are now back on the wheel hub assemblies, I had a couple more questions on that. We know that not all TRBs

manufacturers make wheel hub assemblies. Do we know whether all wheel hub assembly manufacturers make TRBs?

MR. STEWART: Well, in the United States, you're basically talking companies that are part of big multinational organizations. And so if they're not producing them -- for example, SKF no longer produces them in the United States, but they obviously produce them in a number of other countries and will bring them in. So for the large companies, the answer is, the people who are producing wheel hub units in the States are gonna be TRB producers.

And people are not producing them in the States oftentimes will be TRB producers that are doing them off at foreign locations. In China, we have identified a large number, but I don't know that it has anything to do with domestic like product questions. That's a domestic issue. So in the domestic side, the people who produce them are TRB producers.

COMMISSIONER KEARNS: Okay.

MR. STEWART: As far as I know.

COMMISSIONER KEARNS: Okay. Respondents have talked about brake drums as a point of comparison. If wheel hub assemblies are part of the domestic like product, should brake drums and brake rotors also be included?

MR. RUEL: The short answer is no, they're

completely separate products. No, we didn't quite understand that comparison because a brake drum does not include, or a brake rotor does not include a wheel hub assembly. Those are separately designed items.

COMMISSIONER KEARNS: But it does include a TRB?

MR. RUEL: No.

COMMISSIONER KEARNS: No? Okay.

MR. RUEL: A brake drum or a brake rotor does not include a TRB. Those are separate components.

COMMISSIONER KEARNS: Okay.

MR. STEWART: We know of no TRB producer who produces a host of the items that were identified by the opponents in their brief. Why not include this, why not include that? And when we discussed it yesterday, the distinction that was made is that the products that TRB producers are making, such as whether it's Gen1, Gen2, Gen3, or these housed units, is where the bearing is integrated into a larger item, as opposed to simply a purchaser buying a tapered roller bearing to go into an item.

Because then you could have thousands of -- you know, why not a car, why not an axle, why not this, that or the other thing, which -- so most of those are items which are not in -- you simply incorporate a tapered roller bearing into a particular issue, as opposed to an integrated solution, which is what the tapered roller bearing companies

like Timken are doing.

COMMISSIONER KEARNS: Okay. Thank you very much. My time's up.

CHAIRMAN JOHANSON: Commissioner Broadbent spoke briefly on the Section 301 tariffs. I wanna talk about the Section 232 tariffs. What's the impact on the domestic industry or industries producing tapered roller bearings and wheel hub assemblies of the duty when some cases quotas on imports of steel and aluminum articles under Section 232 of the Trade Expansion Act of 1962?

MR. COUGHLIN: Well, I mean once again, you're talking about the steel and aluminum tariffs?

CHAIRMAN JOHANSON: Right.

MR. COUGHLIN: Okay, so the biggest single impact is obviously the increased raw material input costs. So that was my answer to Commissioner Broadbent about what bearing manufacturers have been doing around pricing and in trying to recover those costs. Some of the Japanese producers, domestic Japanese producers do import a significant amount of steel from Japan. So they, you know, have been doing some other different things.

But the long-term impact of it is unknown because the real long-term impact is what happens to our customer base? And, you know, what are the Caterpillars of the world gonna do? Where are they gonna go? Are they gonna

manufacture here? Are they gonna manufacture offshore, etcetera? And we don't know the answers to those questions. So the long-term impact is unknown.

MR. STEWART: Chairman, I think that Timken is also in a situation where the vast majority of their steel is bought domestically. So as Mr. Coughlin indicated, it's an indirect effect. They're not paying the tariffs to the extent that domestic producers get a higher price for their product. Under the relief of the 232, then obviously they're paying a higher price.

CHAIRMAN JOHANSON: To what extent have these duties or quotas impacted production costs for tapered roller bearings and wheel hub assemblies since March 23rd, 2018. Have y'all noticed anything? Or is it too early to really tell?

MR. COUGHLIN: The single biggest impact is the rising raw material prices.

CHAIRMAN JOHANSON: Has that already impacted you?

MR. COUGHLIN: It's going to -- yes, it is impacting us, but it's going to really hit us pretty strongly in 2019.

CHAIRMAN JOHANSON: Okay. Have measures taken by U.S. trading partners to counter the Section 232 duties or quotes cover tapered roller bearings and/or wheel hub

assemblies?

MR. STEWART: Not that I'm aware of.

CHAIRMAN JOHANSON: No? Okay. Thanks. What role should the Section 232 duties and quotas play in our analysis of likely material injury?

MR. STEWART: Thank you, Chairman. This is Terry Stewart again. In our brief, we reviewed two sets of cases, the first were the sugar cases where there had been alternative remedies in place and you had a situation where you had examined those and determined that whatever the relief under the alternative remedy was didn't eliminate the underselling that was likely to occur, and so it wasn't a basis to eliminate the orders.

And then a second review you came to the opposite conclusion that the remedies that were there were there. The first time that I've seen a 232 decision, and maybe there've been some issue in the last week or two that I haven't caught up with, I believe it was in the Sunset Review on tin metal products from Japan and the analysis as far as I could tell seemed to be similar to what you did in sugar, which was to take a look at what the level of the duties were, what the level of underselling was, and whether that would likely offset what would be happening if there was a revocation. So we assume that you will look at it in a similar way.

We have a split situation on tapered roller bearings, products that come in under 8220 or 8482 are subject to the 25% duty. Most of the product of interest to those in opposition today, I believe are coming in under 8708, and those are potentially subject to a 10% duty, so it's a much lower duty that may occur, and if it occurs will occur sometime in the fall.

CHAIRMAN JOHANSON: All right, thank you, Mr. Stewart. And looking at your brief, at Page 2, Timken has argued that the Chinese TRB industry has dramatically improved its quality, technology and breadth of product line. Could you all please describe how Chinese manufacturers of TRBs and wheel hub assemblies have improved quality and technology since the last review?

MR. STEWART: We included information in the prehearing brief, as I recall, that came out of the Chinese government's 13th five-year plan where they review both developments that had occurred over the 12th review period and where the emphasis was being placed. So they go through quite a few things that where there.

In the last two Sunset Reviews, the company testified to the fact that the large presence of multinational companies in China significantly advanced the quality of raw materials that are available in the country because they wanted or needed those materials for their own

production and so they worked with the steel companies and others to improve that quality.

And I believe you'll find in the 13th review that there's a long section that talks about what advantages the Chinese bearing companies have gotten from having the large multinationals in-country in terms of helping upgrade. They also review a large number of research centers that have been opened up in China in the bearing sector.

CHAIRMAN JOHANSON: In light of these quality changes in China, now how does this situation affect substitutability between domestically-produced products in TRBs and wheel hub assemblies imported from China?

MR. STEWART: It should significantly improve the view by purchasers. But the view by purchasers in this review and prior reviews is pretty comparable, which is the majority, not all, but the majority find that the products are either always or mostly substitutable.

And the Chinese government talks about how lots of their producers have moved out of the lower range into the mid-range of product and many of them are pushing to get up to the highest end quality product in terms of what they produce. So obviously that would make for a great deal more competition, not just at the lower commodity part of the market but in the higher segments as well.

CHAIRMAN JOHANSON: Given these improvements

that you describe and the quality of TRBs and wheel hub units or assemblies from China, how has this affected prices of imported TRBs and wheel hub assemblies from China?

MR. STEWART: Well based on the import statistics and based on the questionnaire responses and the data that's in the staff report, the answer is we're not seeing the upward movement in prices that one would expect that one would see as the local producers in China improve their quality. But you would think that there would be higher prices over time, and that the under-selling wouldn't be the 45-1/2 percent that we've been seeing.

CHAIRMAN JOHANSON: Thanks, Mr. Stewart. Do you know why the volume of the imports from China has increased so markedly since the last review, particularly when apparent consumption has declined? Other than the reinstatement of the order with respect to Shanghai General Bearing Company, what has changed since the last review?

MR. STEWART: Well, I'm not sure. I'm not -- I think first, in the last review there appeared to be a lot of companies who were bringing wheel hub units in and not reporting them as covered by the order. And so there may have been a lot of product that was being missed. If you look at the import statistics for the double flange wheel hub units other than ball bearings, it's close to $100 million itself over each year in the three-year time

period.

That's not reflected in the staff report because the data was based on questionnaire responses, not on the import stats for that particular category. So I think that the answer is that there's been a huge, there's been a huge uptick certainly in this part of the market, the wheel hub end of the market, but also you have SKF having acquired a couple of the companies that were Chinese national companies, and we assume that they did that in part to be able to export with low cash deposit rates to the United States.

CHAIRMAN JOHANSON: Thanks, Mr. Stewart. The yellow light is on, so I'm going to turn to Commissioner Broadbent. No questions? Commissioner Kearns, do you have any questions?

COMMISSIONER KEARNS: Thank you. I have a few more here. I want to begin with wheel hub assemblies. Could we lump together all housed tapered roller bearings that are within the scope as a separate like product, wheel hub assemblies and all others such as the railroad housed TRBs and so forth under the six factor test? Can you just speak to that quickly?

MR. STEWART: The answer is of course that you could -- you could decide anything as a Commission. Because the issue hasn't been teed up as such, I haven't kind of

walked it through. There will be differences. There will be some things that I would say it will probably be a mixed bag if you decided that what you wanted to do was to look at that. The Commission as a general matter doesn't sua sponte decide to break apart a like product, domestic like product where somebody's not arguing for it.

And at the moment, we don't -- we haven't supplied the data on it, and we haven't done that analysis.

COMMISSIONER KEARNS: Okay. Actually, if you could help me with that in the post-hearing brief that would be helpful, because you know as you know, the Respondents are arguing that wheel hub assemblies are a separate like product. But I would need to know what we do with everything else.

Do we lump together other housed tapered roller bearings with unhoused tapered roller bearings, or do we try to include them with wheel hub assemblies, or do we create a separate like product for every single one of them?

MR. STEWART: Yeah. Well what you did in the extrusion decision in 2017 in the sunset review I would think would be instructive, which was when somebody came in and said there are further finished products such as Gen 2 and Gen 3. But we didn't talk or didn't try to deal with things that were very similar to those, such as the AP bearings or the housed bearings.

The Commission said you haven't shown that there was a distinct product, and we're not going to do it for this alone, so we leave the domestic like product the same. We would assume that that would be based on the record that you have, would be the correct result for you to take in this case. But of course I will respond in the post-hearing.

COMMISSIONER KEARNS: Okay, thank you. So just to confirm, you all have submitted that not all wheel hub assemblies are used in the automotive sector; is that correct?

MR. STEWART: As defined by the Commission questionnaire, which includes Gen 1, and the answer to that is true. As I mentioned when we were up at the table, the Gen 2 and Gen 3 back in the third review, the company was working with a number of agriculture implement companies who were interested in whether they were going to adopt this as a solution for some of their equipment, and they decided not to do that, to go some other way.

So at the moment, we would agree with the -- with those in opposition that Gen 2 and Gen 3 are being used in the automotive light truck space, but Gen 1, which they are arguing should not be part of wheel hub assemblies, is part of what your questionnaire identifies as a wheel hub assembly, and it is used not only in ag but in other

industrial uses.

COMMISSIONER KEARNS: Okay. So I'm trying to understand our data a little bit better. We know that a large percentage of tapered roller bearings, unhoused tapered roller bearings or at least not wheel house assembly tapered roller bearings, are used in the automotive sector, and a much smaller percentage, it's proprietary so I won't use the number, but a much smaller percentage of the market for housed and unhoused tapered roller bearings, the percentage of that that is accounted for by wheel hub assemblies is pretty small.

So what else is -- what other tapered roller bearings are being used in the automotive sector I guess?

MR. STEWART: Well, in the Korea case, you sent out a supplemental questionnaire to parties, to identify the number of TRBs that were used in vehicles that were in the zero to eight category, and I know that Timken supplied information. My recollection is that you had anywhere from four to maybe a dozen single row TRBs that were being used in automobiles. They're being used in axles and what else, yeah?

MR. RUEL: In axle centers, transmissions, wheel ends. So there's a vast majority of the single row TS that we continue to sell into the automotive market in different applications.

COMMISSIONER KEARNS: Okay.

MR. STEWART: But for the OE side, assuming that the single row is not being used much in the OEM part of the automotive now, you have axles and transmissions where they continue to be used.

COMMISSIONER KEARNS: Okay. I think my last question, Respondents have pointed out that Timken's 800 page TRB catalogue does not mention wheel hub assemblies. Can you explain why that is?

MR. RUEL: For very unique application that we would not design the wheel hub units out of a catalogue. We would sit down with the OE and determine their requirements, packaging, loads, speeds and so on and so forth, and then come up with a custom solution. But you would not find in F-150 wheel hub unit in a catalogue, because they are unique designs.

COMMISSIONER KEARNS: Okay.

MR. STEWART: It's also the case that for most companies who produce tapered roller bearings, they may have anywhere from five to 100 catalogues that -- some of which may be aimed at very specific end uses. That doesn't mean that there is a separate domestic like product for every catalogue that is out there.

And as we identified, and this is part of our submission, you will find a 2006 catalogue or brochure that

talks about the evolution of the wheel end, and hence all four of these products that are in front of you and how they came about and how they get used in the product.

It's also the case that there are -- that there are services where you can find, for example, in automotive after-market you will find both access to wheel hub units as well as access to single row units, as well as non-TRB parts that the company may be offering for sale, because that's what people need to know if they're going to the after-market.

COMMISSIONER KEARNS: Okay, thank you. I have no further questions.

CHAIRMAN JOHANSON: Mr. Coughlin, you discussed a few minutes ago the increase in sales in TRBs due to growth of popularity of light trucks and SUVs. But I was wondering, Timken has highlighted that demand for TRBs to climb during the review period. This is at page 13 to 14 of the brief.

With an overall growing economy and with the increased sales of SUVs and light trucks, why was there a decline in the TRB market from 2015 to 2016?

MR. COUGHLIN: Well, the TRB market's, you know, pretty large right, the major consumers in heavy truck, Class 8 freight trucking, you know, rail, etcetera. So I mean there are literally hundreds of industries consuming

tapered roller bearings. So you know, the wheel end tapered roller bearing is only one small part of the total market. So the fact that one points up and other points are down. So I mean that's the reason.

MR. STEWART: You've had a number of investigations in the last couple of years where you would have seen major end use markets including agriculture. Mining had been down. Some of those have started to come back. Heavy truck goes through pretty severe cycles, and it's been in a down cycle in recent years and started back up in recent months.

CHAIRMAN JOHANSON: Okay, thanks Mr. Stewart. Yeah, I guess you're correct on that. I know in the oil and gas sector, a lot of our investigations have gone up and down.

MR. COUGHLIN: Yeah, right. I mean oil and gas --

CHAIRMAN JOHANSON: Based upon that.

MR. COUGHLIN: Yeah. Oil and gas has been really pretty bad from the period in question here, '15 through '17. This is '15 through '17. Yeah, very depressed markets.

CHAIRMAN JOHANSON: Okay, thank you Mr. Coughlin. And Mr. Ruel, I had a question for you. I believe you had discussed earlier. What distinction, if

any, is there between the terms "wheel hub assembly" and "wheel hub unit"?

MR. RUEL: I think they're synonymous with one another, and I stated in my testimony, I think in the introduction, that I would use the term -- I would say consistent with wheel hub assembly, but you could also refer to it as a wheel hub unit.

MR. STEWART: he questionnaire that went out to all of the parties uses the term interchangeably. At the end it says that the wheel hub assembly could also be called the wheel hub unit. Now in the import statistics, the harmonized schedule, the 84.82 number talks about wheel house units, and the 87.08 sector talks about double flange wheel hub, I believe wheel hub units as well so --

CHAIRMAN JOHANSON: Okay. So they're interchangeable. That helps me a little bit there. Thank you. Would you all consider an after-market product to be directly competitive with an OEM product?

MR. COUGHLIN: That can get complicated, I guess is my initial reaction to that. You know, because actually even some of the after-markets actually sold to OEMs, right? Sometimes the smaller OEMs will actually buy from the after-market. Big OEMs tend to buy direct to the manufacturer. So I mean as a general rule of thumb, pricing in the after-market is generally higher than in the original

equipment manufacturing.

But you know, the channels that these products move through are fairly complex. There's all sorts of different types of channels, and so I guess I'm not sure -- Brian, you want to add anything to that? I don't know that I --

MR. RUEL: Are we talking specifically about wheel hub units, or were you talking about in general?

CHAIRMAN JOHANSON: I'd say either one.

MR. COUGHLIN: Yeah. I was talking in general.

CHAIRMAN JOHANSON: Okay.

MR. RUEL: Okay, yeah. I agree with Mr. Coughlin's remarks, that they're complicated channels, and to make a blanket statement is rather difficult because it depends, I guess is the answer.

In the case of the wheel hub units, generally the product stays with the OEs in the after-market. We have the substitutability with after-market parts, but then the OE, taking only an after-market part and applying it to the original equipment, is not very common.

CHAIRMAN JOHANSON: But it can be done, of course.

MR. RUEL: I'm sorry?

CHAIRMAN JOHANSON: It can be done of course; correct?

MR. RUEL: It could be physically done from interchangeability, but the validation work and then all of the, you know, the validation of the plant to manufacturer and all that probably wouldn't be common for that to occur.

CHAIRMAN JOHANSON: Okay, thanks. Why are most U.S.-produced TRBs sold to end users, while the majority of Chinese-produced TRBs are sold to distributors?

MR. STEWART: I think there's a couple of answer, one of which is confidential and so we'll supply at our post-hearing. But I think that in part it has to do with who is not shipping out of China. There's a lot of the bigger players who are not active in the U.S. because of the existence of the order.

That includes not only the subs of the big multi-national companies, but a lot of the big Chinese producers as well who have high margins and hence are not in the market. So I -- what you are seeing, and my belief is you're seeing increasing market penetration in the OE side by Chinese product, and that flows both from greater familiarity by OEs who have operations in China, and are going to be familiar with their producers over there, as well as the improved quality of the product and hence greater acceptability of product from many, for many OEs. Not all, but for many OEs. So I think those are probably the reasons.

CHAIRMAN JOHANSON: Okay, and I have just two more questions, and they deal with standard versus custom bearings. Could you all please comment on any price differences between standard versus custom bearings?

MR. STEWART: Yeah. Let me just start with that before the company people answer. This was a big issue that was being fought back in the third sunset review, and you have a fair amount of information in the third sunset review decision that goes to that.

The reality is is that bearings that a person considers to be custom are custom for a while until they get used in a broader sense elsewhere. So in the Korea case, for example, you all asked people to identify whether or not items to automotive OEMs were sold to any other customers.

My recollection is on the products that we gathered information on, it went from maybe six or seven customers who were buying the same part number to as many as 50 or 60. So there is often the claim of customization. Customization usually doesn't last from a price differential point of view.

MR. RUEL: Well I'd say in general if we stay with the like industry, like volume, like application that custom, a custom designed product is going to be more expensive than a standard solution, as you would imagine. To put a factor on that, it's dependent on the, you know, to

what degree is it customized.

MR. STEWART: If you take, if you take high volume items, like let's say you're doing a wheel hub unit, then my guess is that the answer is that the wheel hub unit that you're doing that's a one-off for a person, there's going to be enough volume that the price is not going to be any higher than the price you would do if you were buying one off the shelf that somebody else had produced for a different vehicle, recognizing that each one may be different in the OE space.

CHAIRMAN JOHANSON: Okay, thanks for your response. I have one more question that you all answered in your answer to the last question. So I have no more questions. Do any other Commissioners have any questions? Okay. There are no other questions from Commissioners. Do the staff have any questions?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you, Chairman Johanson. Staff has no additional questions.

CHAIRMAN JOHANSON: Do Respondents have any questions for the Petitioner's panel?

MR. VANDER SCHAAF: Thank you, Chairman Johanson. We do not have any questions.

CHAIRMAN JOHANSON: All right. The Respondents have no questions. Okay. With that, we will break for

lunch until 1:15. I would like to remind parties that they should not leave confidential business information in the room, as the hearing room is not secure. We look forward to seeing you all at 1:15.

(Whereupon, a lunch recess was taken, to reconvene this same day.)

A F T E R N O O N S E S S I O N

MR. BISHOP: Will the room please come to order.

CHAIRMAN JOHANSON: Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that the panel in opposition to the continuation of the antidumping duty order have been seated. This panel has sixty minutes for their direct testimony.

CHAIRMAN JOHANSON: You all can start whenever you would like.

MR. SCHAAF: Thank you, Chairman Johanson. My name is Lyle Vander Schaaf from the law firm Brinks Gilson & Lione. I'm gonna simply turn it over to our witnesses. Steve Hughes is gonna be proceeding and then Gordon Paton and Becky Gentner and so I'm just gonna turn it over to Steve and I'll have a prepared statement and I might say some things at the end, depending on how much time we have. So go ahead, Steve.

STATEMENT OF STEVE HUGHES

MR. HUGHES: Good afternoon, my name is Steve Hughes. I'm the president and CEO of HCS International. HCS is a consulting firm focused on supply chain, governmental affairs and logistics issues related to the automotive aftermarket industry. I've worked in the automotive aftermarket for over forty-six years.

I worked for Centric Parts from 2006 through 2017 as VP of supply chain, logistics and governmental affairs. Centric Parts is arguably the second largest distributor of brake and chassis parts in North America, along with being a major distributor of wheel bearings and wheel hub assemblies.

Through my years in the industry, I have accumulated extensive experience in the automotive aftermarket industry, including international trade. I am the chairman of the International Trade Committee at the Auto Care Association, and also sit on the executive committee for the import vehicle community.

The Auto Care Association is the preeminent trade association for the aftermarket. I'm also the chairman of the Public Affairs Committee for CAWA, which is the West Coast Association for the aftermarket. I'm also on the executive board of the foreign trade association and I served as an ITAC2 advisor, Industry Trade Advisory Committee for automotive, to the Secretary of Commerce and the USTR.

In addition, I have served as an advisor as part of the supply chain innovations team for the Federal Maritime Commission on port-related issues, and I also testified in front of this Commission in 2008 regarding the Sunset Review on brake rotors.

In addition to all of the above, I have been a mechanic pretty much all my life, and have interacted with automotive mechanics, engineers, machinists and manufacturers my entire career. As such, I have a substantial history and hands-on experience, theory and understanding the background of the automobile.

Keeping all this in mind, I've been asked to address a number of issues raised in this investigation, including the determination of the proper like product. So let's consider customer and producer perceptions of the product. Simply put, wheel hub assemblies are not considered to be tapered roller bearings, also known as TRBs.

There is not one aftermarket automotive company that buys and sells wheel hub assemblies that refer to or consider wheel hub assemblies as TRBs. Depending upon the application, wheel hub assemblies use either ball bearings or TRBs as a component.

In fact--and this is important--approximately 80% of all the wheel hub applications in the market contain ball bearings. So only 20% of wheel hub assemblies contain TRBs. The same ratio applies to the numbers sold in the market. 80% of wheel hub assemblies sold in the market contain ball bearings. So only 20% sold contain TRBs.

With that said, why would anybody refer to wheel

hub assemblies as TRBs? Wheel hub assemblies are exactly that. Wheel hub assemblies. Nothing more and nothing less. It is common knowledge that wheel hub assemblies use TRBs or ball bearings in the assembly based on the original OEM designs. However, you never hear a mechanic say they want a TRB to fit an F-150. They order wheel hub assemblies, full stop.

The same can be said of a ball bearing wheel hub assembly. A mechanic working on a Toyota orders a wheel hub assembly. They do not order a ball bearing. Everyone in the industry uses the terms wheel hub assembly irrespective of the bearing type inside the assembly. So while looking at these two assemblies, can you tell which of these two assemblies has a ball bearing or a tapered? The one on my left has a tapered. The one on my right has a ball bearing.

You'll see virtually all the components are identical except the rolling element. And these are two different applications. So as its description implies, a wheel hub assembly is a far more sophisticated assembly than just a TRB.

A hub assembly is comprised of numerous components making it an integral part of a vehicle's suspension, power, braking and operational/safety systems. This system or assembly helps transfer power from the engine through the transmission and driveshafts to the wheels.

The wheel hub is also the interface between the wheels and tires and the brakes to slow the vehicle. In addition, it is home to the wheel speed sensor, along with the impulse ring that provides wheel speed information to the ABS, anti-lock braking system, TCS, the traction control system, VSC, the vehicle stability control, and CBC, corner braking control systems on the car.

Additionally, the speed sensors are sometimes used as indirectly as tire pressure monitoring system, which can detect underinflation of tires by difference in the rotational speed of the wheels.

In short, especially in today's and future vehicles to come, the wheel hub assembly is a vital interface for the entire operational control of the vehicle and the safety of its occupants. So as you can see, the functions of a wheel hub assembly as much more encompassing than merely serving as a housing for protection and support, which are limited functions of a housing on a TRB.

In Timken's prehearing brief, they provide the constituent parts of a TRB, which you can see on the screen here. But the individual components of a wheel hub assembly are the forged flanges, which are forged, sometimes splined and obviously machined. Then the wheel studs, the bearings and the races, the seals, the tone ring which is pretty much buried inside here. It's very difficult to see. And then

the wheel speed sensor.

These different elements serve a variety of functions including allowing the wheels to rotate while supporting the vehicle's weight, absorbing wheel forces and loads, assisting with braking and preventing lock-up and improving the overall safety for the drivers and passengers.

A TRB is comprised of the cup, the cone, the rolling element and the cage. So considering these two examples and knowing that a wheel hub assembly can contain either ball bearings or TRBs, how can anyone refer to a wheel hub assembly as a TRB?

Wheel hub assemblies are just like brake drums, brake rotors, heavy-duty water pumps, steering gears and differentials that are recognized as complete assemblies. They are not considered simply as further processed TRBs, as Timken alleges. These parts as shown in this image, also on your handout, contain TRBs, yet no one would consider these other components to be simply further processed TRBs.

So to say that the TRB in the assembly makes the entire assembly a TRB is both naive and incongruous with functionality. For example, the transmission can have both TRBs and ball bearings in the one assembly. With the logic being given by the petitioner, the transmission should be called the TRB and therefore fall under the order. Obviously this doesn't make sense.

So using their same logic, just because a wheel hub assembly has TRBs as the core of the assembly does not make it a TRB. Which brings me back to the point that the bearing component of a wheel hub assembly is just that.

It is nothing more than a component of a very complex and multi-cross functional assembly. One component cannot be separated from the whole assembly. Each component is critical to the functionality of the assembly and the vehicle itself.

So the end use application of a wheel hub assembly is limited to the use in a wheel of a vehicle primarily in an automobile. On the other hand, TRBs have thousands of different applications and end uses in agriculture, manufacturing, industrial and other end uses. In fact I would not be surprised if some of the tapered bearings used in wheel hub assemblies are used in other automotive or industrial applications.

Finally, go in to your local auto parts store and ask them to show you a TRB, a tapered roller bearing. And see what they bring to the counter. It won't be a wheel hub assembly.

So we talk about interchangeability. Businesses in the market consider wheel hub assembly to be a finished auto component. TRBs and wheel hub assemblies are not interchangeable. You can't use a wheel hub assembly in

place of a TRB or vice versa.

By way of example, as I just mentioned, a wheel hub assembly requires a flange in order to be fastened to the vehicle. A TRB does not have a flange. A wheel hub assembly often has the ABS components we mentioned. A TRB does not have these features.

Wheel hub assemblies also require more advanced engineering, machining and testing than TRBs. Simply put, these two components, products are not interchangeable. When considering manufacturing facilities, production processes and production employees, the two products have much different production processes and manufacturing steps.

The two products are made using different manufacturing processes in which a TRB is only one of the parts inside the wheel hub assembly. The two different products have completely different designs, engineering and testing requirements.

For example, the wheel speed sensor must be repeatedly tested during the assembly for manufacturing process of the wheel hub assembly. Unlike what Timken argues in its prehearing brief, that wheel hub assemblies and TRBs are made of components that are made in the same facilities on the same lines by the same workers, the two products are usually made in different facilities and if not, at least the two products are made on

completely different production lines and by different production employees. This was admitted by Timken in the staff conference in the Korean investigation.

Wheel hub assemblies are manufactured to specifications which make them suitable only for the mounting on an automobile for attaching wheels, for the particular makes and models of vehicles for which they are designed. This is unlike TRBs. They're manufactured for multiple end uses to serve as an antifriction device designed to handle heavier loads than ball bearings.

Given the features and physical characteristics of wheel hub assemblies, contrary to the petitioners' claims, their production processes are not the same as TRBs.

Moving to channels of distribution, wheel hub assemblies are sold through channels of distribution for auto parts whether considering the OE market or the aftermarket. In the OE market, sales are to automobile and vehicle producers or Tier 1 suppliers to automobile and vehicle producers.

In the aftermarket, sales are through distributors of auto parts. In the OE service market, sales are to auto dealers or related suppliers in the market. Our other panelists can expand on this.

In regards to pricing, the pricing of the two products also differs significantly. The price of a wheel

hub assembly is much higher than a TRB. I mean it's pretty evident just looking at the two different parts here. And a TRB in a wheel hub assembly is typically a small percentage of the overall costs of the wheel hub assembly. As you can see, it's just the two components here.

When comparing the prices of the two products, it should be between a TRB and a wheel hub assembly with the same quality TRB. Not between a wheel hub assembly with an inferior quality TRB and a high-quality TRB. Such a comparison would not lead to an accurate analysis of determining whether two products are similar.

And most importantly, it is unreasonable to comingle the price of an industrial or nonautomotive TRB for comparison against the price of an automobile wheel hub assembly.

Even when comparing a high-quality version of the TRB and a wheel hub assembly, I am unaware of a TRB that is more expensive than its wheel hub assembly. Due to these different characteristics, functions, sales markets and price, customers have different perceptions of wheel hub assemblies versus TRBs.

So shifting away from the like product, the petitioner states in his prehearing brief that Chinese products have become more advanced, moving from low- and middle-quality to middle- and high-quality.

Now, this statement may be true for the multinational factories that actually manufacture TRBs. However, this statement is inconsistent with the wheel hub manufacturing industry. The wheel hub manufacturing industry in China has moved somewhat from low and middle quality only to more middle quality, and definitely not into the high-quality or premium level that would compare with Timken.

Nor am I aware of any aftermarket wheel hub assembly manufactured in China whose quality level is even close to that of Timken. This warrants a separate comment.

The U.S. aftermarket for wheel hub assemblies is broken into a premium sector and an economy sector. No suppliers offer a premium level product produced in China. And no U.S. producers or name-brand producers like Timken offer an economy level product into the aftermarket.

And as you can probably imagine, in the OE sector, everything is strictly premium. No OEM would ever accept an economy wheel hub assembly for its vehicle production in the U.S. So no Chinese wheel hub assemblies are sold into the OE sector. Therefore, the overlap in competition between U.S.-produced wheel hub assemblies and Chinese-produced wheel hub assemblies in the U.S. market is very limited.

For all these reasons, the Commission should find

separate like products for TRBs and wheel hub assemblies. Thank you, and I would be happy to answer your questions.

STATEMENT OF GORDON PATON

MR. PATON: Good afternoon. My name is Gordon Paton. I'm the manager for Technical Services and Field Support for Mevotech. Mevotech is a distributor of wheel hub assemblies and other steering and suspension parts in the automotive aftermarket in the United States and Canada. We import wheel hub assemblies from China for distribution within the U.S. aftermarket.

Over the past six years I've become very familiar with the U.S. automotive auto parts aftermarket, particularly as concerns wheel hub assemblies. Prior to joining Mevotech, I worked for over twenty years in the OEM market for Magnet International, a multinational Tier 1 automotive supplier.

Sales in the U.S. of hub assemblies are broken into two separate markets: The original equipment or OE market and the aftermarket. The OEMs either purchase wheel hub assemblies directly from a manufacturer, or they purchase them as part of a module, like an axle system which would include a set of wheel hub assemblies.

Ford, GM and Chrysler would therefore be potential customers in the OEM market. And Tier 1 suppliers such as Dana would also be customers in the OE market. And

we have Becky Gentner here with us representing Dana on this segment of the OEM market.

The aftermarket on the other hand, is the replacement of wheel hub assemblies for vehicles already in operation in the United States. Mevotech supplies more than 16,000 unique parts or SKUs to the automotive aftermarket. Approximately 150 of these SKUs are wheel hub assemblies that use tapered roller bearings.

A direct customer of our company would be the automotive parts warehouse distributors. These customers have numerous distribution centers, or DCs, across North America, from which they supply their network of parts stores.

We also supply directly to independent parts stores called jobbers through various buying groups. In both cases the parts stores' customers are the professional technician or, in some cases, the DIY mechanic.

Our company is also a customer. We are customers to the suppliers in China. In the United States, the OEM market comprises about 80% of all sales of wheel hub assemblies and the aftermarket comprises only about 20%.

I'm not aware of any imports of hub bearings from China that are sold into the OE market in the U.S., nor with tapered roller bearings. Nor is this likely to occur within the next seven years based on the current OEM cycle plan.

That market is exclusively left to the U.S. producers like Timken and other name-brand producers who compete with the likes of Timken. Therefore, 80% of the U.S. producer sales of wheel hub assemblies is insulated from any impact or competition whatsoever from subject imports from China. This will still be the case after the order is revoked.

The U.S. aftermarket, again which comprises approximately 20% of the total U.S. wheel hub market, there are very significant limitations to competition between U.S.-produced products and imports from China. This is because, as mentioned before, the aftermarket in wheel hub assemblies is broken into two sectors: The premium sector and the economy sector.

I'm not aware of any tapered type wheel hub assemblies imported from China that are sold as premium, nor am I aware of any domestically-produced tapered products that are being sold as economy-level products. In the OE market, all hub assemblies are considered premium due to the tight product tolerances and stringent process controls the domestic manufacturers adhere to.

It is for this reason that no OEM would ever accept an economy wheel hub assembly for its vehicles produced in the United States. So to clarify, no Chinese-made type wheel hub assemblies are sold into either

the OE market or into the premium sector of the aftermarket. Conversely, U.S.-produced wheel hub assemblies sell into the OE market and when they sell into the aftermarket, it is only in the premium sector.

Therefore, the overlap in competition between the U.S.-produced wheel hub assemblies and the Chinese-produced wheel hub assemblies in the U.S. market is very limited, if any competition exists at all. Again, this is not going to change if the antidumping duty order is revoked.

Even in the aftermarket, you will not see many Chinese producers offering a particular wheel hub assembly product. The Chinese producers have to choose which products they will produce and make available for the U.S. market. A particular producer may only cover a limited range of different models and part numbers and may not cover the full range of products demanded in the U.S. aftermarket.

Moreover, there's a lag time before any producer of the aftermarket will begin to produce a particular wheel hub assembly for replacement in the aftermarket. Often a new vehicle would need to be on the road for about six years before we'll see availability for wheel hub assembly for that vehicle from Chinese suppliers of wheel hub assemblies.

Of course, the Chinese producers also cannot provide the customer service and engineering support that

Timken supplies, nor can they compete with Timken on new product development. This really all owes to Timken's status as an OEM supplier.

Timken develops the innovations and wheel hub assemblies, along with the auto manufacturers who are its customers. They have the advantage of understanding loads and durability requirements for the particular hub bearing assembly and have completed an exhaustive testing program to ensure their compliance to the OEM's requirements.

This product information is proprietary and is not made available to the Chinese producers. The Chinese producers will use the existing product as a benchmark in terms of geometric design, material selection, heat treatment and coating. They are not provided with the tolerances that is allowable part to part variation.

As an OEM supplier, Timken also has the advantage of being able to supply aftermarket hub assemblies as soon as a new vehicle has replaced the market. Thank you, and I look forward to answering any questions.

STATEMENT OF REBECCA GENTNER

MS. GENTNER: Good afternoon. My name is Rebecca Gentner. I'm the trade compliance manager at Dana, Incorporated and have been for eight years. Prior to that, I was employed with the U.S. Broker and Freight Forwarder as a licensed customs broker for almost thirty years.

Dana supports revocation of the antidumping duty order and wheel hub assemblies and tapered roller bearings manufactured in China. Dana is headquartered in Maumee, Ohio and was founded in 1904. It is a leading producer and supplier of driveline products, including axles, driveshafts and transmissions.

Dana also produces and supplies power technologies which include sealing and thermal management products, as well as producing and selling genuine service parts for light and heavy vehicles.

In order to support our customers, Dana has manufacturing locations worldwide. In the United States, we have production operations in Illinois, Indiana, Kentucky, Ohio, Michigan, Missouri, Pennsylvania, South Carolina, Tennessee, Texas and Virginia. Dana's U.S. production operations comprise twenty-two plants and employing approximately 15,000 U.S. workers.

Our customer base includes virtually every major vehicle manufacturer in the global light, medium and heavy vehicle and off-highway markets. Our off-highway products group includes research and development, manufacturing and assembly operations in the United States. This group designs, manufactures, assembles and markets Spicer axles and transaxles, drive shafts and end fittings, transmissions, torque convertors, electronic controls and

brakes.

The off-highway products group also provides genuine replacement parts and service. It is not likely that additional Chinese wheel hub assemblies or TRBs would enter the U.S. market and increase quantities if the antidumping duty order is revoked. We generally do not see any Chinese-produced wheel hub assemblies or TRBs in the original equipment market in the United States.

In order for imports from China to be sold in the original equipment market, suppliers of imports would need to pass the rigorous audit and validation process that manufacturers in the automotive sector such as Dana have for qualifying new bearing suppliers in general and new designs for specific bearing applications.

For companies like Dana to even consider purchasing from a wheel hub assembly or TRB supplier for an OE application, there's a minimum of eighteen to twenty-four month time period, in which we and other companies qualify and validate a given supplier and their specific parts. This process continues even after a supplier is qualified, as we continue to monitor quality and product performance.

My colleague, Steve Schamp, testified about these same requirements in the Korea TRB case in June. These certification and pre-qualification procedures are followed by all Tier 1 suppliers in the automotive sector, and by all

automotive manufacturers in the United States. Suppliers must submit proposals for bearing designs based upon application specifications tendered by Dana or the other OE producers and these proposals are then evaluated.

The process involves company-wide resources involving product engineers, application engineers, program managers, supplier development engineers and others conducting A/B testing, accuracy, bearing life cycle test analysis, efficiency and fatigue tests, line trials and other analysis in an effort to confirm the suitability of a particular wheel hub assembly or TRB from a particular manufacturer. This is required because our OE customers demand that we warrant our products for an extended number of miles, withstand extreme loads and road conditions and meet increasing fuel efficiency standards.

The Chinese manufacturers tend to be followers. Timken, from an engineering perspective, is the leader in the market, no doubt. Timken tends to lead the charge when it comes to new technologies in terms of tribology, different finishes, different heat treat processes, etcetera. Timken's wheel hub assemblies are of the highest quality. The Chinese tend to copy, which is okay, except that we must remember the validation process that's associated with these bearings and wheel hub assemblies.

So Timken tends to come into a manufacturer like

Dana, they'll work with engineering to develop a bearing or wheel hub assembly for a specific application. It takes several years to launch these applications. Once we have the opportunity as a buyer, if we decide to go to market tests, we spend a year looking for a supplier. We then spend somewhere between two to four years validating. Most, but not all, new vehicle programs that we work through are seven-year programs.

So from a resourcing perspective, there's really not a whole lot of savings that would be associated with going to a Chinese manufacturer. Again, they tend to be followers, not necessarily leaders from an engineering perspective.

Factors such as bearing or wheel hub assembly performance for a specific application, supplier quality, reliability, management commitment, and management relationship are key factors Dana considers in every sourcing decision. We doubt Chinese wheel hub assembly suppliers would ever qualify for OEM applications.

And so we doubt any effect from revoking the order as to wheel hub assemblies, at least in the OEM sector in the U.S. market. The qualification process can take anywhere from sixteen months to three years, but usually takes longer than three years and is costlier when the product is something like a wheel hub assembly which

involves the anti-lock braking system and is considered part of the safety system.

Because of the perceived difference in quality and difficulty in qualifying the OEM applications, the U.S. producers are insulated from competition from the subject imports from China. Knowledgeable tapered roller bearing and wheel hub assembly buyers understand that you would not substitute a Chinese-manufactured off-the-shelf tapered roller bearing or wheel hub assembly for a TRB or wheel hub assembly manufactured by Timken.

The Chinese bearing and wheel hub assembly will likely fail much more quickly in any application in which Dana currently uses a Timken bearing or wheel hub assembly. In many cases, this comparison is clearly documented by A to B testing conducted by both OEMs and Timken. This is common industry knowledge. Aside from quality, other U.S. producers vastly outperform imports from China on reliability, consistency of supply, as well as delivery times and terms.

Imports cannot compete with Timken and other U.S. producers on these factors. Among the Chinese producers, Dana would probably trust Timken Yantai TRBs and SKF's Chinese-produced TRBs in comparison to the U.S.-produced products. Almost all of the other TRB and wheel hub assembly manufacturers in China simply do not compete on the

same quality level, so the vast qualities of TRB and wheel hub assemblies manufactured in China simply do not compete with the U.S. producers' products due to a significant quality difference and lack of engineering expertise.

I would like to add, although Dana is a Tier 1 OEM supplier in the automotive industry, but also acts as a quasi-distributor under limited situations, certain past or out-of-date vehicles' models are still on U.S. roads as older vehicles. When they need a replacement transmission or other parts, it was originally supplied by Dana, we also supply the replacement for auto shops to install a newer replacement part or component such as a specialized TRB or wheel hub assembly.

And these aftermarket applications, Dana sometimes looks to Chinese suppliers for replacement TRB or wheel hub assembly. However, for these applications, the life of the product and tolerances need not be as high as OEM applications. For all these reasons, we support the revocation of the antidumping duty order. Thank you. We would be happy to answer any questions.

STATEMENT OF GRACE CHANG

MS. CHANG: Good afternoon. My name is Grace Chang. I am the Sales and Marketing Director for BOSDA Inc. We're based in Lake Forest, California. I am joined by my colleague today, Steven Chang, from whom you will soon hear

from. I am also joined by Anna Zhang, who is the Operation Manager for BOSDA Inc. Here to answer any questions from the Commission.

BOSDA started in this industry in 2007. We focus on sales and marketing, product analysis, and customer services in the United States and Canada for wheel hub assemblies. We currently have two warehouses. One is in Toronto and one is in Irvine, California, to serve our customers.

I have been with BOSDA since the company was incorporated 11 years ago, and I actively communicate with many industry players of wheel hub assemblies in the States, Canada, and China. BOSDA is considered to be by our customers as the go-to company for wheel hub assemblies. We specialize in wheel hub assemblies only, and were never involved in Tapered Roller Bearing business. I am here today to speak about the likely impact of the revocation of the antidumping order on wheel hub assemblies incorporated with TRB. The discussion below only refers to wheel hub assemblies incorporated with TRB if not being further clarified.

First of all, I believe that there will be no impact if the antidumping order is revoked because the Chinese wheel hub assembly producers serve only the aftermarket in the United States, while the U.S. producers

predominantly serve the OEM markets. Our wheel hub assemblies simply do not compete with Timken's wheel hub assemblies.

We are also unaware of any Chinese producers of tapered type wheel hub assemblies which are being pre-qualified or pre-certified to supply to OEM customers in the United States. I understand that prequalification and precertification takes at least three to five years followed by enormous costs of on-going qualification maintenance.

Serving the OEM market has never been an objective of our company or the factories we work with. In addition, I do believe that any of the Chinese producers--I don't believe that any of the Chinese producers actually have business plans to serve the U.S. OEM markets.

For example, Wanxiang Group, which has had a zero percent antidumping rate for this Order for at least 15 years without being reviewed and has been exporting TRBs and wheel hub assemblies to the United States for over 20 years, they still didn't supply to any OE customers in the United States. With or without antidumping, the Chinese [sic] producers cannot compete with Timken in the U.S.; OEM market.

All imports of subject wheel hub assemblies are sold only in the aftermarket in the United States through distributors. OE suppliers like Timken participate in

the aftermarket segment only in the premium sector, while our imported wheel hub assemblies fill distributors' economy sector.

Timken's aftermarket wheel hub assemblies still carry OEM specs and command premium prices. The customer is well aware of the differences between premium and economy options when purchasing wheel hub assemblies from a retailer or auto repair shops. Timken's own website states that its premium wheel hub assemblies last twice as long as economy line wheel hub assemblies. So the imported wheel hub assemblies are not directly competing with Timken. We serve different customer needs in this aftermarket.

Timken is considered as a leader in the new technologies for the tapered-type wheel hub assemblies. Timken's own marketing states that it does not compete with Chinese producers' economy line of wheel hub assemblies on price. Timken boasts that it competes in the market based on its innovative designs, technological superiority, and higher quality.

Timken also enjoys enormous brand loyalty from customers. Timken's market research boast that 3 out of 4 automotive technicians choose Timken over other options. Because customers regard it so highly, they simply will not switch away from the brand. Due to this perceived quality superiority and brand loyalty, Timken is able to command a

much higher price in the U.S. aftermarket than other suppliers.

Therefore, we simply do not compete with Timken. Not one single sale that currently goes to one of our imported wheel hub assemblies from China would go to Timken if we left the market. Timken simply would not benefit from the absence of the Chinese wheel hub assemblies in the aftermarket.

Secondly, we really do not believe Timken receives any measurable benefits from the antidumping duty order on the tapered type wheel hub assemblies from China. The largest exporters of wheel hub assemblies to the States from China is New Torch and Wanxiang. Those two companies, they have had zero percent antidumping rate and Timken has not required the Commerce Department to review them. If the two largest exporters sell into the U.S. market without antidumping duties and do not disturb Timken's U.S. plans, then removal of the Order entirely will similarly not change the price or volume that Timken will enjoy.

On the other hand, customers would suffer greatly if China were no longer present in the U.S. market. If Timken was not the OE producer in the first place for a particular wheel hub assembly, we do not think Timken would ever produce that wheel hub assembly for the aftermarket. I believe this to be true for all the OE suppliers. If

they are not the OE producer, they simply are not going to produce that product for the aftermarket.

Timken, just like other Chinese producers, have to choose which products they will produce for the aftermarket. A particular producer only covers a limited range of different models and part numbers, and does not cover the full range of the products in demand in the U.S. aftermarket.

Our whole business is to identify those automobiles on the road that are likely to need replacement of wheel hub assemblies and for which the customers may have limited options. This highlights another way in which the imported wheel hub assemblies are not competing with Timken because we are often making parts available to the U.S. consumers that Timken is not making consistently available.

Moreover, there is also a lag time before any producer for the aftermarket will begin to produce a particular wheel hub assembly for replacement in the aftermarket. Often a new vehicle would need to be on the road around five to six years before we see availability for the wheel hub assembly in that vehicle from our Chinese suppliers.

So finally, the imposition of the Section 301 tariffs makes continued application of antidumping even more unnecessary. On July 6, the first round of 301 tariffs of

25 percent went into effect covering some wheel hub assemblies. All other wheel hub assemblies will also be covered by the upcoming 10 percent tariff. The 10 to 25 percent tariff will make the Chinese wheel hub assembly uncompetitive compared to the Korean, Indian, and any other non-Chinese import options.

So thank you and I will be happy to answer any of your questions.

STATEMENT OF STEVEN CHANG

MR. CHANG: Good afternoon. My name is Steven Chang. I am the General Manager of BOSDA Inc.

I have been with BOSDA since the beginning and I have good understanding of China and U.S. wheel hub assembly industry. We work closely with numerous wheel hub assembly producers in China including Sihe Machine, Kaiyuan, and others. Thus, I am very familiar with the operations of numerous producers in China.

Six years ago, I testified before this Commission and I appreciate the opportunity to speak to you again to explain that revocation of the Antidumping Order on TRB-type wheel hub assemblies will likely have no impact on the volume of wheel hub assemblies exported from China to the United States for several reasons.

First, the capacity in China to ship more wheel hub assemblies to the U.S. is limited. Automobile sales in

China are significant. In 2017 alone over 28 million vehicles were sold. Currently the automotive market is larger in China than in the United States, and projections are for automobile sales to rise significantly in China. Sales of automotive parts, like wheel hub assemblies, to service vehicles in operation will continue to rise to serve the increasing sales of new vehicles and vehicles sold in past years. We disagree with the testimony this morning that the price in China is low. The price in China and the EU is actually higher than the price--than the U.S. price.

In the U.S. market, most automobiles use ball-type wheel hub assemblies. In the China market, use of ball-type wheel hub assemblies by Chinese auto manufacturers is even more prevalent. To provide some perspective, about 80 percent of BOSDA's sales of wheel hub assemblies are ball type and only 20 percent are tapered type. Thus, like us, most companies focus more of the business on ball-type wheel hub assemblies because that is where the vast majority of the demand resides.

The U.S. market has a relatively larger percentage of vehicles requiring heavier loads such as pickup trucks and SUVs. These trucks and SUVs usually use tapered type wheel hub assemblies. In contrast, the China market uses very few TRB-type wheel hub assemblies. In 2015 to 2017, between 85 to 87 percent of vehicle sales in China

were passenger vehicles.

Because ball-type wheel hub assemblies are used for a high percentage of vehicles in China, Chinese wheel hub assembly producers focus on the production and distribution of ball-type wheel hub assemblies rather than tapered-type wheel hub assemblies. Most of the Chinese producers' capacity is in the ball-type wheel hub assemblies compared to tapered type wheel hub assemblies.

For example, Xinchang Kaiyuan's ball-type wheel hub assembly production is four times as large as its tapered type wheel hub assembly production. The ratio of ball-type wheel hub assembly production to tapered type wheel hub assembly production for Hangzhou Zhaofeng is 7 to 3. Most Chinese wheel hub assembly producers follow a similar ratio to meet the needs of the Chinese domestic market.

This is also true for the wheel hub production by multinational corporations in China. For example, SKF is well known in China as the largest and most established ball-type wheel hub assembly producer--and it only has one wheel hub assembly plant in China which produces ball type wheel hub assemblies for passenger cars.

I understand that SKF does not produce tapered type wheel hub assemblies in China. Instead, it imports from its India operations for any tapered-type wheel hub

assembly sale in China. NTN also has only one factory in China that produces wheel hub assemblies and they only produce ball type wheel hub assemblies.

JTEKT, often known as Koyo, also has only one wheel hub assembly factory in China. Although this plant produces both ball type wheel hub assemblies and tapered type wheel hub assemblies, the vast majority is ball type wheel hub assemblies.

It is important to understand that it is not cost effective to switch from ball-type production to taper-type production. The techniques and equipment of ball-type wheel hub assemblies cannot be switched to produce tapered type wheel hub assemblies in China without significant time and expense. Generally, the size of a tapered-type wheel hub assembly is larger than that of a ball-type wheel hub assembly. The tapered-type wheel hub assembly production equipment has a larger size production scale than the equipment for the ball type.

It is financially impractical to convert a ball-type wheel hub assembly production line to produce tapered-type wheel hub assemblies. Any producer who wanted to produce more tapered-type wheel hub assemblies would find it less costly to simply purchase new equipment rather than retrofit or change its existing ball-type wheel hub assembly equipment. Therefore, even with the order revoked, Chinese

producers are most likely to continue focusing on ball-type wheel hub assemblies because most demand in China and export markets are for ball-type wheel hub assemblies but also because it simply is not practical to shift production from ball-type to tapered-type wheel hub assemblies.

I also want to describe the situation for Sihe Machine, the factory with which I am most familiar. Sihe has announced that it will produce in a new plant soon. It is important to understand why this is occurring. This was not a choice by Sihe. Sihe's factory was taken by imminent domain to build a stadium for the Asian Games. Sihe has to shut down before moving to a new plant where they need to install and test new equipment. Therefore, in the foreseeable future Sihe's production capacity will go down. Even when the new facility is up and running, the production capacity is mostly for ball-type wheel hub assemblies. We are unaware of any Chinese wheel hub assembly producers that may increase production for tapered-type wheel hub assemblies in China.

Any unused capacity in China will easily be absorbed by the increasing demand in China for tapered-type wheel hub assemblies. And the Chinese producers' focus will continue to be on ball-type wheel hub assemblies.

Finally, China's tightening of environmental protection has severely constrained and reduced the capacity

in China to produce forged parts. Many forged part component suppliers to the wheel hub assembly producers have been shut down.

Thank you, and I am happy to answer any of your questions.

STATEMENT OF THOMAS VALENTI

MR. VALENTI: Good afternoon. My name is Tom Valenti. I have been in sales in the automotive original equipment and after-market for over 30 years. 22 in original equipment, and nine in the after-market. I was an employee of Kaiyuan USA, Inc. for four years. Kaiyuan is now going through an IPO and closed its U.S. operations while it completes its restructuring for the IPO in China.

I have contract negotiations ongoing, and hope to soon be hired as a senior executive account manager for North American Operations for Xinchang Kaiyuan Automotive Bearings Company Limited. I've been asked to address a few issues in this investigation.

Kaiyuan is a producer of tapered and ball type wheel hub bearings in China. Kaiyuan also produces a small quantity of Gen 1 bearings for wheel applications. I agree with the testimony of the other witnesses that wheel hub assemblies are not TRBs. Kaiyuan considers itself an auto parts producer because it produces wheel hub assemblies.

Kaiyuan is much more of a substantial producer

of ball type wheel hub assemblies than tapered type wheel hub assemblies. Ball type wheel hub assemblies are much more in demand in China and in our other export markets than the tapered type wheel hub assemblies. So Kaiyuan's focus is on producing ball type wheel hub assemblies.

Kaiyuan is strongly focused on its home market in China for obvious reasons. The automotive market is soaring in China. Whereas there were 9.3 million passenger and commercial vehicles sold in China in 2008, those sales have risen to 28.8 million in 2017. By way of comparison, auto sales in the U.S. in 2017 were 17 million.

So the China market strongly outpaces the U.S. market. Even Auto Zone and Centric now have opened sales offices in China. Like all other wheel hub producers in China, Kaiyuan is not qualified or pre-certified to sell to the OE or original equipment market in the United States. Kaiyuan is limited to the after-market for its sales in the United States.

However, within the after-market Kaiyuan supplies only economy type wheel hub assemblies, and does not sell "premium" type wheel hub assemblies like Timken and other domestic producers. OE suppliers of premium wheel hub assemblies like Timken, Koyo, SKF, etcetera, do not produce all types of wheel hub assemblies for the after-market.

If one of these producers were not to supplier

for the original OE sale, they likely will not tool for that wheel hub assembly to produce it for the after-market. They might supply it, but we doubt they produce it. Chinese suppliers reverse engineer a wheel hub assembly used on a vehicle to supply a replacement wheel hub assembly in the after-market.

Timken is not likely to engage in such efforts, to produce a small quantity for the after-market. For this reason, Timken does not even produce some tapered type wheel hub bearings to the U.S. after-market. Minimum order quantities moreover, even for parts that Timken will tool for the after-market, it should be pointed out that all suppliers have a minimum order quantity called the MOQ.

So at some point, Timken and other OE suppliers stopped making certain wheel hub assemblies available for the after-market. After certain minimum order quantities can no longer be sustained, Timken and other suppliers would no longer tool a particular wheel hub assembly to supply it in the after-market.

This Commission could ask Timken, generally speaking, what would your MOQ be for a wheel hub assembly in the after-market? Vehicles in operation, also known as a VIO moreover, suppliers pay attention to the number of vehicles in operation. A U.S. OE supplier might not choose to produce a particular wheel hub assembly for the

after-market, once a vehicle falls below a particular vehicles in operation number.

If only a small number of a particular vehicle are still in operation in the United States, a U.S. OE supplier might not spend the time and effort to produce a wheel hub assembly for those vehicles. It simply does not make financial sense for the U.S. OE suppliers to do otherwise. This Commission could ask Timken what is a threshold number of vehicles in operation under which Timken could decide to no longer produce a particular wheel hub assembly.

That concludes my testimony, and thank you. I'm happy to answer any questions.

MR. VANDER SCHAAF: So that is all of our witnesses. I just wanted to point out to the Commissioners that we do have some samples on the table in front of us. Those are all tapered type wheel hub assemblies with the exception of one, which is a ball type wheel hub assembly, and it's the sample that is not cut out.

The cut out here is one of the whole ones there, and the cut out of the taper to our left here is actually one of the samples up there without the cut out in it, and then a couple of tapered roller bearings from China as well. But with that, I think I will turn it over to the question and answer, and reserve the rest of our time for rebuttal.

CHAIRMAN JOHANSON: Thank you all for appearing here today. We will begin questions this afternoon with Commissioner Kearns.

COMMISSIONER KEARNS: Thank you, and thank you all again for appearing before us today. Your testimony is very helpful. Actually Mister, is it Vander Schaaf?

MR. VANDER SCHAAF: Vander Schaaf.

COMMISSIONER KEARNS: Vander Schaaf, thank you. Can you tell me which one of those is the ball bearing wheel hub?

MR. VANDER SCHAAF: I'd have to go up to look at it. Let me see.

MR. HUGHES: Yeah. The 515 prefix typically designates a tapered roller bearing hub unit, hub assembly. Okay.

(Off mic comments.)

MR. HUGHES: To our point, you can't tell without a part number on it.

COMMISSIONER KEARNS: Okay. So yeah. I wasn't going to start with that, but since we're there, so if tapered roller bearing wheel hub assemblies are separate from unhoused tapered roller bearings, then are tapered roller bearing wheelhouse assemblies part of the same like product as ball bearing wheel hub assemblies?

MR. HUGHES: Lyle.

MR. VANDER SCHAAF: Oh, go ahead.

COMMISSIONER KEARNS: So my question is if we were to find that TRB wheel hub assemblies are a separate like product from TRBs, what would we consider to be within that separate like product? Would it just be TRB wheel hub assemblies, or would it also include ball bearing wheel hub assemblies?

MR. VANDER SCHAAF: We are only arguing that the TRB wheel hub assemblies be included in the like product. Our references to the ball bearing wheel hub assembly like product are merely to present to you the craziness of considering a tapered type wheel hub assembly to be a TRB, because it is in so many ways so unlike a tapered roller bearing, from all the six like product factors.

Now when you think about how a ball bearing tapered type -- a ball bearing type wheel hub assembly is not even in the game, it's not even under consideration, it seems crazy to these guys who are in the auto sector, who work with ball type and tapered type all the time. They see manufacturers putting in the ball type wheel hub assembly versus a tapered type wheel hub assembly depending on the application.

You have manufacturers who are designing in ball type wheel hub assemblies, where older models used tapered type wheel hub assemblies. There's movement toward the ball

type wheel hub assemblies. When you look at them, even I couldn't tell. Apparently it's -- this one is the ball type?

COMMISSIONER KEARNS: But that's getting to my question though. So if tapered roller bearing wheel hub assemblies are not the same as unhoused tapered roller bearings, then what is that separate like product? Why wouldn't we include ball bearing wheelhouse assemblies?

MR. VANDER SCHAAF: I would take it back to the fact that it's the rolling element. But --

COMMISSIONER KEARNS: But I mean under the six factor test, you're clearly making very obvious here that there is no physical difference between the two. You can't distinguish one from the other.

MR. VANDER SCHAAF: Right.

COMMISSIONER KEARNS: So are they -- should we consider all of that one product?

MR. VANDER SCHAAF: I think it would be very difficult to do so, because we don't have any data for the ball bearing type wheel hub assemblies. We don't have any of the input information. We don't -- well, that's not important to the like product. But we have no information from the domestic producers on, and I don't even know if the domestic producers are the same for the ball bearing type wheel hub assemblies.

It could be that the ball bearing type wheel hub assembly producers are not identical to the tapered type wheel hub assembly producers. We just haven't gathered that kind of information. People on the panel may know, who are the ball bearing type wheel hub assembly producers in the United States.

MR. HUGHES: I'm pretty sure SKF is one of them. I mean the multi-nationals have the capabilities of doing both.

COMMISSIONER KEARNS: Okay. So a different question, because obviously ball bearings, ball bearing wheel hub assemblies are not part of the scope, as you were just pointing out. But Petitioners have pointed out that there are many different kinds of housed tapered roller bearings that are within the scope and that we have data for.

Is your argument that we should treat unhoused tapered roller bearings as one like product and all housed wheel hub assemblies and other housed TRBs as a separate like product, or should we just find as many domestic like product as there are separate types of housed TRBs?

MR. VANDER SCHAAF: We believe there are two like products in this investigation, wheel hub assemblies, and all other TRBs. So we would put the housed TRBs in with the tapered roller bearings, if they're not a wheel hub

assembly.

I know that they call a wheel hub assembly a housed tapered roller bearing. I consider a housed tapered roller bearing to be a much more simple product. I don't consider a housed tapered roller bearing to be a different part. A wheel hub assembly has so many different constituent parts that it takes it away from being simply what Timken had referred to as a further processed tapered roller bearing.

We simply don't refer to them and believe that they are simply a housed tapered roller bearing because of all the functions, functionality, the details, the different components that Mr. Hughes talked about, that imparts so much of an automotive type functionality to the product.

COMMISSIONER KEARNS: Okay. So the products that we were looking at this morning, I think we had a packaged TRB railroad bearing. You would say that that is the same like product as any TRB?

MR. VANDER SCHAAF: To the extent that is covered by the scope, I would say it is. I would not call that a wheel hub assembly, for example.

COMMISSIONER KEARNS: Okay, and a wind energy package bearing would also be a TRB?

MR. VANDER SCHAAF: Correct, or it wouldn't be a wheel hub assembly is how I would phrase it.

COMMISSIONER KEARNS: Okay, and just to be clear too. So you believe that Generation 1, Generation 1 product I think is the term you used, that that is a TRB, not a wheel hub assembly? I consider Gen 1's to be -- I know it was referred to by Timken as a housed bearing as well.

MR. VANDER SCHAAF: I would call it a sealed bearing. However, it's very much like a tapered roller bearing. It doesn't have the flange and it doesn't have a lot of the other specific functionality that a wheel hub assembly has, and they indicated that we took a different position in the prelim.

But in the prelim, I'm sorry, five years ago, I'm thinking of the original investigation. But five years ago, we really only said there was a particular product that was a kit that had a number of different items in it. We took the same position five years ago, that a Gen 1 was a TRB and not a wheel hub assembly.

But Timken supplied a kit that had the different constituent parts in a box, and we said to the extent we're drawing a line, we will put that kit in with the assemblies. We no longer take that position. I don't even know if that product is even still for sale by the domestics. But at that point it was a kit, and so five years ago we also argued that a Gen 1 would be a TRB, and we're taking the same position in this sunset review.

COMMISSIONER KEARNS: Okay. Our staff report refers to Gen 1 as wheel hub assemblies. So you wouldn't call them wheel hub assemblies?

MR. VANDER SCHAAF: That's correct.

COMMISSIONER KEARNS: Okay, and are Generation 1 used for anything other than wheel hubs?

MR. VANDER SCHAAF: I'm not aware of anything else, but I'll yield to the more expert on the panel.

MR. HUGHES: I'm not aware of anything outside of automotive, but that doesn't say that they couldn't be used in some sort of an industrial application.

COMMISSIONER KEARNS: Okay. Maybe this is just semantics, but it's a little -- I'm having a hard time. They're Generation 1, and you think that goes over here, but Generation 2 and 3 go over here, and our staff report calls Generation 1 wheel hub assemblies, but you think they're not wheel hub assemblies, even though they're only used or predominantly used in wheel hubs?

MR. VANDER SCHAAF: Yes, and I know that this is the difficult concept for this like product discussion. But we really draw the line on a flange. The questionnaires say that a Gen 1 is flanged or a wheel hub assembly has a flanged or unflanged product. We think that it's the flange that really separates the products, and that's why we put the Gen 1 in with the TRB, because it doesn't have a flange.

Now there are other things, but that's the most simple distinction between a Gen 1 and a wheel hub assembly.

COMMISSIONER KEARNS: Okay, and can you tell me how much value does the flange add to the product?

MR. VANDER SCHAAF: I have to yield to my other people on the panel.

MS. CHANG: For the Generation 1 products in the market, we call it wheel bearing and flange bearing. So our selling price is from 5 to 7 dollars. If you add a flange, that becomes wheel hub assemblies. It's purely just adding a flange. It's not very expensive. It's like 12 to 13 dollars. But if you talk about generation like with ABS with two double-flanged, so we're talking about 20 or 40 dollars. It even goes up to 100 dollars in our selling price.

COMMISSIONER KEARNS: Okay. My time is up, but thank you very much.

CHAIRMAN JOHANSON: I'm going to continue with this major issue, which you all have spoke on today and which Commissioner Kearns has discussed as well. In the last review, the Commission noted that the record did not indicate that differences between TRBs and wheel hub assemblies are any more significant than the differences between the thousands of other TRB part numbers that are within the scope.

This is found at page 15 of the -- of U.S. ITC

Publication 4343. How is the record different here? Of all the products covered by the scope, what makes wheel hub assemblies in terms of meriting a finding as a separate domestic like product?

MR. VANDER SCHAAF: Let me start by identifying a couple, and how things are different. One thing that is different is we do have much more detailed questions in the questionnaires, where we have specifically asked purchasers and importers and producers to opine on the six like product factors, and those results are quite resounding and we think, you know, stridently support our position, despite the fact that the Commission said that there are lots of differences among a lot of different bearings.

But the differences that are unique to the wheel hub assemblies all have to do with what you would want in an automobile. Obviously, all TRBs are meant to reduce friction, but a wheel hub assembly has specific automotive type features like safety with the ABS, and the demands that a wheel hub assembly is put through on a wheel.

It's probably the most hostile environment that any auto component is exposed to on an automobile, other than inside a piston. And so those types of features and attributes that are specific to a wheel hub assembly really do make it unique and define it in the auto sector as an auto part, as opposed to a TRB and all these different

end uses and applications that would apply in the industrial sector or the mining sector or something, where you have a tapered roller bearing.

And so I think that's one of the reasons why we would specify this time that the Commission isn't necessarily locked into the definition that it made five years ago, and I don't know if there are other things. My other panelists might not know what the Commission said five years ago, but if you are familiar with other features that are unique to the wheel hub assembly that separated out, I think that may be helpful.

MR. HUGHES: Well I think it's what I said in my opening statement, is that the wheel hub as it stands these days is so intricately involved in every aspect of driving the vehicle. It's much more complex with the VSC, the CBC, the TCS on top of the ABS. So the TSC is traction control system. The VSC is vehicle stability control, and CBC is corner braking control.

These are all measured at the wheel and translated by the various computers in the car to control how the vehicle goes through corners or how it's braking or how it's handling. So it's a much, much more involved product, and this is going to continue to evolve in future vehicles too, without question.

MS. CHANG: I want to add one point, which

actually --

MR. BURCH: Can you please identify yourself?

MS. CHANG: For the tape --

MR. VANDER SCHAAF: No, your name.

MS. CHANG: Grace, I'm sorry. I'm Grace, Grace Chang from Bosda. This morning, they actually mentioned for Generation 3 products, they cannot tell the cups and cones apart anymore from the design. So the Generation 3 wheel hub assembly, they only incorporate the little rollers in that hub. So there aren't any physical TRBs there anymore, because of evolvement of other development. So --

MR. VANDER SCHAAF: Can I add more?

MS. CHANG: Yeah.

MR. VANDER SCHAAF: Go ahead, Grace.

MS. CHANG: And also from Steve's presentation, you can see some other products that use the roller. They're not being considered as in with the scope.

MR. VANDER SCHAAF: So the other thing, you know I --

MR. BURCH: Can you please identify yourself?

MR. VANDER SCHAAF: My name is Lyle Vander Schaaf. You know, last time we came to the Commission in the sunset review, Timken argued there's this continuum and there's no clear dividing lines, and I think the Commission was convinced by Timken. We tried our best; we didn't

succeed.

But I have to say when I came to the tapered roller bearings Korea case, and I heard them argue about a bright line between zero to eight inch and then above eight inch, and then a bright line between housed, including wheel hub assemblies, and how there's apparently no longer a continuum, I think the Commission was persuaded by Timken five years ago that there is just simply a continuum, and that all these differences are equal.

But when they came in front of the Commission in the Korea case and said the opposite, it was kind of a watershed moment for us. We would not be here if it wasn't for that, for them saying that in the Korea case, because that's what we argued five years ago.

And so if Timken had changed on that position, especially after the Commission being convinced by them five years ago, and then just sort of throw that continuum thing out the window, I'm sure we wouldn't even be here. We tried five years ago, we lost. Timken convinced you, and then they came in and said something else in the Korea case.

So what has changed dramatically is I'm not so sure that continuum thing is what it was made out to be five years ago.

CHAIRMAN JOHANSON: Thank you for your responses, and following up on that, have there been any

changes in TRBs and wheel hub assemblies in terms of their characteristics, channels of distribution, manufacturing or other factors of the Commission's like product test since the last review, when the Commission considered and rejected treating wheel hub assemblies as a separate domestic like product?

MR. VANDER SCHAAF: Probably the more sophistication, better evolution. But I don't know if the cornering and all those other things are -- were part of it five years ago.

MR. HUGHES: The VSC and the TSC --

MR. BURCH: Can you please identify yourself?

MR. HUGHES: Sorry. My name's Steve Hughes. The VSC, TCS and CBC have been evolutionary changes in the data recording or output from wheel hub assemblies in the last several years. I'm not sure exactly where these started to come in, because they have been evolutionary. But they definitely are more advanced. As to the distribution, I think Gordon, can you comment?

MR. PATON: I would say -- Gordon Paton. I would say there's been no change in the distribution of wheel hub assemblies, certainly not from the after-market perspective in the last five years.

MR. HUGHES: This is Steve Hughes again. One other comment is that you'll find that the ABS compared

to five years ago or ten years ago is much, much more used. It's pretty much on almost every vehicle that's out there now for safety reasons. The TSC and VSC and CBC, this will also become the norm over the coming years. So this is --- this is much more prevalent.

CHAIRMAN JOHANSON: Mr. Hughes, just to clarify. ABS is automated brake system?

MR. HUGHES: Anti-lock braking system.

CHAIRMAN JOHANSON: Anti-lock brake system, okay.

MR. HUGHES: Yeah. So when you hit the brakes real hard, you would normally lock them up. You'll see that ABS light flashing in front of you, and that's that sensor interacting with the tone ring, going back to the computers and controlling your brakes.

CHAIRMAN JOHANSON: Okay. My car's a 2002, so I don't think I have that.

MR. HUGHES: No. Actually, they developed -- the first car with ABS was developed by Bosch, electronic ABS that is, in 1978, and it's become more and more advanced and much more, as you can tell, included in the vehicles.

CHAIRMAN JOHANSON: But nowadays, almost all the cars manufactured have ABS?

MR. HUGHES: Pretty much.

CHAIRMAN JOHANSON: Okay. Okay, thanks for that

clarification. Timken argues that under the national 13th five year development plan for the bearing industry, investments and expansions for the production of TRBs and other bearings are likely to continue in China, and they discuss this at pages 36 to 38 of their brief. How do you all respond?

MS. CHANG: Yes. So actually we talk about that, and I tried to convince my counterpart in China too. This morning actually Timken confirmed, they will never be able to find any data for the wheel hub assemblies in China, because they never include wheel hub assemblies into the bearing industry. TRB does not include wheel hub assemblies.

So whatever data they get is going to be from the bearing industry. It's going to just talk about tapered roller bearings. They will not be able to find any of the wheel hub assembly data there, because those products were included into the auto parts data, and it is now separated. So that's one thing. So whenever you talk about TRB increase or decrease, it's not a wheel hub assembly.

CHAIRMAN JOHANSON: But there's an increase of production of TRBs due in part to the five year development plan, would that not encourage the further production of wheel hub assemblies, since they are components of -- since they're arguably components of wheel hub assemblies?

MS. CHANG: Actually, wheel hub assemblies only use the rollers, that's it. We don't use tapered roller bearings. So it's only the rolling components for the wheel hub, and I heard Timken had purchased a roller this morning. There was a gentlemen earlier who said they produce rollers for Timken. For us in China, we also buy those rollers, for the rollers. It's not the bearing. Is that clear?

MR. HUGHES: So they only purchase the rollers, the little cylindrical rollers from the tapered roller bearing producers in China. They don't purchase from them a tapered roller bearing. It's a component of a component.

CHAIRMAN JOHANSON: But what did -- I'm maybe a little confused. But if China is encouraging the production of bearings through their five year plan, would that not --

MS. CHANG: That doesn't include wheel hubs, no. It's not related to wheel hubs at all, wheel hub assemblies at all.

MR. VANDER SCHAAF: If I could just say too, having represented a number of parties in China, I know that a lot of Petitioners like to point to the Government of China as having control over everything in China. They have no control over any of these guys in China, okay.

It's one of the most capitalist countries in the world, and I never see companies in China paying attention to whatever, five year plans and so forth. Perhaps the

state-owned enterprises, but none of the wheel hub assembly producers are state-owned enterprises or tied into that tapered roller bearing industry. They're wheel hub assembly producers.

I don't think any of the wheel hub assembly producers produce tapered roller bearings, other than the Gen 1. Is that correct?

MR. HUGHES: And I think it's important to note that with the explosion, literal explosion, exponential explosion of the domestic market in China, if you look back at around 1998 I believe, they produced 500,000 vehicles and now it's, what did we say, almost 28 million.

The natural evolution is they're going to start having to repair these vehicles, and the domestic repair market is growing exponentially to support that car park in China. With that, the wheel hub assembly manufacturers are tending to want to go -- they're really focusing on making sure they get the OE business in China. They'll never get it here.

CHAIRMAN JOHANSON: Okay. Thanks for your responses. My time is expired. Commissioner Broadbent.

COMMISSIONER BROADBENT: Mr. Hughes, how are tapered roller bearings and wheel hub assemblies developed for the after-market? What factors bear on the decision to introduce a bearing in the after-market?

MR. HUGHES: Typically demand. So let's just take an example of a Ford F-150, a 2018. If that is a different design from the previous generation of the F-150, it will take about five years before there is actually demand in the market for a replacement.

So the manufacturers were -- the overseas manufacturers other than the OEs, let's say, will look at starting to get demand from their customers, and then they'll look at how many vehicles are in operation, because that's a fairly readily available statistic, and make some decisions as to whether they're going to produce it or not.

But typically it's one of the importers or the companies here in the U.S. or wherever, will reach out to a manufacturer such as Sihe or one of the other hub manufacturers, and say "we want some." And they'll put an MOQ, a minimum order quantity in front of that customer and say here's what you're going to need to buy from us to do this.

Also they'll typically reach out to some of the customers and say is there really demand? Is this something you might be interested in? So that's typically the sequence of events, and that will go with every vehicle. If you have a small production run of a given vehicle, I can't think of one offhand, but let's take the old Toyota Tercel, and they're only going to make 100,000 vehicles, the

likelihood of anybody wanting to order those or tool up is pretty small.

Definitely the OEs are never going to a Timken. If they were not the original equipment manufacturer, they're not going to tool up to make that application.

COMMISSIONER BROADBENT: Why did they make so few Tercels?

MR. HUGHES: That was probably a bad example so --

COMMISSIONER BROADBENT: No, that's okay. I'm just curious.

MR. HUGHES: That would be a ball type --

-- the Tercel has a ball type, just using a vehicle as a reference point.

COMMISSIONER BROADBENT: Yeah, that's okay. Would you consider an after-market product to be directly competitive with an OEM product?

MR. HUGHES: Absolutely not. The OEM products fall under a manufacturing standard that is either noted as TS-16949 or ISO-5001/2015. These are quality standards that are extremely high. None of the Chinese manufacturers that I've ever seen meet this standard. First of all, just the quality processes, the paper work involved in making sure that every step is followed, all of this, it's very, very onerous for companies to supply the OEM market.

Not only that, but the tolerances called out by the car manufacturers are extreme, and extreme tolerances cost money to produce. It takes a lot longer, more sophisticated equipment to machine down to very specific tolerances. The after-market manufacturers, they do not have to follow ISO 9001 or the TS standards, and they don't typically hit those very, very tight tolerances that the OEMs do.

This is exhibited not just in the wheel hub assembly industry, but it's also in brakes, brake rotors, pads, all these various different repair parts do not stand up in quality against the OEMs.

MR. VANDER SCHAAF: And we learned this morning from Timken how they will supply a wheel hub assembly that they don't produce. They don't do like the Chinese and other suppliers in the after-market. Mr. Hughes described the process, but he stopped short of saying that once the producers decide to produce that product, they have to reverse engineer the original equipment example, and that takes time and effort and some might not be able to do it or do it for certain products.

But the OEs who supply the manufacturer, if they're not the OE supplier, we learned from Timken this morning they will buy it from the OE supplier. So Timken wants a full line of products. They will buy it from the

Iljins and the SKFs of the world and offer that in the after-market. That is a pretty high quality product. That's the same product that the manufacturer demands with their detailed specifications in the manufacturing process.

MR. HUGHES: And if I may add to that, this is Steve Hughes again, this goes back to what Gordon was saying earlier. This is a clear definition of premium versus economy. As a matter of fact, in the automotive industry, it's a mantra. There's good, better and best, best being premium, and premium is an OE type of a standard. The good and the best, they'll never match or compete with that premium standard.

COMMISSIONER BROADBENT: Okay. Timken alleges that the Chinese TRB industry has dramatically improved its quality, technology and breadth of product line. Please describe how Chinese manufacturers of tapered roller bearings and wheel hub assemblies have improved quality and technology since the last review?

MR. HUGHES: I would say that -- this is Steve Hughes. I would say that the multi-nationals, without a doubt, have probably increased their capabilities to medium to high -- to premium levels. But the wheel hub assembly manufacturers have to remember that the majority of them don't even make their own bearings. This is purchase part.

The hub assembly is -- they'll possibly forge

their own flanges, they'll probably buy outside on the wheel studs and the sensors. They'll do machining and assembly. So what we found is that they still don't come close, as I mentioned previously, to being able to machine or produce any of the parts to the OEM standard.

They're still more or less somewhere in the middle on these wheel hub assemblies. But again, the multi-national bearing companies, I would not dispute what the Petitioners are saying at all. I wouldn't be surprised if they're extremely high quality on the tapered bearing manufacturers.

COMMISSIONER BROADBENT: I missed what you said about "in the middle."

MR. HUGHES: So the wheel hub assembly manufacturers, they're pretty much in the middle in quality, and I do not believe, having visited some of these companies, I do not believe they will ever come close to being the same quality or matching the quality of a Timken.

COMMISSIONER BROADBENT: Okay.

MR. VANDER SCHAAF: This is Lyle Vander Schaaf. I should point out as well, the multi-nationals that I think the Petitioners referred to this morning, they don't make wheel hub assemblies in China. They might make tapered roller bearings in China, but they don't make wheel hub assemblies in China. The TRB manufacturers in China

generally don't make wheel hub assemblies. I don't know if no one never, but we don't see tapered roller bearing manufacturers making wheel hub assemblies in China.

MS. CHANG: Yeah. It's considered as two different industries. One is for the industrial and one is for the automotive. So some suppliers, they make Generation 1 wheel bearings, but application is only for the automotive use. It's not for the industrial use. It's Grace.

COMMISSIONER BROADBENT: Okay. Let's see. Why has the volume of imports from China increased so markedly since the last review, particularly when apparent consumption declined?

MR. VANDER SCHAAF: Are you referring to wheel hub assemblies?

COMMISSIONER BROADBENT: Uh-huh.

MR. VANDER SCHAAF: I think probably -- well, it's obviously got to be the after-market, because none of them are going into the OE application according to these guys. So it's got to be the growth of the after-market. We heard statistics this morning about gross domestic product going down and so forth. But really the only thing you're concerned about with respect to demand for wheel hub assemblies is the demand for pickups and SUVs that use tapered type wheel hub assemblies, the subject merchandise.

That growth has been pretty steady and stable

for pickups and SUVs, and the projections for that are expected to rise. I think someone this morning asked about Ford getting out of the sedan business or car business, and they're focusing on pickups and SUVs. That's where the market is. A lot of people like driving pickups in the United States. It's unique to this market. But that's probably the reason, is the demand was there.

MR. HUGHES: This is Steve Hughes. If I can also add, the average vehicle life has extended quite a bit over the last number of years. So this point, right now the average vehicle life, this is from an IHS market study, is about 11.7 years. So the vehicles are staying out there a lot longer, and they need maintenance.

And when you have the increase in trucks and SUVs, along with this added length of service, you're going to have more demand.

COMMISSIONER BROADBENT: Okay. Mr. Vander Schaaf, in light of the growing number of global trade measures by the United States, does the Chinese industry still see the U.S. market as attractive?

MR. VANDER SCHAAF: Well, this is Lyle Vander Schaaf. I can tell you that when we were reaching out to companies to pay us so we could represent them, that was the first question they all asked. Is this product covered by the 301 tariffs? Yes. Well, if we get the tariffs, the

dumping duty revoked, isn't that tariff still going to be there? Probably. Are they sitting at the table with us today? No, they're not.

So I do think it will have a constraining effect. It certainly has a constraining effect on their view of the importance of the U.S. market. I think there's a lot of -- I mean I can't say on behalf of everybody in China, but we are seeing clearly a viewpoint that the products covered especially by the 301, the first round of tariffs that are 25 percent, of companies wondering what the future holds.

So there's a lot of question, and people are suspicious that they're going to be able to continue to sell here, and that the U.S. is going to be a market for them. The wheel hub assembly thing is a little bit unique because auto demand in China is so much bigger than in the United States, and it's going to grow so much more, and then the after-market is going to start kicking in in China.

And so these guys, the reason why we don't have as many respondents this time as we did five years ago, quite frankly, honestly, is they just don't care about the U.S. market. I know that you probably hear that in every case, but the facts are pretty clear here that they don't need the U.S. market.

I think that, you know, the OEs don't reverse

engineer to supply after-market parts. The Chinese are doing that, and some of the other countries probably do that. But if it wasn't for these people who reverse engineer, who aren't the OE supplying the OE at the OE price, giving that OE quality, you know.

If you have a ten year old car and you need a wheel hub assembly that's going to go 400,000 miles, probably not. And so it's a completely different product, and I think it's good that we have companies that will reverse engineer and supply the product to the after-market, because if it wasn't for them you really wouldn't have an option other than getting the same OE quality that goes to Ford and GM and Chrysler and so forth, putting it in a used vehicle.

MR. HUGHES: If I might add also, this is Steve Hughes, the European market is very attractive to the Chinese for sales. There's more acceptance in that market for Chinese product. So there's also quite a draw for them to sell to the EU, because quite often quite frankly, they get better pricing.

COMMISSIONER BROADBENT: Okay, thank you. My time is way expired.

CHAIRMAN JOHANSON: Commissioner Kearns.

COMMISSIONER KEARNS: Thank you. Mr. Vander Schaaf, Timken's counsel has argued that Timken has not

flip-flopped on the issue of domestic like product in this case compared to the Korea investigation. He points out that the scope of that investigation and this review are different, in that the scope is the starting point of our DLP analysis. How do you respond? Shouldn't the scope of the investigation play a large role in how we define the domestic like product and the domestic industry?

MR. VANDER SCHAAF: Well, you had me until you used the word "large role." Okay, I do believe that we start with the scope. We always start with the scope, but that doesn't mean we end with the scope. They're saying we start and end with the scope, and we don't question anything in between.

But the scope also doesn't change whether there is a continuum of tapered roller bearing products in the market. That was the case in the Korea case. If there's a continuum for tapered roller bearing producers and wheel hub assembly producers in the U.S. industry five years ago in the sunset review, I don't see how that continuum between all those products by those same producers goes away, just because the Commerce Department is going to assess anti-dumping duties for only certain products.

The six like product factors shouldn't change because the scope changes. So I know that they have that argument, but I really don't see how -- sure, the starting

point is different. But the facts are the same, you know, interchangeability, channels of distribution, manufacturing facilities, production employees, those six factors.

You know, in the last sunset review, I was reading that opinion and I was kind of, you know, excited that we might win the like product. And then I got to the end of it and they said but because there's this continuum and there are no dividing lines, we really didn't win the like product. The thing that did change and that shouldn't have changed because of the scope is the fact that there apparently no longer was a continuum with the Korea case or clear dividing lines.

They drew a clear dividing line between small and large, and they drew a clear dividing line between TRBs and housed, including wheel hub assemblies in their arguments in the Korea case. And so the scope, you're right. It's a different scope. The starting point is different, but I don't believe the ending point needs to be different just because the starting point is different.

COMMISSIONER KEARNS: Okay. Let me ask just a quick follow-up on that. I mean when we're looking at the question of continuum, shouldn't we again sort of start with the scope, and ask whether or not we can draw the line there or if we have to draw other lines? So that when you're looking at the scope, if the scope is narrow, you ask the

question well, can we stick to that or do we have to broaden this because there is no way to really cut right there?

And if we're looking at a scope that's much broader, you know we again sort of say well, does it -- you know, can we really cut right where they cut? So in other words, it does seem like the continuum analysis is also done with a link back to the scope and then the scope can change.

MR. VANDER SCHAAF: Well it is, but you know the way I look at it, you start with what is the domestic industry. You have to assess domestic industry. The statute says the domestic industry is the producers of the like product, okay. That begs the question. What's the like product? Well, the like product is a product that's like, or in the absence of like, most similar in characteristics and uses. So it's the products that it's like.

And then where does that get you? Well, it gets you to the Commission's precedent of using the six like product factors that have been endorsed and supported and affirmed by the Court, and we know that with respect to scope, the Court has told us from a case involving Torrington, I guess, which assumed Timken, that scope does not determine like product, and the Commission can break up separate industries and separate like product within the broad category of a scope.

So I agree that if there is a view that there is only a continuum, and if there can be no dividing lines, it's going to be all tapered roller bearings. But we are arguing that that continuum ends with wheel hub assemblies as an auto part in the auto sector involving --

I know Timken considers itself a tapered roller bearing producer, but they are producing a product for the auto sector, that everybody in the auto sector considers to be an auto part. So I would draw that bright line there.

COMMISSIONER KEARNS: Okay, thank you, and thank you to our other witnesses for their patience in dealing with some of these legal questions. I wanted to ask some questions to Ms. Gentner about Dana. Can you first just explain, does Dana buy tapered roller bearings and make them into wheel hub assemblies at all, or do you only -- do you only purchase wheel hub assemblies?

MS. GENTNER: To my knowledge, we do buy tapered roller bearings for other applications within our manufacturing. To my understanding, we buy wheel hub assemblies.

COMMISSIONER KEARNS: Right. So you don't convert any TRBs into wheel hub assemblies?

MS. GENTNER: Not to my knowledge.

COMMISSIONER KEARNS: Right, okay, thanks. And you mentioned that Dana does serve the after-market. Do you

have any estimate as to what portion of Dana's business is the after-market versus OEMs?

MS. GENTNER: I'd have to look at the specifics on that for the different business units and that type of thing. I don't have an answer today.

COMMISSIONER KEARNS: Okay. If you could --

MR. VANDER SCHAAF: I can also -- we represented Dana in the Korea case. I can tell you it's very small, much, much smaller portion of their operations for that after-market than for OE. But I think we have to look up the number, and it's probably confidential anyway. So okay.

COMMISSIONER KEARNS: Yeah, if you could in the post-hearing brief, that would be helpful. And then finally, Mr. Paton said that Chinese wheel hub assemblies are only sold in the after-market, but you -- but if that order is revoked with respect to Chinese wheel hub assemblies, does Dana intend to purchase that product?

MS. GENTNER: Again, not to my knowledge at this time because we have within our wheel hub assemblies that are made into the OE product, sold to the OEs I should say, they're either direct buys by the OEM, or they already went through all the testing to be approved. So at this point in time, no. The answer would be no.

COMMISSIONER KEARNS: Okay. So you're here just because you want to facilitate purchases of wheel hub

assemblies in the after-market?

MS. GENTNER: Yes.

COMMISSIONER KEARNS: Okay, okay. So again on the issue of after-market. So I hear a number of witnesses say that China does not make OEM quality wheel hub assemblies. Do they make OEM quality tapered roller bearings for the automotive market?

MR. VANDER SCHAAF: I'm going to defer to my colleague.

MS. CHANG: There's a few manufacturers in China. They actually make for the OE manufacturers in China. So they supply to the OE market in China. Like Wanxiang Group, I'm sorry it's Grace. They make tapered roller bearings for the OE productions and for the vehicles sold in China.

COMMISSIONER KEARNS: Okay. But also do they export any OEM quality TRBs in that automotive market?

MS. CHANG: I don't think the OE, they actually work like that. They designed and they produce it. They've got ten years contract, and it's only service for the vehicles produced in China.

MR. VANDER SCHAAF: And I explored that as well. I'm not aware of any multi-national or TRB producer in China who sells to OE -- TRB sells to OE applications in the United States. I should quality that. There might be

somebody who makes an almond picking machine or a potato separator or whatever, some small OE, you know, that buys a truck and turns it into a shredding machine truck or something, right?

If you call that OE, fine. But it wouldn't be the kind of scale OE like you have in the auto sector, where they have these huge demands on tolerances and engineering.

COMMISSIONER KEARNS: I'd ask you to take a look at Table II-1 of our prehearing staff report. There, we distinguish between distributors and end users, between end users. We further distinguish between automotive and other, and we're looking just at subject imports from China.

There is, this is proprietary, but there is quite a bit of imports of automotive TRBs there, and again this distinguishes between distributors and end users in automotive. So it looks to me like China does produce OEM quality TRBs in the U.S., for sale in the U.S. market.

COMMISSIONER KEARNS: Okay. So in the public version it's not shown, I guess, right?

MR. VANDER SCHAAF: Right.

COMMISSIONER KEARNS: Table II-1 on page 2-2?

MR. VANDER SCHAAF: Correct.

COMMISSIONER KEARNS: I'll have to look at that in the -- for a post-hearing submission, but what you're saying is there's probably numbers for automotive, without

disclosing anything.

MR. VANDER SCHAAF: Right.

COMMISSIONER KEARNS: I'll have to look.

MR. VANDER SCHAAF: And I can probably take a look at the questionnaires too to see what's going on there, because I imagine this came from questionnaires.

COMMISSIONER KEARNS: Okay, okay. Yeah, I would appreciate that for that.

MR. VANDER SCHAAF: Well, End Users, Automotive. I wonder if it's not OE and it's another kind of end user possibly. Steve just mentioned something to me, and it's --

COMMISSIONER KEARNS: Right. I mean are there end users that aren't OE in the automotive sector? How would you define an end user?

MR. HUGHES: Well, you've got the OE sector or the after-market sector.

COMMISSIONER KEARNS: Which would be distributors, right?

MR. HUGHES: Which would be distributors, and again some of these could -- some of these applications could fall over to agricultural and industrial. I don't know how that's broken out, if you can break that out --

COMMISSIONER KEARNS: Agriculture and industrial are separate categories here. So on this chart we've got end users, automotive as a break out, and they're pretty

significant imports, of subject imports there.

MR. HUGHES: I guess the question I would have then is if they have the same part number, if it's a Set 1 let's say, if it fits agriculture and automotive, how is that separated by the HS code?

COMMISSIONER KEARNS: Yeah. I'm not sure how we gathered our data. So you're saying that maybe this is actually agricultural?

MR. HUGHES: There could be conflated data in there is what I'm kind of asking.

MR. VANDER SCHAAF: I'll have to look at the confidential information I think, and that's going to be in the questionnaire somewhere, and dig from there.

COMMISSIONER KEARNS: Okay. If you could address that in your post-hearing brief, that would be great.

MR. VANDER SCHAAF: I will, sure.

COMMISSIONER KEARNS: And my time is out, so I'll stop there. Thank you.

CHAIRMAN JOHANSON: Several of the witnesses in the Respondents' panel have discussed the high quality of Timken's products and how it is the leader in the field. However, Timken's argued that the Chinese TRB industry has dramatically improved its quality, technology and breadth of product line. Can you all please respond to this comment of

Timken?

MR. HUGHES: This is Steve Hughes. I commented to Ms. Broadbent about that earlier, in that there's no argument that the multi-national TRB manufacturers have probably increased to a very, very high standard of quality, their being the multi-nationals.

However, that's separate, completely separate from the wheel hub assembly industry. Wheel hub assembly manufacturers typically outsource their bearings. They don't, they don't manufacture them inside typically. My experience with the wheel hub assembly manufacturers is there's not one of them that meets the necessary quality standards, nor can they make the parts to the tolerances called out in OE manufacturing.

That's a full stop. There's not a single one of them that I've seen that will meet the ISO or TS standards that are required by the OEM market, nor can they -- nor are they manufacturing those TRBs.

CHAIRMAN JOHANSON: Have wheel hub assemblies improved in their quality coming out of China in the past few years?

MR. HUGHES: That I would say yes. But it's more towards middle quality levels, if you will. It's definitely nowhere near the level that would be acceptable to any OE manufacturer in the U.S. or Europe or Japan.

CHAIRMAN JOHANSON: Okay, yes.

MR. PATON: Gordon Paton here. We carefully monitor every month our warranty rates for products that we put out in the field, and I can say that over the past five years, there have been no significant reduction in the warranty return rate for wheel hub assemblies with tapered roller bearing. It stayed fairly constant at the rate that it's been at, like I said, for the last five years.

CHAIRMAN JOHANSON: Okay. So you don't see any major improvements?

MR. PATON: I have not seen any major improvement in quality in wheel hub assemblies with tapered roller bearings manufactured in China over the last five years.

CHAIRMAN JOHANSON: Okay. Now I'm going to ask you a question which I asked the Petitioners this morning. I'm curious about your response. The prehearing staff report breaks out separate data for wheel hub assemblies at Table C-2 of the staff report. These specific numbers are largely confidential, so this question is more general. Why is consumption up for wheel hub assemblies during the review period?

MR. HUGHES: Again, this is Steve Hughes. What I said earlier is you have a few factors that are affecting this. One is the longer vehicle life. You're talking 11.6,

11.7 years is the life of the vehicle now. So you're getting a lot more miles on these vehicles, and they do need service or repairs of the -- of brakes, exhaust, bearings, etcetera.

So you're going to have more cycles in the repair processes, if you will, than you did five, six, seven years ago, because at that point the life of the vehicle is probably nine years or some numbers like that.

The 11.6, 11.7 years, that's an IHS market data point for you. At the same time, you've had an increase in the vehicles. You've got more trucks, you've got more SUVs on the road. So between the two, the growing population of trucks and SUVs, and the longer vehicle life, you're going to have an increase in general in the sales of those products. Not just TRBs, but ball bearing hub assemblies too.

CHAIRMAN JOHANSON: Yes, Mr. Paton.

MR. PATON: Another -- Gordon Paton. Another thing to add was in 2009, we had a particularly bad year in the North American OEM vehicle production. We dropped down I believe nine million vehicles. So five years ago, that was about three years after that period. So there's a real lag in availability of vehicles at that point. Since then, we've managed to rebound and get up to the 16 and 17 million vehicles a year.

So I think that could also be driving the increase in the demand for TRBs for wheel hub assemblies, plus around that same time we are facing with the very high price of oil, which was driving gasoline up, which was driving consumption or purchasing of pickup trucks and SUVs, the vehicles that use wheel hub assemblies with TRBs was down significantly.

So that has since rebounded and is probably another factor that's driving up the current demand for wheel hub assemblies in the after-market with TRBs.

CHAIRMAN JOHANSON: Okay. Thanks for your answers there. Timken argues that excess capacity in China for the bearing industry as a whole was as high as 45 percent in 2016, and this is at page 38 of the brief. Do you dispute the accuracy of this figure?

MR. VANDER SCHAAF: This is Lyle Vander Schaaf again. This statement is with respect to TRBs as a whole, and we're at a bit of a disadvantage with our group because they do consider themselves to be in the auto sector, and they don't really follow the TRB sector. I do know that almost every manufacturer in China will brag about their capacity, and put out capacity statements that are pie in the sky kind of figures.

I imagine that's what Timken is relying upon. I doubt that they really could have 45 percent unused capacity

and have that available. But I'd really have to look at what they're talking about and we don't think that there's anything like that with respect to the wheel hub assembly producers.

There are also a lot of TRB producers in China, like I think they threw out a number, 250. But it's my understanding that a lot of these TRB producers produce low, very low quality TRBs that are used in toys. You think about where all the toys on the shelves in the stores that you go to come from?

Well, they come from China, and the little, I don't want to call them throw-away tapered bearings, but a lot of those bearings come from the low end producers in China, and they're kind of lumped into the same categories by Timken. So there's a lot of skewing of the numbers because of these producers who make bearings that are never going to come to the United States, or they're for very low-end products.

They don't have any kind of requirements for tolerances and so forth. So there are things like that going on. So I'm sure I would disagree with Timken's assessment, but we do believe it's limited to the TRB sector. I think they've taken some liberties with some numbers. If we -- if you want us to look into that further, we can in the post-hearing brief. But I suspect

they're just skewing the numbers.

CHAIRMAN JOHANSON: Yeah, if you wouldn't mind. I mean capacity is always a very big issue in these investigations, as you know. It would be great if you all could try to break that down. I'd appreciate it.

MR. VANDER SCHAAF: Will do.

CHAIRMAN JOHANSON: Thank you.

I am now going to talk about the certification process. How did the certification process and criteria differ between tapered roller bearings and wheel hub assemblies?

MR. VANDER SCHAAF: It's my understanding that they would apply--in the auto sector, they would apply the same kinds of qualification and certification procedures. So that's certainly the case for Dana.

TRBs are used in many other end uses, industrial, mining, and so forth, and quite frankly I don't know the details of the certification procedures there, other than I believe that they are not nearly as stringent and rigorous as in the auto sector. I think the auto sector has some of the most detailed prequalification certification procedures.

My guess is, applications in end uses that have the same kind of safety issues, the same kind of regulations as an automobile, and of course if they're used by consumers the way automobiles are, then those kinds of applications

probably have the same kinds of prequalification and precertification requirements. But for the auto sector, I don't think an automobile OEM makes a distinction between one part versus another. The certification and qualification process would be the same.

MR. HUGHES: This is Steve Hughes. If I may add, that's correct. The TS16949 is old standard. The new standard is the ISO9001-2015 that I mentioned. This is a standard that applies across anything to do with manufacturing for a car manufacturer. And this is a very, very onerous process to get qualified.

I had to go through this myself with our own company to qualify our brake division, our high-performance brake division, to supply to Toyota and Chrysler. That took us about a year and a half, just to get the certification. And then you have to go through--as I said, the documentation is a daily workload for you. And then you have to go through reviews every 90 days, plus an annual review by the registrar just to keep that going.

I know for a fact that the hub assembly manufacturers in China, none of them qualify. None of them would make that standard. And that would be required. I can say that any of the car manufacturers, if they were approached by a Chinese manufacturer, within five minutes of being on property of the manufacturer they'd realize that

the manufacturers could not live up to the TS or ISO standards, full stop.

CHAIRMAN JOHANSON: Yes, Mr. Paton?

MR. PATON: Gordon Paton here. I just want to add that the procedure to certify a part would be the same in terms of the requirements, but the difference would be that because wheel hub assemblies with tapered roller bearings are typically for truck application, the requirements, the loads, the durability would be more stringent or higher just because the intended use of the vehicle as compared to a wheel hub assembly with a ball bearing for a passenger car. So the process would be the same, but the actual testing and the criteria would be different, elevated specifically for the tapered roller bearings because it is a truck application. But the process to certify would be the same.

And I can tell you that--Mr. Schamp from Dana confirmed that Dana sells a lot of parts into the farm equipment sector, axles and so forth, that used tapered roller bearings, and he confirmed to me that the prequalification and certification process is the same when you're dealing with a caterpillar or a John Deere, or one of these tractor suppliers, manufacturers, as with the auto sector.

So I think if you're looking at a tapered roller

bearing application in those end uses, the qualification requirements would be also stringent. Dana imposes them upon their suppliers. Dana requires a TRB supplier to design in the TRB for the axle or whatever it might be that they're supplying to that agricultural application. So some of these other sectors like agriculture, they do have stringent requirements for prequalification for tapered roller bearing applications.

CHAIRMAN JOHANSON: Alright, thank you for your responses.

Commissioner Broadbent?

COMMISSIONER BROADBENT: Okay, I just had a couple of last questions.

Mr. Paton, how would you compare the markets for your products in the United States versus Canada?

MR. PATON: Well the Canadian market is approximately 10 percent the size of the U.S. market. But the distribution of the products between passenger cars and light vehicle--light trucks, is about the same. It's about 80 percent passenger cars, 20 percent light vehicle--or pickup truck.

COMMISSIONER BROADBENT: Okay, and are they growing? Are the markets growing the same? And are they equally as attractive?

MR. PATON: I would say they are growing at

approximately the same rate. I mean, our economies are fairly well closely tied together. So the projections for an increase in sales in the United States carry over to an increase in sales in Canada, as well, in terms of percentages.

COMMISSIONER BROADBENT: And then what's been the effect of the 301 and the 232 actions on your market here?

MR. PATON: I can't really comment on that from our business.

COMMISSIONER BROADBENT: Okay.

Ms. Gentner, you mentioned that Dana is headquartered in Ohio, as is Timken. It seems like we have a lot of Ohio interested in whether this Order is revoked or not. Can you comment on which companies are interested, to your knowledge?

MS. GENTNER: Not specifically, no.

COMMISSIONER BROADBENT: Okay. Mr. Chairman, that concludes my questions, and I want to thank all the witnesses.

CHAIRMAN JOHANSON: Commissioner Kearns?

COMMISSIONER KEARNS: Thank you. I just wanted to turn back to the topic I was on last time about whether or not Chinese producers can make OEM quality wheel hub assemblies.

I think earlier one of the witnesses mentioned that there is some ball bearing wheel hub assembly production within China. Is that OEM quality? Or is that also just for the aftermarket?

MR. HUGHES: The OEM quality standard in China is significantly different than the OEM standard in the U.S.

COMMISSIONER KEARNS: I'm sorry, I meant are OEM quality ball bearing wheel-housed assemblies sold in the U.S. market.

MR. HUGHES: No.

COMMISSIONER KEARNS: No? Okay. Okay, and then the last question is, there are multinational brands in China that produce OEM quality TRB wheel hub assemblies elsewhere. They just don't make them in China? Is that right?

MS. GRACE CHANG: Basically our counterpart in China, in Chinese market they don't have, you know, I would say 95 percent of the vehicles use ball bearing wheel hub assembly. You know, if you talk 5 percent, maybe just import from Ford for this one car, very limited production.

COMMISSIONER KEARNS: I'm sorry, but my question is--

MS. CHANG: I'm sorry.

COMMISSIONER KEARNS: No, no, that's alright. The multinational companies that are in China but not making

OEM quality wheel hub assemblies with TRBs, do those companies, those multinationals, make OEM quality TRB wheel hub assemblies in other countries besides China?

MS. CHANG: Yes. From our knowledge, TRB OEM standard, I think SKF and NTN place number one. I would think they pretty much dominant for the whole OEM wheel hub assembly TRB production for all the Ford and GM. Also, because of the Order, what input for the Chinese markets, lots of TRB manufacturers right now are actually based in India. So SKF and NTN, they're all in India.

MR. VANDER SCHAAF: I was about to say, SKF, for example, we understand produces in India tapered type wheel hub assemblies to service the China market.

COMMISSIONER KEARNS: Okay. Okay, that helps. Okay, thank you. Okay, oh, so what would happen if we find that wheel hub assemblies are a separate like-product and that producers of wheel hub assemblies are not likely to suffer a recurrent injury? Wouldn't it be more likely that there would be a recurrence of injury to the U.S. wheel hub assembly industry, especially because Chinese producers would move from TRB production to wheel hub assembly production to avoid the Order?

MR. VANDER SCHAAF: This is Lyle Vander Schaaf. We don't think that there would be that shift, because most of the producers in China are focusing on ball. The demand

is increasing in China for auto applications, mostly in the ball-type wheel hub assemblies. They have a vibrant home market, and I don't think the U.S. industry for tapered type wheel hub assemblies would be injured if the Order is revoked because I don't see the producers in China making an OEM quality tapered type wheel hub assembly.

So we're talking about the aftermarket, even if the Order is revoked, and they're not going to be able to provide that OE quality premium style in the aftermarket. They're going to still be limited to that economy.

And then I think, Gordon, you mentioned something about taking, for example, the Ford F-150 that's going to come out in 2020, the design is going on now.

MR. PATON: Yeah, if they were to enter into the automotive OE segment, their best opportunity for tapered roller bearing is at least eight years out, given the cycle plan of the OEs. Because the existing vehicles are going to be running for another four years. The follow-up vehicles to those have already been awarded, and the groups are working on the design and development of that. So they've missed that opportunity. So it won't be for the next two generations out, which could be seven, eight, nine years depending on the cycle plan of the vehicle, before they even sell the first item. So that's another barrier to their entry into that market.

MR. HUGHES: This is Steve Hughes, if I just might add, one thing that I don't think has been emphasized enough, too, is that there is tremendous brand loyalty to Timken. You have a lot of shops that will not use anything but Timken, a lot of mechanics who won't use anything but Timken.

As I've said before, I've been working on my cars my entire life. Quite frankly, to the Petitioners' benefit, I'm going to put a Timken product on my car. I'm not going to put a Chinese part on my car. If it's a high-performance car, or if it's a truck, or something I care about, or an exotic, I'm going to go for the highest quality. I'm going to go for OE quality because I want it to last. And Timken is the go-to brand for that.

There's no doubt in the market about that. So there is tremendous brand loyalty. And that's going to prevent--I think it's going to hold off a lot of what more of the Chinese product being purchased.

MR. VANDER SCHAAF: And I, on the contrary, have a '93 pickup that I would never put a Timken bearing in because it'll double the value of the pickup. It's been on the road for way too long and I'm not going to spend the money to put in the OE quality wheel hub assembly.

But I want to say one other thing about, if I can. Timken argued this morning and they told us that they

have investments in China, Yantai, Timken, and they put a lot of investment into that I think in the 2010 period. They're not doing so much anymore, but they talked about it in the past. But they say, well, we did that to service the China market.

Well Timken, when they need an OE product, they buy it from SKF, or Iljin, or whoever, and they have the OE market, and they operate the way all the other OEs do. But for some reason, apparently the multinationals that are in China are going to flood the U.S. market with products they produce in China. But Timken told you: We invested in China to sell into the China market.

Do you really think SKF and NTN and Iljin are any different if they're in China? They're there to serve the China market, just like Timken. So if you believe that those guys are going to flood the U.S. market, then how can you believe that Timken when it says, oh, we're there to serve the China market. We're not there to export to the United States. And neither are the other OEMs, or the other OE suppliers and the multinationals that are investing in China.

So it seems a bit, you know, incongruous to me that they say, oh, well we only did that investment in China to serve the China market, but all the others, yeah, they're going to flood the U.S. market if the Order goes away. I

just don't buy it. I don't think they operate differently than Timken.

COMMISSIONER KEARNS: Okay. Thank you.

My last question: At page 55 of your brief, you state that the domestic industry--referring to the wheel hub assembly industry--currently is performing quite well.

In your post-hearing brief, can you please comment on the U.S. and subject import market share, U.S. producer inventories, the U.S. industry's operating income, and the U.S. industry's unit values vis-a-vis unit cost of goods sold for wheel hub assemblies with a particular focus on the 2016-2017 period?

MR. VANDER SCHAAF: This is Lyle. Yes, we will do that in our post-hearing brief.

COMMISSIONER KEARNS: Great. Thank you. I have no further questions.

CHAIRMAN JOHANSON: I have no further questions. Commissioner Broadbent?

(No response.)

CHAIRMAN JOHANSON: Okay, then the Commissioners are done with questions.

Do staff have any questions for the panel?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you, Chairman Johanson, staff has no additional questions.

CHAIRMAN JOHANSON: Do Petitioners have any questions for the Respondent panel?

MR. STEWART: We have no questions, thank you, Mr. Chairman.

CHAIRMAN JOHANSON: Alright, then we will now turn to rebuttal and closing. I would like to note that those in support of the Petition have four minutes of direct and five minutes of closing for a total of nine minutes.

And those in opposition have six minutes of direct and five minutes of closing for a total of 11 minutes.

CLOSING STATEMENT OF TERENCE P. STEWART

MR. STEWART: Appreciate your patience, Mr. Chairman. I was hoping I could get my slide up. Why don't I get started? You got the slides in front of you in terms of my prepared comments. On the first slide, respondents here as the Commission to find that a few types of housed TRBs, Gen2 and Gen3 wheel hub assemblies are a separate like product from other housed and unhoused TRBs, despite the fact that there are a whole host, as you saw this morning, of other housed and/or packed bearings.

This in inconsistent both with the definition of what a wheel hub assembly is in the questionnaire and the staff report and your own precedent in terms of what you permit in terms of domestic like product differentiation.

This is a quote that I showed earlier today, on certain aluminum extrusions from the Sunset Review from last year, where exactly this type of situation where a party sought to carve out a domestic like product of a few items, but ignoring all the other items that were similarly situated within a broad expanse of product. In that case, it was extrusions that were further finished -- it's TRBs that have other additional items in it.

The third slide goes to whether respondents failed to timely raise the issue, that only Gen2 and Gen3 wheel hub units should be examined. We showed in this slide what the parties argued not five years ago or six years ago, but rather what they argued at the beginning of this review, and in response to the Commission questionnaire, draft questionnaires that went out, which is normally where you expect parties to identify problems that they have.

And in fact, they did not identify that they wanted something that was limited to a Gen2 and Gen3. So in that context we believe that the entire claim is misplaced and should not be considered because they have not permitted the staff to generate the data that would have permitted evaluation by you, that which they seek namely a Gen2, Gen3 exclusion. I'm gonna stop on the slides there and go to my closing.

We appreciate the fact that the other side

brought in witnesses. Obviously there's been scant participation by the Chinese industry in total in this TRB proceeding. That was true last year when the notice of initiation went out. And I want to thank you, Mr. Chairman, and the Commissioners and the staff for their attention today. I know these proceedings can be long, and it's obviously important to both sides and obviously to our client.

The record compiled by the staff is supplemented by information of record, such as data from the China Bearing Industry Association, and from the Chinese governments' twelfth and fifth five-year development plans where the Chinese bearing industry makes clear the following:

First, the Chinese industry has grown very rapidly. Second, it is now by far the largest TRB industry in the world. Three, that there are more than 250 producers of TRBs in China, and despite the comments that some of those may be small players or poor quality players, there's a huge number of very large and sophisticated companies as well.

Fourth, that the industry is export-oriented, having grown from the fifth largest to the third largest to the second largest exporter over the last three Sunset Reviews. Five, that it is focused on upgrading breadth of

product and quality of product, which is reviewed in detail in the thirteenth five-year plan by the Chinese government.

Sixth, that it has significant excess capacity. Seven, that the industry over there faces lower prices at home and in Europe than it does in the United States. The U.S. industry, by contrast, has declined in its capacity production and so our worsening capacity utilization, both within the period of review and as at Table 1-1 of the staff report shows a pretty dispiriting decline over time, over the four Sunset Reviews.

Most purchasers view U.S. and Chinese product, as always, as frequently interchangeable, that price is one of the three most important factors, view nearly all other factors as comparable, meaning that price will drive any purchasing decisions. Chinese product in the U.S. continues to significantly undersell U.S. product, even with the order in place. And Commerce has determined that dumping will continue or recur at rates up to 60.25%.

What I thought was interesting in the presentation earlier about the ball bearing versus the tapered roller bearings, if I had a one-inch single-row TRB and a one-inch ball bearing and a one-inch cylindrical roller bearing and a one-inch needle roller bearing, you would not be able to tell the difference without taking them apart. And the only one you could take apart is the TRB

because of the shape of the cup. So there is nothing unique about wheel hub units in terms of that particular aspect.

The history for individual companies who received revocation from the order make clear that revocation will lead to large increases and imports from China of TRBs in total. Domestic producers would obviously lose market share, close facilities and lay off workers at an accelerated rate since that has been going on over the last twenty-five years. As there are numerous multi-national producers in China, and Chinese producers producing every type of TRB, the influx of TRBs would be across all areas of TRB demand.

Despite the comments of my opponents, in the last panel, the reality is, is that OEMs put enormous pressure on multi-nationals to source wherever they can get the lowest price. As you would've learned in the Korea case, the Timken Company often imports product because they cannot make it in the United States at the price that the OEMs will buy, and to try to keep the business and not lose it to product that they believe is being unfairly traded.

They will try to source it from one of their foreign subsidiaries. That is true for all of the multi-nationals and operations in China, and all of them at the moment are facing very high cash deposit rates except for operations that have been purchased.

Revocation of the order thus would likely lead to material injury, continually recurring in the reasonably foreseeable future. This is true regardless of which way you decide the domestic like product, although we believe there's only one way that you should decide the domestic like product issue based on the facts, based on the failure of those in opposition to identify that, which they were concerned about, and hence denying the staff and the Commission the opportunity to gather the information you need to be able to render the decision on the product that is of concern to them. I thank you for the opportunity.

MR. BURCH: Closing and rebuttal remarks on behalf in opposition to the continuation of order will be given by Lyle Vander Schaaf of Brinks Gilson & Lione. Mr. Vander Schaaf, you have eleven minutes.

CLOSING STATEMENT OF LYLE VANDER SCHAAF

MR. VANDER SCHAAF: Thank you for taking the time to listen to our testimony and let us present our arguments. My concluding remarks are just really that I don't see the domestic industry as being vulnerable to injury if the order is revoked.

Obviously our focus is on wheel hub assemblies, a separate like product for wheel hub assemblies and no recurrence of injury to the domestic industry producing wheel hub assemblies. Many times -- I was listening to the

senator this morning and some of the witnesses this morning talking about injury will not recur.

But let's keep in mind what the standard is in the Sunset five-year review. It's whether or not injury is likely, whether significant volume increases are likely, whether or not significant price effects are likely. I don't see that the likelihood standard is met in this proceeding. And now I know there's a lot of debate about the legal issue of what does the term "likely" mean? And we know that the courts have said it means more probable than not, but everybody's mind differs probably on what "more probable than not" means.

But I would encourage the Commissioners to stick to the standard and the statute and apply it. And in this case, when that is done, there really is not a likelihood of recurrence of injury. There's probably a pretty good argument that a likelihood of recurrence of injury is not even gonna apply to the combined industries of tapered roller bearings and wheel hub assemblies combined.

The domestic industry is insulated from competition from imports from China, and we don't think this is gonna change after the order is revoked. And they're insulated from harmful effects from the imports from China. The Section 301 tariffs are in place and they will be there probably after this vote is taken, and who knows, for the

foreseeable future.

And I don't buy the petitioners' argument that the 301 tariffs are not having much of an effect. Most of the shippers to the United States have a low antidumping duty rate. Many of them have a zero. Timken has not requested a review for many, many suppliers. It kind of irks the people who participate in the Sunset Reviews.

Why is Timken requesting reviews for some of these smaller, sort of, less significant companies and then giving a pass on admin reviews for all these other producers? They can request an admin review for any shipper, any exporter or any importer. They don't do so. I think this Commission should ask why.

But they're saying that the 301 tariffs don't have an impact because the antidumping duty rate is 92%. It is for some companies, but I don't think it's true that the 301 is not gonna have an effect. The 301 tariffs are going to help insulate the domestic industry from imports from China. They will help insulate from the competitive effects.

If they weren't gonna have any effect, why did the Trump Administration impose them? They were imposed for a reason, okay? The Trump Administration says tariffs work. They are an effective tool. Well, Timken apparently disagrees. The domestic industry is insulated because it

sells into the original equipment manufacturing market, and the imports do not.

The producers in China are not gonna be able to qualify in the United States, at least not for the foreseeable future. Mr. Paton discussed the Ford F-150 truck. That's gonna come out in 2020. They're designing it now. They're engineering it now. Some company is gonna get the contract for that truck, for the wheel hub assemblies and TRBs for that truck.

But another competitor isn't gonna take that business away until that contract is over. That's gonna go for seven years and if a supplier wants to change a component coming from China to qualify someone in China, they're gonna have to redo the qualification and certification requirements. And they're probably not gonna change their supplier and that supplier can't be from China at this point. They're not gonna be able to qualify.

And then in the aftermarket, you have the premium versus economy and the imports are only in the economy sector. And we learned this morning that when Timken sells in the aftermarket a product that it is not the OE supplier for, they buy it from another supplier. So they're always providing that original equipment tolerance, that original equipment quality that is completely unmatched by any of the other competitors in the market from China.

We have demand in the United States. The petitioners point to gross domestic product, but I think a more relevant indicator is demand for pickups and SUVs, which are the products that demand tapered roller bearings and tapered type wheel hub assemblies. For that product, the demand is continuing to go up.

You have demand in China, the largest automotive market in the world. It's growing. The cars that are out on the fleet, out on the highways now in China are gonna demand replacement parts, so the aftermarket in China is gonna grow significantly. So the producers in China, I think whether you're talking about TRB manufacturers who might supply the auto sector or wheel hub assembly producers who supply the auto sector in China, that's gonna be their focus.

Most of the producers in China also focus on ball-type wheel hub assemblies, and they're not gonna be shifting to a product that has lesser demand, tapered roller bearing-type wheel hub assemblies. SO that's also gonna keep the domestic industry from being threatened by imports from China.

A lot has changed since 1987. We're talking about the fourth Sunset Review and every time it seems that these Sunset Reviews rolls around again, it's like a do-over for the domestic industry. At some point I do believe the

agency has to take a serious look at some of these old orders that are in effect where respondents do show up and provide evidence that injury is not likely to continue to recur, and at some point we have to Sunset some of these orders.

This case seems to be a prime case for it. I don't think we got an accurate ruling in the five-year Sunset Review five years ago about the distinctions between wheel hub assemblies and tapered roller bearings and I encourage you to take an honest look at it. Among other things, we have only two Commissioners on this Commission who were on the Commission five years ago.

And so we do have some differences, and of course, the most significant of which is the information and the argument that was made by Timken in the Korea case. As I said, we wouldn't even be here if it wasn't for the position they took in the Korea case.

I mean these guys would've taken the position that was given five years ago and they would've just taken that as a result of the agency, but when Timken came into the Korea case and talked about the difference of this continuum issue and the lines that are being drawn and then the Commissioners accepting the Timken's change of position. They felt, okay, that's what we were arguing five years ago.

So we encourage the Commission to take a close

look at the like product again this time around and we think the evidence supports that there is not gonna be likely injury, likely price effects, likely impact, likely significant volumes, and so we encourage the Commission to issue a negative determination. Thank you.

CHAIRMAN JOHANSON: All right. I will now make the closing statement. Post-hearing briefs, statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by August 9th, 2018. Closing of the record and final release of data to parties occurs on August 30th, 2018. And final comments are due on September 4th, 2018. With that, this hearing's adjourned.

(Whereupon the meeting was adjourned at 3:41 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Tapered Roller Bearings from China

INVESTIGATION NO.: 731-TA-344

HEARING DATE: 7-31-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Fourth Review

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: 7-31-18

SIGNED: Mark A. Jagan
Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Duane Rice
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I hereby certify that I reported the above-referenced proceedings 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 proceedings.

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Court Reporter