

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
STEEL TRAILER WHEELS FROM CHINA

) Investigation Nos.:  
) 701-TA-609  
) and  
) 731-TA-1421  
) (FINAL)

Pages: 1 - 225  
Place: Washington, D.C.  
Date: Tuesday, July 9, 2019



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In the Matter of: ) Investigation Nos.:  
STEEL TRAILER WHEELS FROM CHINA ) 701-TA-609 and  
 ) 731-TA-1421  
 ) (Final)

Tuesday, July 9, 2019  
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 9:30  
a.m., before the Commissioners of the United States  
International Trade Commission, Chairman David S. Johanson,  
presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 DAVID S. JOHANSON, CHAIRMAN (presiding)

5 IRVING A. WILLIAMSON, COMMISSIONER

6 MEREDITH M. BROADBENT, COMMISSIONER

7 RHONDA K. SCHMIDTLEIN, COMMISSIONER

8 JASON E. KEARNS, COMMISSIONER

9

10 Staff:

11 WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND

12 INFORMATION OFFICER

13 TYRELL BURCH, MANAGEMENT ANALYST

14 SHARON BELLAMY, RECORDS MANAGEMENT SPECIALIST

15

16 JORDAN HARRIMAN, INVESTIGATOR

17 AMANDA LAWRENCE, INTERNATIONAL TRADE ANALYST

18 ANDREW KNIPE, INTERNATIONAL ECONOMIST

19 SAMUEL VARELA-MOLINA, ACCOUNTANT/AUDITOR

20 HENRY SMITH, ATTORNEY/ADVISOR

21 CRAIG THOMSEN, SUPERVISORY INVESTIGATOR

22

23

24

25

1 OPENING REMARKS:

2 In Support of Imposition (Terence P. Stewart, Stewart and  
3 Stewart)

4 In Opposition to Imposition (Max F. Schutzman, Grunfeld,  
5 Desiderio, Lebowitz, Silverman & Klestadt, LLP)

6

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

9 Stewart and Stewart

10 Washington, DC

11 on behalf of

12

13 Dexstar Wheel Division of Americana Development, Inc.

14 P. Jeffrey Pizzola, Group Chief Financial Officer,

15 Chief Operating Officer, Americana Development Inc.

16 Robin Pickard, Vice President of Finance and

17 Accounting, American Kenda Rubber Industrial Co., Ltd.

18 Paul Starner, President, Kenda Tire and Wheel

19 Ray Oglesby, General Manager, Dexstar Wheel Division

20 Patricia Bowen, Sales/Customer Service, Dexstar Wheel

21 Division

22 David Craig, General Manager, American Tire and Wheel,

23 a Division of American Development Inc.

24 Jerry Sampson, President, Americana Tire and Wheel, a

25 Division of Americana Development, Inc.

1 In Support of the Imposition of Antidumping and  
2 Countervailing Duty Orders (continued):

3 Otis Howell, Corporate Project Analyst, Americana  
4 Development Inc.

5 Bo Adams, Executive Vice President, C. E. Smith Company  
6 Anthony Mountain, President, Homesteader Inc.

7 Terence P. Stewart, Nicholas J. Birch, Mark D. Beatty and  
8 Courtney G. Taylor - of Counsel

9

10 In Opposition to the Imposition of Antidumping and  
11 Countervailing Duty Orders:

12 Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt, LLP  
13 Washington, DC

14 on behalf of

15

16 Trans Texas Tire LLC ("TTT")

17 Amanda Walker, Chief Operating Officer, TTT

18 Richard Walker, Vice President, TTT

19 Bryan Haas, Vice President of Sales, TTT

20 Brandy Hilton, Vice President of Supply Chain, TTT

21 Steve Courreges, President, Big Tex Trailers

22 Bryan Ricketts, Vice President, The Wheel Source, Inc.

23 Max F. Schutzman and Jordan C. Kahn - Of Counsel

24

25

1 In Opposition to the Imposition of Antidumping and  
2 Countervailing Duty Orders:

3

4 White & Case LLP

5 Washington, DC

6 on behalf of

7 Zhejiang Jingu, Co, Ltd. ("Zhejiang Jingu")

8 Ting-Ting Kao - Of Counsel

9

10 Barnes, Richardson & Colburn LLP

11 Washington, DC

12 on behalf of

13 Tredit Tire & Wheel Co, Inc. ("Tredit")

14 Ronald A. Pike, President and CEO, Tredit

15 Jeffrey Stevens, Quality and Compliance Manager, Tredit

16 Brian F. Walsh - of Counsel

17

18 REBUTTAL/CLOSING REMARKS:

19 In Support of Imposition (Terence P. Stewart, Stewart and  
20 Stewart)

21 In Opposition to Imposition (Max F. Schutzman, Grunfeld,  
22 Desiderio, Lebowitz, Silverman & Klestadt, LLP)

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1 PROCEEDINGS

2 (9:30 a.m.)

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

5 CHAIRMAN JOHANSON: Good morning. On behalf  
6 of the U.S. International Trade Commission, I welcome you to  
7 this hearing on the final phase of Investigation No.  
8 701-TA-609 and 731-TA-1421, Final, involving Steel Trailer  
9 Wheels from China. The purpose of these final  
10 investigations is to determine whether an industry in the  
11 United States is materially injured or threatened with  
12 material injury, or the establishment of an industry in the  
13 United States is materially retarded by reason of imports of  
14 steel trailer wheels from China.

15 Schedules setting forth the presentation of  
16 this hearing, notice of investigation and transcript order  
17 forms are available at the public distribution table. All  
18 prepared testimonies should be given to the Secretary.  
19 Please do not place testimony directly on the public  
20 distribution table. All witnesses must be sworn in by the  
21 Secretary before presenting testimony. I understand the  
22 parties are aware of the time allocations. Any questions  
23 regarding the time allocations should be directed to the  
24 Secretary.

25 Speakers are reminded not to refer in their

1 remarks or answers to questions to business proprietary  
2 information. Please speak clearly into the microphone and  
3 state your name for the record for the benefit of the court  
4 reporter and those seated at the back of the room. If you  
5 will be submitting documents that contain information you  
6 wish classified as Business Confidential, your request  
7 should comply with Commission Rule 201.6. Mr. Secretary,  
8 are there any preliminary matters?

9 MR. BISHOP: Mr. Chairman, with your  
10 permission we will add Richard Walker, Vice President of  
11 Trans Texas Tire to the witness list on page two. I would  
12 also add that all the witnesses for today's hearing have  
13 been sworn in. There are no other preliminary matters.

14 CHAIRMAN JOHANSON: Thank you. Let us begin  
15 with our opening remarks.

16 MR. BISHOP: Opening remarks on behalf of  
17 Petitioners will be given by Terence P. Stewart of Stewart  
18 and Stewart. Mr. Stewart, you have five minutes.

19 OPENING STATEMENT OF TERENCE P. STEWART

20 MR. STEWART: Chairman Johanson, Commissioners  
21 and Commission staff, I'm Terence Stewart of Stewart and  
22 Stewart here today on behalf of the Petitioner Dexstar  
23 Wheel, a division of Americana Development, Inc. Prehearing  
24 staff report shows a domestic industry that has been  
25 declining rapidly during the Period of Investigation,

1 despite a generally expanding demand for steel trailer  
2 wheels.

3 For Dexstar, there has been reduced  
4 production, shipments, capacity utilization, employment and  
5 poor financial results throughout the period. The rapid  
6 decline has been caused by an equally rapid increase in  
7 dumped and subsidized imports from China, with final dumping  
8 and countervailing duty margins of over 400 percent. The  
9 staff report shows significant price underselling of  
10 domestic products by imports from China, substantial lost  
11 sales, acknowledged price reductions and at least for  
12 Dexstar a cost-price squeeze during the Period of  
13 Investigation.

14 The vast majority of domestic producers,  
15 importers and purchasers report that domestic and Chinese  
16 steel trailer wheels are always or frequently  
17 interchangeable. While a number of factors are important to  
18 customers, price is listed among the top three by nearly  
19 every purchaser, with many acknowledging that they always  
20 buy the lowest priced wheel.

21 Because the core facts so strongly support an  
22 affirmative material injury determination, those opposing  
23 relief make claims that Dexstar has poor quality, is not  
24 providing products the market wants, has poor delivery and  
25 other assertions, in an effort to see the manifest material

1 injury is not caused by the huge supply of dumped and  
2 subsidized imports from China.

3                   These claims were refuted during the  
4 preliminary investigation, and we have provided extensive  
5 information in our prehearing brief which similarly  
6 contradicts the claims of those in opposition. Our  
7 witnesses will address many of these issues in their direct  
8 testimony and obviously be available for questions, and  
9 we'll respond to some issues in our post-hearing brief  
10 because of the confidentiality of the issues raised.

11                   An issue raised involving sales to related  
12 versus unrelated customers was addressed by Dexstar or by  
13 corrected U.S. producer questionnaire pages submitted  
14 yesterday, and that are before the staff and opposing  
15 counsel. The error that led to the correction was that the  
16 company had used annual average weights for both related and  
17 unrelated, and in fact the product mix meant that that  
18 overstated the weight for related party shipments and  
19 understated the weight for unrelated party shipments.

20                   When those corrections are made, you will see  
21 that there is very little difference in price or cost  
22 between related and unrelated parties. The bottom line on  
23 the various challenges raised by those in opposition to the  
24 claims raised are in our view not correct. Low prices from  
25 China are the reason that domestic industry has been

1 materially injured during the Period of Investigation.

2                   On the issue of domestic like product,  
3 Commerce's final determinations in these cases include some  
4 clarification of issues raised by parties to the scope at  
5 the Commerce Department, including the fact that PVD wheels,  
6 a different type of finish than straight paint or  
7 galvanizing, are in fact part of the scope, and we believe  
8 the record supports a finding of a single domestic like  
9 product co-extensive with the scope, just as was true in the  
10 preliminary investigation, and despite the U-shaped  
11 distribution of views of questionnaire responses on whether  
12 galvanized and other steel trailer wheels are fully or never  
13 similar.

14                   While the Commission shouldn't need to reach  
15 threat, our prehearing brief outlines by there is also  
16 threat of material injury in the imminent future absent  
17 relief in these cases. Our client has seen a market that  
18 has been changing following the preliminary determinations  
19 by both the Commission and the Commerce Department.

20                   Under conditions of fair trade, there is no  
21 doubt that the domestic industry will be able to improve its  
22 performance and grow in participation in the market. The  
23 record compiled to date supports that reality. We are  
24 confident that after reviewing the entire record in these  
25 Investigations, the Commission will agree. Thank you.

1                   MR. BISHOP: Thank you, Mr. Stewart. Opening  
2 remarks on behalf of Respondents will be given by Max F.  
3 Schutzman of Grunfeld, Desiderio, Lebowitz, Silverman and  
4 Klestadt. Mr. Schutzman, you have five minutes.

5                   OPENING STATEMENT OF MAX F. SCHUTZMAN

6                   MR. SCHUTZMAN: Good morning Mr. Chairman,  
7 members of the Commission, Commission staff. My name is Max  
8 Schutzman of Grunfeld Desiderio, accompanied by my  
9 colleague, Jordan Kahn, and we are here today representing  
10 Trans Texas Tire, a U.S. importer and distributor of subject  
11 merchandise, and most importantly a U.S. vendor of tire and  
12 trailer wheel assemblies that it produces in four locations  
13 throughout the United States.

14                   This is an investigation where we will be  
15 asking you to look beyond the raw data collected and  
16 reported in the staff report, and to focus on certain  
17 critical conditions of competition which will inform your  
18 analysis and hopefully prove to be determinative.

19                   In its preliminary determination, the  
20 Commission expressly found that Dexstar's transfers to its  
21 affiliates were a pertinent condition of competition, and  
22 this conclusion was spot on. The Petitioner Dexstar is  
23 owned by a Taiwanese parent corporation, Kenda Rubber, and  
24 sells the steel trailer wheels it produces to captive  
25 purchasers, three sister companies also owned and controlled

1 by Kenda Rubber.

2                   These companies purchase subject merchandise  
3 from Dexstar and from China and non-subject countries, and  
4 produce and sell downstream trailer wheel and tire  
5 assemblies in the United States to towable manufacturers.  
6 Because the vast majority of the sales made by Trans Texas  
7 and other companies similarly situated are at that same  
8 level of trade, the locus of competition occurs principally  
9 at the downstream stage for assembled tires, tire and wheel  
10 business after those items are assembled in the U.S., and  
11 not in head to head competition between Dexstar and  
12 importers of trailer wheels from China.

13                   Trans Texas, Tredit and others thus compete  
14 principally with Dexstar's sister companies, which are not  
15 U.S. producers of subject merchandise but are nevertheless  
16 very key players in this narrative. Because of the  
17 situation, Trans Texas requested that the Commission staff  
18 collect financial data from Dexstar's downstream affiliates  
19 regarding tire wheel assembly sales and profitability.

20                   But unfortunately this request was rejected.  
21 We submit that a key explanation for Dexstar's financial  
22 performance is its sales to its captive customers. Kenda in  
23 Taiwan has obviously made a corporate decision on behalf of  
24 the consolidated entity to force business downstream to the  
25 affiliated assemblers, where greater profitability is more

1 easily achieved.

2                   We continue to urge the Commission to collect  
3 financial and sales information from Dexstar's sister  
4 companies. However, this critical condition of competition  
5 is what explains in principle part Dexstar's financial  
6 condition, not subject imports. After the imposition of  
7 preliminary CVD and AD duties, we would have expected  
8 Dexstar's sales and financial picture to pick up, but this  
9 did not happen.

10                   Why not? Because as imports of Chinese  
11 trailer wheels declined, imports of trailer wheels from  
12 non-subject countries increased. This demonstrates that AD  
13 and CVD orders will not serve to improve the condition of  
14 the U.S. industry. In terms of pricing, we see from data in  
15 the staff report that the AUVs for U.S. producer shipments  
16 increased for most products over the course of the POI.

17                   We also know from the staff report that raw  
18 material costs were likewise increasing over the period,  
19 which would explain the U.S. producers' increase in the cost  
20 of goods sold. That U.S. producers were able to increase  
21 prices under these circumstances reflects an absence of  
22 price depression.

23                   For an explanation regarding the absence of  
24 price suppression, notwithstanding an increase in cost of  
25 goods sold, we ask that you closely analyze U.S. producers'



1 pricing to captive and non-captive purchasers. Finally, the  
2 issue of domestic producers' capacity and capacity  
3 utilization requires heavy scrutiny by the Commission.

4           The record is replete with evidence of  
5 domestic industry supply constraints. Respondents'  
6 witnesses will tell you that they cannot purchase trailer  
7 wheels from Dexstar. The staff report cites numerous  
8 instances of U.S. producers' inability to supply market  
9 needs. Specifically among purchasers, ten firms reported  
10 supply constraints from U.S. producers, with eight naming  
11 Dexstar specifically.

12           Two firms reported Dexstar has no additional  
13 capacity. Three firms reported that U.S. producers refused  
14 orders to decline to even quote. Five firms reported  
15 domestic delivery delays. A plurality of purchasers rank  
16 domestic producers inferior with regard to availability,  
17 delivery terms, delivery time and reliability of supply. In  
18 the face of this evidence, the domestic industry's claim  
19 that it has available capacity must be viewed with deep  
20 skepticism.

21           Commissioners, when the record is examined  
22 critically as we know you and Commission staff will do, we  
23 are confident you will conclude that any injury suffered by  
24 the domestic industry has not been caused by imports of  
25 steel trailer wheels from China. Thank you.

1                   MR. BISHOP: Thank you, Mr. Schutzman. Would  
2 the panel in support of the imposition of anti-dumping and  
3 countervailing duty orders please come forward and be  
4 seated? Mr. Chairman, this panel has 60 minutes for their  
5 direct testimony.

6                   (Pause.)

7                   STATEMENT OF P. JEFFREY PIZZOLA

8                   MR. PIZZOLA: Good morning Chairman Johanson,  
9 Commissioners and Commission staff. Thank you for taking  
10 the time today to hear about this case, which is critical  
11 for the survival of the domestic steel trailer wheel  
12 industry. My name is Jeff Pizzola. I'm the group chief  
13 financial officer and chief operating officer for Americana  
14 Development, of which Dexstar Wheel is a division.

15                   I have been with Kenda and Americana  
16 Development for 20 years. My responsibilities include  
17 oversight for all operations, including Dexstar Wheel for  
18 North America. I also have responsibility for our European  
19 operations. Dexstar is seeking relief from the dumped and  
20 subsidized prices on 12 inch to 16-1/2 inch in diameter  
21 steel trailer wheels from China.

22                   These wheels are used on a wide range of on  
23 the road trailers, such as utility trailers, cargo trailers,  
24 livestock trailers, boat trailers and recreational trailers.  
25 The scope of these investigations also cover parts of a

1 wheel, the outer rim and the center disk that are imported  
2 separately. Dexstar's U.S. production of these products  
3 accounts for nearly 100 percent of our U.S. production, and  
4 is reviewed in our questionnaire response. Imports from  
5 China have devastated the domestic industry, producing  
6 domestic like product as our data will attest.

7           When we filed the petition in August of last  
8 year, Dexstar was the only remaining significant U.S.  
9 producer of steel trailer wheels. One other domestic  
10 producer, American Wheel Corp in Chicago, Illinois produced  
11 only a small volume of trailer wheels, and they told us they  
12 were likely to get out of trailer wheel production  
13 altogether.

14           Our understanding from the public prehearing  
15 staff report is that Carlstar also continues to produce in  
16 the United States during this period. While our hearing  
17 brief will have addressed the confidential information from  
18 the prehearing staff report, I'm assuming that Dexstar's  
19 performance is representative of the domestic industry as a  
20 whole.

21           During the Period of Investigation, our  
22 production and shipments declined, while imports from China  
23 have surged. The major direct customers for Dexstar wheels  
24 have been tire and wheel assemblers, who mount a tire on the  
25 wheel and sell that assembly to the OEM or the various

1 aftermarket distributors. There are three assemblers  
2 related to Dexstar, Americana Tire and Wheel, Monitor  
3 Manufacturing and Martin Wheel, all of whom buy wheels from  
4 Dexstar and also import wheels.

5 Unrelated assemblers, including Tredit and  
6 Lionshead have also been major customers of Dexstar in the  
7 past. All of these assemblers will buy product from the  
8 United States, from China and elsewhere. We understand that  
9 many of the major assemblers are also major direct importers  
10 of Chinese wheels. So the major part of competition for  
11 sales is between foreign producers and Dexstar for business  
12 at all the assemblers.

13 Major unrelated assemblers have purchased from  
14 Dexstar when Dexstar has been able to be competitive with  
15 Chinese prices, but increasingly move their main volume to  
16 China to take advantage of lower, generally lower Chinese  
17 prices. Dexstar saw major accounts reduce their purchases  
18 rapidly, quickly moving from purchasing millions of dollars  
19 a year to purchasing only a few thousand dollars.

20 These importers will still turn to Dexstar  
21 when the Chinese shipments were late or had quality issues,  
22 and Dexstar would make those wheels for them to remain  
23 involved with those accounts. But the major volumes kept  
24 tumbling away, as we show in our questionnaire responses.

25 The prehearing staff report shows that imports

1 from China undersell domestic product in the vast majority  
2 of the comparisons, that there were some \$15.9 million sales  
3 the purchasers acknowledged went to Chinese sources instead  
4 of domestic sources because of price. A number of  
5 purchasers also recognize that domestic producers suffered  
6 price reductions during the Period of Investigation. The  
7 facts confirm the adverse effects of Chinese imports, and  
8 demonstrate what has allowed Chinese suppliers to see so  
9 much volume, the dumped and subsidized prices.

10 The related assemblers will only buy from  
11 Dexstar is able to be reasonably price competitive with the  
12 Chinese wheels. Otherwise, they import wheels to remain  
13 competitive with the other major assemblers who are  
14 importing. In the 2016 to 2018 period you're looking at in  
15 this final investigation, we saw increased pressure from  
16 imports and assemblers using imported wheels, making it  
17 difficult for us to maintain volume at a level of scale.

18 From 2016 to 2018, we faced significant  
19 increases in raw material costs, as steel jumped in the U.S.  
20 due to various market forces, including 232 action. We  
21 still needed to match Chinese prices or come very close to  
22 it to keep the business we had, so our margins continued to  
23 erode along with our volumes.

24 Smaller margins and falling volumes continued  
25 Dexstar's losses, and reduced our ability to sustain our

1 operations. As a result, we've had to reduce the  
2 reinvestment in our business, minimizing the preventive  
3 maintenance we were doing just to keep things operating, and  
4 putting off major repairs and upgrades. However, since we  
5 filed the petition and particularly since the preliminary  
6 determinations of this Commission and the Department of  
7 Commerce earlier this year, market conditions have changed  
8 markedly.

9           Some major Chinese suppliers of steel trailer  
10 wheels elected to exit the U.S. market rather than compete  
11 on a level playing field. Others announced price increases.  
12 That allowed Dexstar to announce some price increases as  
13 well, and Dexstar has seen a number of customers return  
14 asking for major volume, including a number of major  
15 assemblers who have claimed that their switch to Chinese  
16 imports wasn't about price.

17           When Chinese prices were forced up at the  
18 preliminary relief, they were certainly interested in  
19 Dexstar's products at the prices we were offering, and we  
20 have been responding to many of those requests. I refer you  
21 to Exhibit 27, to our prehearing brief which provides a  
22 confidential review of our efforts with selected accounts.

23           While we had an extraordinary event in the  
24 first quarter of 2019 which hampered shipments, and have  
25 been investing since the fourth quarter of 2018 in upgrading

1 equipment to improve operations to meet increasing demand,  
2 we have been working with a number of major unrelated  
3 assemblers to provide them volume, shipments since the late  
4 fourth quarter of 2018.

5           While Trans Texas Tire in its prehearing brief  
6 claimed that we refused to supply them during 2019, they  
7 left out significant facts and many of the emails that  
8 explain why Dexstar decided not to enter into a major  
9 production agreement with Trans Texas. Attached to my  
10 statement, I've provided sworn declaration with supporting  
11 emails that explain Dexstar's decision.

12           During 2019, we have also hired significant  
13 additional personnel to go to a full second shift. Our  
14 workers, as well as our management, are very excited about  
15 Dexstar's potential if anti-dumping and countervailing  
16 duties are issued, because Dexstar can now compete and  
17 thrive under conditions of fair trade.

18           Major producers from China and from other  
19 countries like Korea are seen as producing a quality steel  
20 wheel demanded by the market. Dexstar is competitive with  
21 them in delivery, in quality, in product features and in all  
22 other aspects despite the comments of those appearing in  
23 opposition today.

24           I would refer you to Confidential Exhibit Nos.  
25 12, 14, 15, 20, 21, 22 and 26 of our prehearing brief for

1 detailed information on many of these issues. We just can't  
2 compete with unfairly dumped and subsidized prices. I  
3 believe the record before you strongly supports a final  
4 affirmative determination, that the domestic steel wheel  
5 industry is materially injured by reason of dumped and  
6 subsidized imports from China. I ask you to find so.  
7 Thank you for the opportunity to appear here today.

8 STATEMENT OF ROBIN PICKARD

9 MS. PICKARD: Good morning. My name is Robin  
10 Pickard. I am the Vice President of Finance and Accounting  
11 of American Kenda Rubber Industrial Company and Americana  
12 Development, Inc.

13 In my position I oversee the financials for the  
14 companies in the Americana Development Group, including  
15 Dexstar. I have been with the company since 2004, and have  
16 been over the Group financials since 2008 when I became  
17 Group Comptroller.

18 In my role I am very familiar with Dexstar's  
19 financials. Our questionnaire response shows that low  
20 prices and increasing volumes of imports of Chinese steel  
21 trailer wheels have caused significant injury to Dexstar's  
22 operations and undercut Dexstar's ability to operate  
23 profitably.

24 Dexstar's performance over the 2016 to the first  
25 quarter 2019 period you are examining in this final



1 investigation shows declines in essentially all the  
2 criteria, including financial indicators the Commission  
3 examines to determine material injury.

4 As Jeff Pizzola mentioned, Dexstar's shipments to  
5 U.S. customers declined substantially from 2016 to 2018, as  
6 we saw imports surge. As Dexstar produced to a lower level  
7 of sales our already low capacity utilization dropped  
8 further.

9 There were some price increases in the market over  
10 the period as Chinese producers raised their prices in  
11 response to increased steel prices globally, but any price  
12 increases Dexstar was able to achieve were outpaced by the  
13 larger steel price increases in the U.S. So our margins  
14 shrank.

15 In response, Dexstar tried to cut costs wherever  
16 it could, reducing material usage and costs, improving  
17 energy consumption, and moving some out-sourced processes  
18 in-house. Dexstar does import some wheel parts from China,  
19 trying to be competitive on the finished wheels Dexstar  
20 produces, though Dexstar would prefer to keep production  
21 in-house.

22 Dexstar has even had to import some finished  
23 wheels from China to try to remain competitive for our  
24 customers--though this means further reducing the volumes  
25 produced in Dexstar's facility.

1           As with any heavy manufacturing industry, the  
2 company cannot survive operating at such a low level of  
3 capacity utilization.

4           We also had to reduce the number of workers  
5 producing the wheels at Dexstar prior to the filing of these  
6 cases. The wages we paid out that go to support the E-Cart  
7 community declined along with the number of workers. We  
8 also cut and combined multiple management positions, asking  
9 everyone to do more with less.

10           When you look at the data we have submitted for  
11 Dexstar, you will see the severity of the injury that  
12 Dexstar has suffered, despite these cost-cutting efforts.  
13 The losses Dexstar incurred, in turn, severely limited the  
14 capital investments in Dexstar's plant and equipment that  
15 could be justified before we filed these cases.

16           With the improvements Dexstar has already seen in  
17 the market since the preliminary determinations here and at  
18 Commerce, and based on our belief that these cases will  
19 result in continued improvement in the market, we have been  
20 able to increase the head count at Dexstar in order to  
21 support planned increases in production.

22           In the fourth quarter of 2018 and the first  
23 quarter of 2019, we also undertook a major improvement  
24 project to rebuild some of the most important production  
25 equipment in Dexstar's plant. Again, that project was

1 planned specifically because we saw the effects the AD and  
2 CVD investigations were having on the market.

3

4 I am aware that some of the Chinese producers and  
5 importers who oppose the relief have claimed that Dexstar's  
6 real problem is in its relationship with some tire and wheel  
7 assemblers who purchase from Dexstar Wheels. They argue  
8 that Dexstar must be cutting those related assemblers a  
9 sweetheart deal, and that must be the true source of  
10 Dexstar's losses.

11 That is not the case. If you look at the numbers  
12 in Dexstar's questionnaire response where you asked us to  
13 provide a separate profit and loss table just on sales to  
14 unrelated parties, you will see that the issues and losses  
15 Dexstar has faced are parallel in Dexstar's overall  
16 operations.

17 I therefore ask you to make an affirmative injury  
18 determination in these final investigations, an action that  
19 will help save this U.S. industry.

20 Thank you. I will be pleased to respond to any  
21 questions.

22 STATEMENT OF RAY OGLESBY

23 MR. OGLESBY: Good morning, Chairman Johanson and  
24 Commissioners. My name is Ray Oglesby. I am the General  
25 Manager at Dexstar Wheel Division of Americana Development.

1 I oversee the operations of Dexstar's steel wheel production  
2 facility in Elkhart, Indiana, both production and sales.

3 With the help of Jerry Sampson, let me briefly  
4 walk you through the production process and describe the  
5 sample products we have on the tables before you. They will  
6 help you understand a bit about what the case covers, and  
7 respond to the claims that have been made. A map of the  
8 production process is attached to my printed version of my  
9 statement.

10 The equipment we have at our facility is designed  
11 specifically to produce steel trailer wheels, 12- to  
12 16-inches in diameter.

13 MR. BISHOP: Would you pull your mike closer,  
14 please? Thank you.

15  
16 MR. OGLESBY: Our wheels are used on a wide  
17 variety of trailers, toe-able equipment like utility and  
18 livestock trailers, toe-able recreation and RV trailers, and  
19 other toe-able equipment like portable light towers.

20 We cannot produce wheels of similar diameters for  
21 the use on passenger cars and light trucks, and we cannot  
22 produce aluminum wheels. To produce steel wheels, we first  
23 cut the hot-rolled steel coil into length and bend it into  
24 hoops, what is then called the band or rim of the wheel.  
25 The end of the hoop is then welded and the rim is

1 roll-formed into profiles like you see on the outer edges of  
2 the wheels on the table.

3

4 The center disc is stamped out of hot-rolled steel  
5 and formed with curved edges, and we punch out various holes  
6 as you see there, including bolt holes and various design  
7 holes. The rim and disc are pressed and welded together to  
8 form the wheel. Our welding cells can either do 360 degree  
9 welds or weld any section of where the disc and the rim are  
10 joined.

11 The wheel is washed and ready to receive its  
12 finish. There are a number of different finishes before  
13 you. On the left are some of the Dexstar and Chinese  
14 painted wheels that are also in the photos that are attached  
15 to my written statement.

16 Our painted wheels have two paint coats, a wet  
17 E-coat and a powder topcoat. We use high-quality paint. We  
18 submitted independent test results on our pre-brief hearing  
19 to show that we match or beat the competition on our painted  
20 wheel performance.

21

22 Some importers have also claimed that we cannot  
23 mask our wheels. Masking just refers to covering up the  
24 bolt holes during finishing. It can help retain torque,  
25 meaning to help keep the lug nuts holding the wheel on the

1 trailer from working loose. We do have some customers that  
2 ask for masked wheels, and we do mask for them.

3 We have a Dexstar wheel with masking on the table  
4 with some of the powder to prevent the paint from getting  
5 into the holes and the photo shows the detail of the masked  
6 holes.

7 The Chinese painted wheel has the same feature.  
8 However, our wheels without masking retain torque better in  
9 tests than imported wheels that have masking. So we don't  
10 feel it adds value in every case.

11

12 Some have claimed that only Chinese can do a 360  
13 weld. To show that is not true, we've brought a sample of  
14 the Dexstar 360 weld. While a full 360 weld can add  
15 strength in some cases, again our wheels without 360 welds  
16 out-tested the imported wheels with 360 welds.

17 So it's not something that is necessarily adding  
18 value, but it's something we produce if that's what the  
19 customer wants.

20

21 Many of the Chinese wheels also do not have 360  
22 welds, as a photo of the Chinese painted wheel that is on  
23 the table. Another is torque retention that Dexstar offers.  
24 Contrary to the importer's claims, our 360 degree beveled  
25 lug holes are the 360 degree beveled lug holes. If you look

1 closely to our painted wheels, you'll see that the lug holes  
2 are beveled and have an angled side. That helps the lug nut  
3 tighten down on the wheels, but because the lug nuts for  
4 these wheels have beveled bases, beveling the bolt hole is  
5 standard in the industry. It's not something you have to go  
6 to China to get.

7           Also, the importers are wrong that Dexstar does  
8 not offer raised area around the lug, something that some  
9 feel improves torque retention. We do offer it to our  
10 customers if our customer wants, as you can see on our  
11 wheel. Dexstar offers features to our customers for what  
12 our customers seek. We just get beat on price.

13           Another issue that I know you are looking at is  
14 the investigation of different finishes available on steel  
15 trailer wheels. As I mentioned, our standard finish is a  
16 paint finish. While grey, white, and black are the most  
17 common, we do offer custom colors and striping. That  
18 customization will increase the price.

19  
20           We also offer galvanized wheels like the wheels  
21 shown before you. The galvanization is a hot-dip zinc  
22 finish and the only difference between the wheels is the  
23 finish. Painted and galvanized wheels are otherwise  
24 physically the same.

25           We pull some wheels from the production run to be

1 painted and some to be galvanized. The only difference is  
2 the final finishing step. We currently out-source  
3 galvanization of our wheels as we don't see enough volume to  
4 justify buying production equipment to do it ourselves.  
5 Imported wheels are also offered with a galvanized finish,  
6 as you see on the Chinese wheels shown.

7  
8 We have also introduced a new finish called  
9 Galvstar that offers the combination of attributes of paint  
10 and galvanized finishes, and offers superior corrosion  
11 resistance that our customers are looking for in a  
12 galvanized wheel. The Galvstar wheel can be seen on the  
13 pictures here and in photos 17 and 18 attached to my  
14 statement. In short, our customers have all these finish  
15 options on the same wheel.

16 Another finish you may hear about is PVD.  
17 Commerce has just clarified that PVD-finished wheels are in  
18 scope of these investigations. PVD is also a paint finish  
19 with a fine layer of chrome between two paint layers so the  
20 wheel can have a chrome-like appearance used in the auto  
21 sector.

22 PVD is available from Tolar operations if it is  
23 requested, but because it is a paint the PVD wheel can have  
24 different colors. I am also aware that some of the  
25 importers claim to offer other metals in PVD such as



1 aluminum instead of a chrome. There is a Chinese wheel--a  
2 Chinese PVD wheel on the table.

3

4 Chrome-coated wheels are not in the scope of this  
5 case because the chrome electroplating of wheel requires  
6 highly toxic chemicals that are prohibited in the United  
7 States and require different production steps. So we could  
8 not produce them here.

9

10 We have a sample of a chrome-coated wheel from  
11 China on the table. Dexstar also produces rims for mobile  
12 homes. The rims are used one time to move a mobile home or  
13 manufactured home to where it's to be placed. Those are  
14 just rims and do not include a center disc. The rim is  
15 bolted directly to a specialized hub or axle, and we have a  
16 sample of the rim on the table and pictures. They are the  
17 same rims that could be used to make a full rim and disc  
18 wheel and have to meet the same DOT requirements as other  
19 wheels. They usually only have the E-Coat because mobile  
20 home manufacturers are only looking for a one-time use. We  
21 make the mobile home rims on the same lines we make the  
22 other rims of our other wheels.

23 I thank you for your time and I'm happy to answer  
24 any questions you may have.

25

STATEMENT OF DAVID CRAIG

1                   MR. CRAIG: Good morning, Commissioners. My name  
2 I David Craig and I am Vice President of American Kenda  
3 Rubber and General Manager of Americana Tire and Wheel, or  
4 ATW, a Division of Americana Development, Inc. I have been  
5 with ATW since December of 2018. I was with Cooper Tire and  
6 Rubber Company before that for 20 years in various senior  
7 leadership positions.

8                   I am accompanied by Jerry Sampson who was in my  
9 position at ATW until he recently retired. Jerry at one  
10 point was also General Manager at Dexstar, so he's here to  
11 answer any of your questions, as well.

12                   ATW is primarily a tire and wheel assembler. We  
13 buy tires and steel trailer wheels, and then we mount the  
14 tire on the wheel and sell the assembly to our customers.  
15 We also sell some wheels without tires.

16                   We have four locations, each with similar  
17 highspeed assembly lines, and that let us be cost-efficient  
18 in assembly. Most of our sales are to OEM trailer customers  
19 who mount the assemblies on the trailers and other toe-able  
20 equipment they make.

21                   We also sell into the aftermarket both assemblies  
22 and wheels. We also mount some tires onto the mobile home  
23 rims that Ray mentioned.

24                   ATW purchases trailer wheels from Dexstar, and we  
25 import wheels from China and from other sources. We buy

1 some wheels from other importers. We also occasionally sell  
2 wheels to other tire and wheel assemblers when they are  
3 looking for a certain wheel. Those other assemblers also  
4 import Chinese wheels.

5 In order to compete with them, we have to keep  
6 our prices competitive. If I don't offer my customers the  
7 competitive price on a tire and wheel assembly, or on an  
8 unmounted trailer wheel, they will go to another assembler.  
9 I can't afford to that if I'm paying more for domestic  
10 wheels than my competitors are for imported wheels.

11 There are some sizes of wheels, the smaller 12-  
12 and 13-inch diameter wheels, that ATW has not purchased any  
13 volume from Dexstar during the period you are looking at.  
14 Chinese prices on those smaller wheels are particularly low.  
15 Dexstar hasn't been competitive.

16 ATW couldn't justify the price gap between  
17 Dexstar prices and Chinese prices, so we imported all of  
18 those wheels. The same has been true on the prices for many  
19 larger wheels, as well. The Chinese have undoubtedly been  
20 the price leaders in the market.

21 While other assemblers have claimed that ATW gets  
22 a special deal from Dexstar, that has not been my  
23 experience. ATW is a major customer for Dexstar, and we  
24 work very closely with Dexstar in forecasting demand to  
25 allow Dexstar to better schedule its production runs.

1           We receive price lists from Dexstar just like any  
2 other customer. We don't get to have input into what prices  
3 Dexstar is going to charge ATW. We can buy from Dexstar at  
4 those prices, or we are free to purchase elsewhere. We  
5 would like to purchase from Dexstar as they provide a  
6 quality wheel and have been responsive to our needs, but ATW  
7 cannot afford to buy a Dexstar wheel simply because it is a  
8 sister company.

9           I'm sure the same is basically true for all  
10 assemblers. None of us has been able to ignore Chinese  
11 prices. Over 2016 through most of 2018 demand for the  
12 trailers, recreational trailers, and other toe-able  
13 equipment that drives the demand for trailer wheels  
14 increased as many of the industries producing those  
15 toe-ables boomed.

16           Starting in the last quarter of 2018 and into  
17 2019, production of RV trailers has slowed significantly,  
18 though other trailer types haven't come down as  
19 significantly. So the market may not be expanding in the  
20 foreseeable future like it was over the past few years,  
21 putting even more competitive pressure on wheel prices in  
22 the U.S. market.

23           Because all wheels used on U.S. roads have to  
24 meet DOT requirements regardless of the source, the wheels  
25 from all major sources are widely seen as having acceptable

1 quality. Our customers see both Chinese wheels and Dexstar  
2 wheels as providing comparable quality.

3 There are a handful of trailer OEMs that do have  
4 a qualification process for their wheels. They have  
5 accepted Dexstar wheels as meeting their quality  
6 requirements. So what competition keeps coming down to is  
7 price.

8 I've seen Chinese prices change because of the  
9 preliminary affirmative determination in these cases.  
10 Dexstar's prices are much more competitive, which means  
11 their product is more attractive to assemblers whether  
12 related to Dexstar or not.

13 Under conditions of fair trade, domestically  
14 produced wheels will be highly competitive. I therefore  
15 join my colleagues at Dexstar and ask that you render an  
16 affirmative final injury determination.

17 Thank you for your time, and I'm happy to answer  
18 any questions.

19 STATEMENT OF PAUL STARNER

20 MR. STARNER: Chairman Johanson, Commissioners,  
21 and Commission staff, thank you for your time this morning.  
22 My name is Paul Starner. I'm the President of Kenda Tire &  
23 Wheel, and President of Monitor Manufacturing, one of the  
24 divisions of Americana Development.

25 I have responsibilities for manufacturing

1 divisions which include Monitor, Martin Wheel, and Dexstar.  
2 I have frequent interaction with all customers from all the  
3 divisions.

4 In recent years, and certainly in the 2016  
5 through the first quarter of 2019 period under review,  
6 Dexstar has grossly under-performed among our divisions.  
7 That performance directly impacts our capital investment  
8 decisions and how much money we have been able to justify  
9 investing into Dexstar over that period.

10 The basis for our investment decisions really  
11 comes down to market prices. Because market prices have  
12 been too low, returns at Dexstar have been unacceptable. As  
13 a result, minimal expenditures being made until the case was  
14 filed. In some cases, Chinese competitors have been selling  
15 at Dexstar's material costs. No matter how efficient you  
16 are as a business, you can't compete with that.

17 I've seen some assemblers who have moved to  
18 Chinese sources in recent years now claim they did so  
19 because of quality or other issues, not price. That's not  
20 my experience during the 2016-2018 period. Those customers  
21 moved when Dexstar could not match Chinese prices.

22 Many have started to move back now that the  
23 preliminary relief has started to force Chinese prices up.  
24 Claims that Dexstar wheels do not meet industry quality  
25 standards are not true. We have extensively tested our

1 wheels to assure we are meeting recently increased industry  
2 standards. We provided those independent test results to  
3 our customers who have sought the information, so they know  
4 we meet the standards.

5 We have also tested our competitor wheels. You  
6 can see for yourselves how Dexstar wheels compare in Exhibit  
7 12 and Exhibit 26 in our prehearing brief.

8 Since Dexstar filed this Petition, we have seen a  
9 significant shift in the market where Chinese reduced  
10 significant supply. Given the market price has increased,  
11 that has changed our calculus on investing in Dexstar. We  
12 have been able to approve one major improvement project  
13 already, and have been discussing a third production line at  
14 Dexstar which would increase our capacity by 50 percent.

15 That would help us significantly address the  
16 amount of demand that can be met domestically. But the  
17 viability of those investments is dependent upon the  
18 conditions of fair trade in the U.S. market.

19 Let me also provide some comments on the issue of  
20 galvanized wheels and how they are viewed and treated in the  
21 market. I understand you've been asked to look at whether  
22 galvanized wheels should be treated as a different domestic  
23 like product, and that in examining such questions you look  
24 for clear dividing lines between products in six areas. I  
25 do not believe you will find clear dividing lines between

1 galvanized wheels and painted trailer wheels on those  
2 points.

3           While the public pre-hearing staff report shows  
4 responses from questionnaires just a strong split between  
5 parties who answered that galvanized and painted products  
6 are fully comparable and those claiming that they're never  
7 comparable. For the reasons outlined in our prehearing  
8 brief and my own experience on a number of those areas, the  
9 Commission should view galvanized steel wheels as part of a  
10 single domestic like product co-existent with the scope.

11           First, on physical characteristics and end uses.  
12 As Ray Oglesby walked through, the production process is  
13 exactly the same up to the finishing step. The wheels are  
14 physically identical. They can come from the same  
15 production batch. They have the same dimensions, the same  
16 bolt-hole patterns. They have the same production process  
17 other than the finishing step. Only the finish is  
18 physically different. And both have the same end use. They  
19 have a tire mounted and to be attached to a trailer.

20           Galvanization is seen to offer some benefits in  
21 corrosion resistance, so it may be favored by end users for  
22 a particular corrosion concern. The big market is for  
23 marine boat trailers, but galvanized wheels are also used  
24 for corrosion from salt. Road salt is a concern, such as  
25 utility trailers in the North, or that are commonly used on



1 snow-mobile trailers. Painted wheels may also be used in  
2 any of those applications.

3 On channels of distribution, there are certainly  
4 no clear dividing lines. Both galvanized and non-galvanized  
5 wheels are sold to OEM assemblers and to aftermarket  
6 distributors.

7 Our assembly divisions buy galvanized wheels from  
8 Dexstar and from import sources. They sell galvanized and  
9 non-galvanized wheels and assemblies to the same customers.  
10 Trailer OEMs buy both. Aftermarket distributors will buy  
11 both.

12 Marketing materials treat galvanized wheels as  
13 one finish option, just as they do painted and other  
14 finishes, as can be seen in the materials from TransTexas,  
15 TexTrail in these slides, and attached in my printed  
16 statement.

17 Customers may view galvanized wheels as a better  
18 choice in some applications, but they are not seen as a  
19 different product that is the only choice in those  
20 applications.

21 Finally, on price, galvanized wheels would  
22 generally sell for 10 to 40 percent over an otherwise  
23 identical painted wheel. Because the galvanization does add  
24 cost, but that is not unique to galvanization. Other  
25 finishes also add cost. It will cost more to get a custom

1 paint finish, and there are a number of finish options at  
2 different prices that can be selected.

3 My understanding is that the Commission does not  
4 treat every variation in product type as a different  
5 domestic like product. They should not for galvanized  
6 wheels. They are simply steel trailer wheels with a  
7 variation in the finish that are interchangeable in use in  
8 other steel trailer wheels.

9 Accordingly, I join with my colleagues in asking  
10 that you make an affirmative determination of material  
11 injury in this final investigation.

12 Thank you for your time, and I will answer any  
13 questions you may have.

14 STATEMENT OF ANTHONY MOUNTAIN

15 MR. MOUNTAIN: Good morning. I am Anthony  
16 Mountain. I'm the President of Homesteader Trailer.  
17 Homesteader is a family-owned producer of high-end quality  
18 enclosed cargo, hydraulic dump and horse trailers.

19 We are located in East Tennessee. We service 175  
20 dealerships across the United States. We have a very strong  
21 reputation and a footprint in the marketplace. My father  
22 founded Homesteader 34 years ago and I joined the company  
23 then. I have been President of Homesteader since 1999.

24 We buy Dexstar Wheels in the tire and wheel  
25 assemblies we source from Americana Tire and Wheel. We have

1 bought Chinese wheels in the past. We have been with  
2 Americana roughly for about ten years but we keep an eye on  
3 things. The Dexstar Wheels we buy are not the cheapest on  
4 the market but they provide the quality we need at a  
5 reasonably competitive price. Because we produce  
6 high quality trailers we require top quality components and  
7 parts. We have not had a tremendous amount of problems with  
8 any wheel sources we have used in the past. We don't have  
9 an issue with the quality we see on the Dexstar Wheels we  
10 buy now. They don't have defects at any higher rates than  
11 what we consider industry standards.

12 And we haven't had any issues with them not  
13 dealing with any problems that do arise. In my view,  
14 Dexstar's U.S. Wheels will stack up against anything,  
15 anywhere. We continue to look at Chinese wheels throughout  
16 the last three years to stay abreast of pricing. We receive  
17 quotes on Chinese wheels sporadically, both through our own  
18 efforts and when we are approached by a salesman trying to  
19 sell us Chinese wheels.

20 So by nature we keep a handle on the marketplace.  
21 There has been some price pressure in the market recently  
22 due to the various tariff issues, but Americana has done a  
23 very good job in trying to hold the price in line for us.  
24 Even with the tariffs, there are still some Chinese wheels  
25 on the market being sold at lower prices but we have chosen

1 to stay with Dexstar Wheel due to our pricing and the fact  
2 that they have remained competitive for us.

3 We have not had to go to another supplier to find  
4 any of the wheels we need. We have had to turn to Chinese  
5 Producers for aluminum wheels but not for steel. We have  
6 not had any problems finding the wheels we need or had any  
7 shortages of U.S. made wheels. We have been happy with  
8 Dexstar Wheels we have purchased and hope to be able to  
9 continue to be able to buy quality U.S. made product at a  
10 competitive price. I'd be happy to answer any questions.

11 STATEMENT OF BO ADAMS

12 MR. ADAMS: Good morning. My name is Bo Adams  
13 and I'm Executive Vice President of C.E. Smith Company in  
14 Greensboro, North Carolina whom I have been with for about  
15 25 years. C.E. Smith Company is in the metal fabrication  
16 business starting about 55 years ago. We punch and stamp  
17 metal parts.

18 A lot of the parts we make go into trailer OEMs,  
19 particular marine trailer parts. We don't build trailers  
20 ourselves but we build the component parts that the trailer  
21 companies assemble to make their trailers. We buy trailer  
22 wheels for kits we put together for a trailer OEM from our  
23 parts.

24 We put a tire and wheel in as well as we also buy  
25 wheels to supply to retailers in the marine industry, who we

1 also sell our trailer parts to. We primarily buy tires and  
2 wheel assemblies. We are well-versed in the trailer market  
3 and I have purchased tires and wheels over the last 25 years  
4 from many sources of varieties of assemblers in the U.S.

5 We buy mostly galvanized wheels but we do buy  
6 some painted wheels as well. We produce our galvanized  
7 tires. We produce other galvanized trailer parts ourselves  
8 like brackets and fenders. We produce mostly parts for boat  
9 trailers but also some for utility trailer market. We don't  
10 galvanize parts ourselves but we send parts out we  
11 manufacture out to be galvanized.

12 We send out about a truck-worth of trailer parts  
13 weekly to be galvanized. We don't have wheels galvanized  
14 but we buy them from our supplier galvanized in a tire and  
15 wheel assembly. We also buy white and black painted wheels  
16 and some custom painted wheels that are for particular  
17 trailer manufacturers as we sell those custom wheels to our  
18 retail customers for replacements of those trailers.

19 Galvanized wheels are a niche market and the  
20 overall trailer market. We sell galvanized wheels mostly up  
21 and down the Eastern Coast but we also sell painted wheels  
22 to the same customers as galvanized wheels do, just a  
23 smaller percentage of painted wheels in our case. I believe  
24 for the trailer market overall the reverse would be true and  
25 painted would be standard both wheels and other parts.

1 Galvanized wheels do have some additional price  
2 over painted wheels due to the cost of the zinc to  
3 galvanize. They are all sold as trailer wheels. A customer  
4 just decides which finish they think works best for their  
5 use. We have been buying Dexstar wheels for about 7-8 years  
6 through Americana Tire and Wheel but I stay abreast of the  
7 competition who is using a Chinese wheel.

8 I get quotes from several manufacturers on  
9 occasion and I share those quotes back with Americana to try  
10 to keep them in line on prices. They have remained  
11 responsible so that we have continued to buy tires and  
12 wheels and assemblies from them. I have not seen any  
13 quality issues in wheels produced in the U.S. and those  
14 produced elsewhere.

15 Dexstar keeps a high standard of their wheels.  
16 That is also true with the quality of their galvanizing  
17 which is critical for the galvanized wheels. I have had to  
18 go to Chinese sources to find other supplies of aluminum  
19 wheels but that has not been true with steel wheels  
20 including galvanized.

21 The U.S. companies that serve us extremely well  
22 have had the wheels we need. On the trailer parts I make I  
23 have faced competition from China and am familiar with the  
24 difficulties of competing with Chinese prices because of the  
25 advantages they get on things like steel inputs so I

1 understand why Dexstar has brought this case and I hope that  
2 they are able to remain a U.S. manufacturer as we have lost  
3 so many manufacturers to overseas. I am happy to answer any  
4 questions I can.

5 STATEMENT OF TERENCE P. STEWART

6 MR. STEWART: Good morning, Commissioners. This  
7 is Terence Stewart. We now provide a short PowerPoint going  
8 through a range of issues that you obviously will be looking  
9 at. We are not going to address negligibility as China is  
10 by far the vast majority of the total imports so  
11 negligibility is not an issue.

12 We started with scope, go to domestic like  
13 product, conditions of competition, volume of Subject  
14 Imports, adverse price effects, impact on the Domestic  
15 Industry and end with threat of material injury. The scope  
16 of these investigations is imports from China of certain on  
17 the road steel wheels for tubeless tires with a nominal  
18 wheel diameter of 12 to 16 inches, suitable for use on  
19 trailers and other tollable equipment.

20 A few examples are pictured on this slide as the  
21 wheels are for on-wheeled use they are subject to an HTSA  
22 requirements and marking requirements that marking could be  
23 added post-importation. The scope covers all finishes for  
24 steel wheels other than chrome electroplated finished wheels  
25 and specifically includes so-called PVD finished wheels.

1           The six wheels in this slide, from right to left  
2           are three painted; the first three, a galvanized wheel  
3           followed by a galstar wheel and a physical vapor disposition  
4           wheel or PVD wheel, examples of most of which were on the  
5           tables in front of you and all of which are pictured in the  
6           attachments of these prepared statements.

7           The scope-covered wheels are saturated with a  
8           tire and or valve mounted but only the wheel is covered.  
9           The scope also covers individual components, rims and center  
10          discs whether finished or not and wheels made in third  
11          countries from Chinese parts.

12          Not covered by the scope are steel wheels of  
13          other sizes, wheels for tube-type tires, aluminum wheels,  
14          steel wheels coated in chrome and wheels for other vehicle  
15          types off-the-road, passenger vehicle, light truck.

16          Turning to domestic like product and the  
17          preliminary determination the Commission found a domestic  
18          like product that's coextensive with the scope. Those  
19          opposed to relief have sought in the final to have  
20          galvanized wheels treated as a different domestic like  
21          product and there have been a number of clarifications by  
22          Commerce in both its preliminary and final determinations  
23          including that PVD finished wheels are within the scope.

24          There has been no challenge by those in  
25          opposition that rims are properly part of the single



1 domestic like product or that aluminum passenger vehicle and  
2 off-road wheels are not part of the Domestic Industry.

3 For the reasons presented in our witnesses'  
4 testimony this morning and in our prehearing brief, the  
5 Petitioner believes the record before you in these final  
6 investigations reports the same finding of a single domestic  
7 like product coextensive with the scope.

8 This slide takes a look specifically at  
9 galvanized and why you should not view them as a separate  
10 like product. The record as a whole does not support a  
11 separate like product finding. The physical characteristics  
12 as testified to are identical except for the finish and  
13 there are no separate end uses, as various finishes can be  
14 and are used in most applications in fact, even if some  
15 applications will have a larger use of one finish or  
16 another.

17 Second, on interchangeability steel wheels of  
18 different finishes are clearly interchangeable by size and  
19 load-rating, they're advertized and sold side-by-side.  
20 Third, the steel wheels regardless of finish are produced in  
21 the same factories on the same equipment and by the same  
22 employees up to the finishing step.

23 Indeed, Dexstar's experience is that rims and  
24 discs from the same batch are regularly used both for paint  
25 finish and for a galvanized finish. Fourth, the channels of

1 distribution are identical. Dexstar's experience is that no  
2 customers buy only galvanized.

3 Fifth, on the customer and producer perceptions  
4 companies producing steel wheels advertize and sell the  
5 products side-by-side with a continuum of finishes as the  
6 earlier slides demonstrated. This includes materials for  
7 assemblers who are appearing today in opposition.

8 Finally, on price while galvanized steel wheels  
9 will be more expensive than many steel wheels that are  
10 painted they are less expensive than some steel wheels and  
11 for other finishes. In short, galvanized wheels are just  
12 one finish in a continuum of finish options for customers  
13 and should be found to be part of this single domestic like  
14 product coextensive with the scope.

15 On Domestic Industry, the issue of whether any  
16 Domestic Producer should be excluded from the Domestic  
17 Industry, obviously you will be looking at each of the three  
18 companies separately as well as the tollers who galvanize.

19 In the preliminary determination, the Commission  
20 determined that conditions were not appropriate to exclude  
21 Dexstar and we believe that you should reach the same  
22 conclusion in these final investigations. We don't believe  
23 anyone has taken a contrary position.

24 We, for the reasons reviewed in our prehearing  
25 brief do not seek the exclusion of any Domestic Producer

1 from the Domestic Industry and we don't take a position on  
2 whether the tollers should be part of the Domestic Industry  
3 or not. However the Domestic Industry is defined Dexstar  
4 believes its performance is representative of the industry  
5 as a whole.

6 Looking at conditions of competition, the  
7 prehearing brief reviews a number of issues including  
8 demand, supply, substitutability and importance of price and  
9 the government actions under Section 232 and 301.

10 On demand, the market is reported to have grown  
11 during 2016 through the first quarter of 2019 with growth  
12 through mid 2018 and some contraction in the last months of  
13 2018 and first quarter of 2019. Demand is derived from the  
14 needs of the industry producing various toolable products  
15 and from replacement needs in the aftermarket.

16 On the supply side, there is significant unused  
17 capacity in the U.S. and significant ability of Chinese  
18 Producers to ship more to the U.S. The vast majority of  
19 producers, importers and purchasers agree the U.S. and  
20 Chinese product is always frequently substitutable.

21 Purchasers, while identifying various factors as  
22 important in purchasing decision rank price the most often  
23 in the top three and a significant proportion indicate they  
24 always or frequently buy the lowest priced product. On  
25 Section 232 Tariffs approved by the Administration on Steel

1 Imports from most countries, those tariffs have had some  
2 effect on steel prices in the U.S. Hot-rolled steel is the  
3 primary steel used in the steel trailer wheels.

4 Your confidential table V-1 of the prehearing  
5 staff report shows steel price movements in the U.S. during  
6 the Period of both domestic as well as imported prices,  
7 Dexstar's experiences at steel prices, domestic in  
8 particular were volatile during the POI, declining in the  
9 early part of the period, increasing through mid 2018 and  
10 then receding some through the end of the first quarter of  
11 2019.

12 Additional tariffs obviously don't affect prices  
13 of steel outside the United States and yes in China and so  
14 any increase of prices of steel in the U.S. that were not  
15 mirrored by other caused price increases around the world  
16 put domestic steelwork producers like Dexstar under  
17 increased pressure if they are unable to raise prices  
18 sufficiently to cover increased steel cost.

19 On the Section 301 Action that the Administration  
20 has pursued, steel trailer wheels became subject to a tariff  
21 of 10 percent from China on September 24, 2018 as part of  
22 the so-called truce three products, the ten percent rate  
23 remained applicable through the end of the Period of  
24 Investigation, i.e. March 31, 2019 and increased after that  
25 date on May 10 to 25 percent. At the same time the Chinese

1 currency devalued against the dollar in 2018 between April  
2 and December by nearly 10 percent. We do see the practical  
3 effect of the 301 duties during much of the POI that the  
4 duties were applicable.

5 Turning to volume of Subject Imports. There can  
6 be no question that the volume of Subject Imports or any  
7 increase in that volume in absolute terms are relative to  
8 production or consumption is significant. The Chinese  
9 Imports are the largest part of the market throughout the  
10 Period.

11 During 2016 to 2018 imports surged 31.3 percent  
12 by volume, 34.8 percent by value before declining in the  
13 first quarter of 2019 in response to these investigations.  
14 While data on domestic production and apparent consumption  
15 are confidential, Dexstar's experience is one of declines of  
16 domestic production during that time period despite what the  
17 industry reports indicate was growth in demand and hence  
18 consumption.

19 There is no doubt that Subject Imports increased  
20 versus domestic production and apparent consumption during  
21 the Period of Investigation. On adverse price effects, the  
22 Commission looks at whether there has been significant price  
23 underselling by the imported product and whether Subject  
24 Imports have otherwise depressed prices or prevented price  
25 increase to a significant degree.

1           The prehearing staff report shows underselling on  
2   79 percent of the comparisons with average underselling  
3   margins of 25.9 percent and such data don't review  
4   underselling by Chinese Producers and Importers. Similar  
5   accounts where Dexstar also competes. Thus, price  
6   underselling is significant.

7           The record also contains information on price  
8   depression and suppression both from purchasers reporting  
9   price reductions of 4 to 15.3 percent and from the Staff  
10  Report noting a cost price freeze. Certainly, that was  
11  Dexstar's experience. And of course underselling of price  
12  sensitive product results in lost sales in the final  
13  investigation; lost sales of 15.9 million were reported by  
14  purchasers. Thus the record shows a finding of significant  
15  adverse price effects on the Domestic Industry flowing from  
16  the Subject Imports.

17           On impact of the Domestic Industry because based  
18  just on Dexstar's experience there can be little doubt that  
19  Subject Imports have had a significant negative impact on  
20  the Domestic Industry. During 2016 to 2018 there were  
21  actual and potential declines in output, sales, market  
22  share, profits, productivity, return on investments and  
23  utilization of capacity for Dexstar.           There were  
24  also actual potential negative effects on cash flow,  
25  employment, wages, growth, and investment. All total,

1 dumping and subsidy margins found exceed 400 percent. The  
2 final dumping margins alone were 38 to 44 percent which are  
3 obviously large.

4 Dexstar or Dexstar's data shows material injury  
5 where they are looking at a steel trailer wheel, business as  
6 a whole or just the so-called merchant market. Those  
7 opposing relief focus most of their efforts not on whether  
8 the Domestic Industry is injured but on whether the industry  
9 is injured by reason of factors other than the Subject  
10 Imports.

11 As our witnesses have testified and as our  
12 prehearing brief lays out in great detail, the claims of  
13 those in opposition are without merit including claims of  
14 poor quality, lack of product features important to  
15 customers or claims of lead-times delivery.

16 The claims of related party data issues were  
17 addressed through corrections of the weights of wheels to  
18 related and other related customers filed yesterday by  
19 Dexstar. The cause of material injury that is so manifest  
20 in the Prehearing Staff report is in dumped and subsidized  
21 imports from China that have kept prices at levels Domestic  
22 Producers cannot match.

23 Quickly on threat of injury, while you obviously  
24 don't need to reach threat if you make an affirmative  
25 material injury determination, there is also ample evidence

1 of a threat of material injury going forward absent relief.

2 First, Chinese Producers benefit from an array of  
3 export subsidies as we outlined in our prehearing brief and  
4 it is confirmed in Commerce's final CVD determination.

5 Second, the Chinese industry is highly export  
6 oriented with little domestic demand and as many producers  
7 besides the few who have submitted questionnaire responses  
8 in these final investigations.

9 Third, one of the major alternative export  
10 markets for China, the European Union is currently engaged  
11 in an antidumping investigation on steel wheels which  
12 includes trailer wheels as your staff report reviews.

13 Fourth, the price underselling and price  
14 depression/suppression that we had experienced would  
15 obviously continue and worsen absent relief.

16 Finally, the Domestic Industry which is clearly  
17 vulnerable based on its profitability record in the POI  
18 would experience continued loss of market share and continue  
19 unsustainable profitability.

20 Thus, our review of the record supports material  
21 injury determination and if reached, a threat of material  
22 injury determination. With that, Mr. Chairman, we will  
23 conclude our direct presentation and answer your questions.

24 CHAIRMAN JOHANSON: Thank you all for appearing  
25 here today. We will begin questions with Commissioner



1 Williamson.

2 COMMISSIONER WILLIAMSON: Thank you, Mr.  
3 Chairman. I want to thank all of the witnesses for coming  
4 today and presenting their testimony. I also want to thank  
5 the Petitioner for such a very useful and comprehensive  
6 book. It really makes it easy to follow witnesses'  
7 testimony when it's organized this way so thank you for  
8 that.

9 I guess I want to get to this question of related  
10 parties. We note that respondent Transtech's notes the  
11 Commission found Dexstar's substantial transfers to related  
12 party to be a pertinent condition of competition in the  
13 preliminary determination.

14 Are these transfers between related parties still  
15 a pertinent condition of competition? And how should the  
16 Commission consider the related party transfers?

17 MR. STEWART: Well, I'm sure that the Commission  
18 will consider it a relevant condition of competition.

19 As the testimony that you heard this morning and  
20 that was presented at the preliminary review, the prices are  
21 arm's length prices from Dexstar to whoever they are selling  
22 to and there is a table in our prehearing brief that shows  
23 now that some of the major unrelated assemblers have come  
24 back seeking business with Dexstar, prices that were offered  
25 in price lists to unrelated large assemblers as well as two

1 other related assemblers.

2 If you look at those prices you will see that the  
3 prices are virtually identical that are being offered. So  
4 we believe that the record demonstrates what the company has  
5 testified to, namely that prices to related parties are not  
6 at arm's length basis. They are not required to buy from  
7 Dexstar. They don't influence the price that Dexstar  
8 charges them.

9 If they don't like the price that Dexstar is  
10 offering the product at, they buy imports. They've bought a  
11 lot of imports over the period of time as Dexstar often was  
12 not in a position to meet that. It is also the case that  
13 when you have looked in other situations at related parties  
14 you have looked at whether or not there are independent P  
15 and L statements, whether or not those P and L statements  
16 have gone through verification, etc.

17 Dexstar has an independent P and L and the  
18 Commission Staff has done extensive verification of the  
19 company's P and L statements in that regard. While the  
20 company maintains its data on quantity of wheels as you  
21 would expect, not on the weight and so the original data  
22 that was submitted, everything was correct with the  
23 exception of the weight and the weight was calculated using  
24 what they knew the total weight had been divided by the  
25 total wheels that got shipped, etc.

1           Because there is a significant product mix  
2 difference between what related parties and unrelated  
3 parties were buying during the Period of Investigation.  
4 When we went back and they compiled a data base that looked  
5 at the weights by size and you applied those what you come  
6 up with are average selling prices or average costs for raw  
7 materials, labor, etc that are very similar whether you are  
8 looking at related or unrelated in the P and L statement.

9           So we are looking at all of those for all of  
10 those reasons however you choose to treat the related party  
11 situation, it should come out that it does not affect the  
12 outcome of your deliberations. When we did the preliminary,  
13 2015 was part of the database and in 2015 more than 50  
14 percent of Dexstar's sales were to unrelated customers. You  
15 should look at what happened during 2016 to 2018 you can see  
16 that that rapidly declined.

17           If you look at the 1st quarter of 2019 you will  
18 see that the unrelated sales are once again back up above 50  
19 percent and the client has told me that based on the things  
20 that you heard that they'd been doing because of the  
21 improved market situations by later this summer they will be  
22 producing at roughly twice the rate that they were producing  
23 in 2018 and that will mean that there will be a majority of  
24 sales unrelated.

25           COMMISSIONER WILLIAMSON: You packed a lot there.

1       So you've said that the sales to related parties have, the  
2       relative percentages went down during the Period of  
3       Investigation and now has gone back up again? Did I  
4       understand that correctly?

5               MR. STEWART: To unrelated parties, yes. If you  
6       look even at the 2016 to 2018 you will see that there has  
7       been substantial contraction and that contraction has been -  
8       -

9               COMMISSIONER WILLIAMSON: To unrelated parties?

10              MR. STEWART: Unrelated parties.

11              COMMISSIONER WILLIAMSON: Can you maybe explain  
12       why this has happened?

13              MR. STEWART: Well, the statement has been made  
14       by many of the witnesses and it's directly due to the fact  
15       that customers unrelated customers have dropped them for  
16       price.

17              If you take a look at the last tab you have, in  
18       the booklet, and you go to the second page this is an email  
19       involving the loss of a major customer during the Period of  
20       Investigation where the decision -- this is a customer that  
21       had been a longstanding customer of one of Dexstar's  
22       affiliated operations and the business was lost entirely  
23       because of price.           It made an internal review,  
24       decided that was the case, that they could get better price  
25       by doing the assembly internally and so they took the

1 business from -- which had been a large volume of business -  
2 - they took that. Now that happened to come from a related  
3 party customer, resale but a related party customer.

4 If you go a couple of slides back, one of the  
5 people appearing in opposition is Tredit. If you looked at,  
6 if you had the data for 2015 you would have seen that there  
7 were large sales to try to buy Dexstar, direct sales to  
8 Tredit, which you will see in these excerpts from emails  
9 that were sent from Tredit, that on four different  
10 occasions, three in 2015 when sales dropped dramatically in  
11 2016 Dexstar was not able to meet price that Tredit was  
12 getting from foreign suppliers. We understand them to be  
13 Chinese suppliers and again the same thing was true in 2018  
14 before the cases were filed.

15 So there were lots of instances where as our  
16 witnesses have testified they lost business because the  
17 unrelated supplier moved offshore for cheaper prices.

18 COMMISSIONER WILLIAMSON: Maybe you could explain  
19 to me, I've never seen this pattern so dramatically of sales  
20 to related parties and not one but several related party  
21 companies. How do they come about? What was the business  
22 reason for that?

23 MR. PIZZOLA: I'm sorry Commission could I ask  
24 you to clarify that question, please. This is Jeff  
25 Pizzolla.

1                   COMMISSIONER WILLIAMSON: I'm just trying to  
2 better understand this situation and wondering what was the  
3 business reason for say having these three unrelated  
4 parties, I mean these related companies and that most of  
5 your sales was going to them. I mean, why would those  
6 companies, how did this come about?

7                   MR. PIZZOLA: The three related -- primarily  
8 Americana Tire and Wheel the one division is in direct  
9 competition with the other assemblers in the industry. I've  
10 had instances personally where I've had customers tell me  
11 for ten cents they would move to Chinese wheels and we've  
12 lost significant business at Dexstar with as little of an  
13 amount as that.

14                   MR. STEWART: I think the question the  
15 Commissioner is asking really goes to you have three related  
16 divisions. The other two are both manufacturer of other  
17 products where trailer wheels are a small part and Americana  
18 Tire and Wheel is itself basically an assembler of the  
19 trailer wheels.

20                   So you have a manufacturer with Dexstar, you have  
21 an assembler that is like a Tredit or Like TransTexas or  
22 like other assemblers and then you have two other companies  
23 that are involved in other parts of business of which  
24 trailer wheels may be a very small part.

25                   COMMISSIONER WILLIAMSON: Now, I assume there's

1       some history to this?

2                   MR. PIZZOLA:  So there are four divisions we are  
3       discussing here.  Three of them are wheel manufacturing  
4       companies however two of those three manufacture wheels that  
5       are outside of trailer wheels.  They are manufacturing  
6       primarily lawn and garden wheels and agriculture wheels.

7                   The third company is the assembler company, which  
8       is Americana Tire and Wheel, which is similar to the other  
9       assemblers in this industry so those, Americana Tire and  
10      Wheel will essentially purchase a wheel from a manufacturer,  
11      purchase a tire from a manufacturer and mount that tire on a  
12      wheel and sell it in the original equipment market for the  
13      trailer industry.

14                   The other two companies that we own that are  
15      manufacturing companies are not in this industry, though  
16      they have at times sold some of the same product and have  
17      purchased trailer wheels manufactured by Dexstar to some of  
18      their customers.

19                   COMMISSIONER WILLIAMSON:  Where these companies  
20      sort of independent and then just acquired by --

21                   MR. PIZZOLA:  They were companies, while we've  
22      purchased all the companies several years ago a lot of them  
23      have been turn-around situations, where we've bought a  
24      company that in Dexstar's case was a company that we weren't  
25      sure was going to survive in the industry.

1           We wanted to be in the wheel manufacturing  
2           business for trailer wheels so we bought that company and  
3           have tried to rebuild that company. The other two companies  
4           are very similar. They are companies that over the years we  
5           have bought and tried to build our business here in North  
6           America in the markets that we service with those companies.

7           COMMISSIONER WILLIAMSON: Okay. Thanks. That  
8           helps. Context is always very useful. Thank you for those  
9           answers.

10          CHAIRMAN JOHANSON: Commissioner Broadbent?

11          COMMISSIONER BROADBENT: Yes. I'm kind of  
12          confused. Do you guys have an orb chart or anything that  
13          would be helpful or some kind of a corporate description?  
14          Is there a Wikipedia page or something?

15          MR. STEWART: I'm sure we can get something.

16          COMMISSIONER BROADBENT: Nothing was really  
17          supplied though to the record at this point.

18          MR. STEWART: We weren't asked to do anything but  
19          we are more than happy to supply it post-hearing.

20          COMMISSIONER BROADBENT: Okay, well that's great.  
21          I'll be in the dark as we go through the day. Okay, so I'm  
22          trying to figure out how we got this late-breaking data the  
23          night before the hearing which nobody can respond to. The  
24          Commissioners can't look at and Respondents don't know what  
25          we're talking about. It's just that you've been at this a



1 long time, Mr. Stewart. What happened --

2 MR. STEWART: It's fairly simple. The issue--the  
3 questionnaire data that was put together was put together by  
4 the company, obviously in good faith. And when they were  
5 looking for the question of weight, that's not something  
6 that they normally keep. And so they looked for--they had  
7 aggregate data, and so they just divided the aggregate data  
8 each year by the number of wheels that were produced and  
9 came up--and that number was applied in both cases.

10 The client wasn't focused, and we weren't focused  
11 on what that would say merchant versus total. Obviously we  
12 haven't made an argument that there's captive production, as  
13 that's not, in our view, a relevant issue in the case. And  
14 so we were primarily focused on the total. The total data  
15 really hasn't changed.

16 But because there is a product mix, there is a  
17 larger portion of sales in the unrelated market of the  
18 larger sizes than is true of the purchases that were made by  
19 affiliated companies. And when you correct the data so that  
20 you're looking at weight by size and you run that against  
21 the database, you've come up with, because the issue was  
22 raised by the other side in their prehearing brief, we were  
23 trying to come up with why is there a difference. Because  
24 there were things that the client had told us were true, and  
25 all of those things we were checking out were true, and then

1 we figured out that the data had been put in on an annual  
2 basis the same regardless of whether it was related or  
3 unrelated, and that didn't correspond to the underlying  
4 data.

5 So when it was changed, we discovered that over  
6 the weekend and knew that it would be relevant, and so we  
7 asked the client to see if they could confirm. And if they  
8 could confirm, if we could get modifications in first thing  
9 yesterday. So that's the reason.

10 COMMISSIONER BROADBENT: So you just kind of  
11 started looking at the problem a week or so ago, maybe?

12 MR. STEWART: When we got the prehearing brief  
13 and the original, we had a series of explanations for why  
14 one would expect there to be differences. And we were  
15 running data that were confirming that, yes, all the things  
16 that our client was telling us as to why there would be  
17 differences were true, but it didn't translate into why  
18 there would be differences on a per-pound basis.

19 And so we finally stumbled back on the fact that  
20 the per-pound basis had been done at a unitary approach  
21 versus on an individual product approach. So, you know, so  
22 we gave you the data based on the individual product  
23 approach yesterday and that answers the question as to what  
24 were the differences and where the differences--why the  
25 differences seemed so large as they basically disappear.

1                   COMMISSIONER BROADBENT: Okay, thank you for the  
2 explanation.

3                   Mr. Pizzola, thank you for being here and for  
4 your testimony. I really appreciate it. The Commerce  
5 Department has found final subsidy margins of about 390  
6 percent on imports from China, and the dumping margins I  
7 think are around 40 percent.

8                   Adding those to the Section 301 tariffs as 25  
9 percent, importers will face additive duties almost 500  
10 percent I think. You're bringing a case which, if  
11 successful, could increase the prices of most steel wheels  
12 sold in the market by multiple levels of magnitude. I don't  
13 know how much. But although this would be good for Dexstar,  
14 what do you think would be the practical effect of such high  
15 duties on the rest of the market?

16                   MR. PIZZOLA: Commissioner, the duties have been  
17 in--while the preliminary duty rates are very high, we don't  
18 expect the market to be at that rate. Because what we're  
19 seeing is, will manufacturers from other countries and  
20 other--even, we've got indication there are some operations  
21 that could be started here in North America which could  
22 create employment here. So we don't expect those prices to  
23 climb to that level.

24                   And we have not--since those prices have come up--  
25 --have not been able to increase our prices to that level,

1 because the market right now is--though there are  
2 unsubsidized wheels coming from other countries, they're not  
3 400 percent higher than what the existing pricing was.

4 COMMISSIONER BROADBENT: So your sense is the  
5 other imports in the market are fairly traded?

6 MR. STEWART: If I could--since Mr. Pizzola is  
7 not a trade lawyer, let me just add. First, we believe  
8 there is ongoing significant ramp up of domestic production,  
9 first at Dexstar as I mentioned earlier. They doubled the  
10 personnel in the first quarter. And when you take out the  
11 fact that they had problems because of a fire in the plant  
12 on one of the rim lines in the first quarter, the reality is  
13 that by the third quarter they will be producing, or have  
14 the ability to produce at twice the rate that they were  
15 producing in 2018. So the unused capacity that was  
16 discussed is there.

17 You also heard Paul Starner talk about the fact  
18 that they are looking at the possibility of adding a third  
19 line, which would increase that capacity an additional 50  
20 percent. A client has told us that the market is indicating  
21 that Jingu is planning to add a factory in the United  
22 States, and we assume that if other companies are still  
23 producing such as Carlstar that we will see them increase  
24 their production as well.

25 So there will be substantial increase in

1 production from the U.S. There already has been significant  
2 increase in imports from nonsubject countries. And the  
3 prices coming in from nonsubject countries are a lot higher  
4 than the prices that were coming in from China. And so we  
5 are expecting that the market, as is true in almost any case  
6 under these laws, will rebalance itself based on other  
7 suppliers and based on fair prices.

8 COMMISSIONER BROADBENT: How much are you  
9 anticipating domestic production will increase?

10 MR. STEWART: Well, by the third quarter Dexstar  
11 will be up at twice where they were in 2018, alright? And  
12 there have been various claims made that the capacity is  
13 unrealistic, but one of the people appearing in opposition,  
14 TreadIt in 2013 had a problem with Jingu and transferred a  
15 lot of business to Dexstar, and Dexstar went from  
16 one-and-a-half shifts to three shifts in the period of that  
17 one year. We're only talking about moving from one partial  
18 shift to two full shifts, and so there's a capacity to go  
19 to a third shift if demand was there from the domestic side.

20 So just from a Dexstar point of view, you have  
21 the ability to triple or quadruple the production over the  
22 next year, year-and-a-half, depending on whether the other  
23 investment is made. So we obviously can't speak for  
24 CarlStar in terms of what their plans are, what their  
25 capacity is, or anything like that, but we have heard that

1       there is a major investment that is being planned by Jingu  
2       and it's going to be in the Indiana area not too far from  
3       where Dexstar is. So we assume that is happening.

4               We have seen large increases in imports coming  
5       out of Korea and assume that that will continue, and Taiwan,  
6       and some other countries.

7               COMMISSIONER BROADBENT: Okay. So tripling or  
8       quadrupling just for Dexstar, how much is that, roughly?

9               MR. STEWART: The actual number is confidential,  
10       but it would be--you're talking about increasing the number  
11       a million wheels, a number of million.

12              COMMISSIONER BROADBENT: Okay. Alright, I wanted  
13       to also thank the purchasers for being here. It's really  
14       helpful. And this is just--I'm just still trying to get my  
15       head around the size of the margins.

16              But, Mr. Mountain and Mr. Adams, most trailer  
17       wheels in the U.S. market come from China. If these duties  
18       go into effect, could they increase market prices for  
19       trailer wheels? I mean, how much do you think, levels of  
20       magnitude, do you think that they would increase? And are  
21       there going to be any downside effects on your businesses?

22              MR. ADAMS: If I heard you correctly, you were  
23       looking for an answer in regards to what the cost effect  
24       would be--

25              COMMISSIONER BROADBENT: Um-hmm.

1 MR. ADAMS: --in regards to this?

2 COMMISSIONER BROADBENT: Yes. Because so much is  
3 coming from China right now.

4 MR. ADAMS: Well, we've all seen a nice increase  
5 in regards to it over the last two years based on the  
6 tariffs. But I have no idea what the cost increase that's  
7 going to happen in the next year or two based on the outcome  
8 of this, so I can't really say one way or the other.

9 COMMISSIONER BROADBENT: Mr. Adams, did you have  
10 any comment--oh, excuse me, Mr. Mountain. I got you  
11 confused.

12 MR. MOUNTAIN: My only comment would be it  
13 wouldn't have, I would think, some short term change, but  
14 markets generally repair themselves.

15 COMMISSIONER BROADBENT: Okay, I appreciate that.  
16 Thanks.

17 Mr. Stewart, the two witnesses on this panel have  
18 not filled out importer questionnaires, which you know is  
19 important for us in developing our understanding of kind of  
20 the conditions of competition.

21 MR. STEWART: The two witnesses here are  
22 purchasers. I don't know whether they received purchaser  
23 questionnaires. Is that the question?

24 COMMISSIONER BROADBENT: Well it just seems like  
25 they didn't fill them out. They were not contacted by our

1 staff?

2 MR. STEWART: We asked them to come testify. We  
3 don't represent them in terms of whether or not they  
4 submitted a questionnaire or received a questionnaire. So I  
5 can't tell you whether they received a questionnaire or not.  
6 Not all purchasers get questionnaires, as I understand it.  
7 It's based on whether people are top five, or something like  
8 that, of particular importers of domestic producers.

9 COMMISSIONER BROADBENT: Yeah, I mean this is  
10 hard because you're sort of telling people that did fill out  
11 the questionnaires we shouldn't take, you know, seriously  
12 what they're saying, and then you bring other witnesses that  
13 haven't filled out the questionnaires.

14 MR. STEWART: It's never been my understanding  
15 that the job of counsel is to, if they bring a witness, to  
16 find out whether or not they received a questionnaire and  
17 filled it out. We're happy to find out if they have  
18 received it. If they are, we'll certainly ask them to fill  
19 one out.

20 COMMISSIONER BROADBENT: It's just helpful to us  
21 because it's the complicated levels of trade here that we're  
22 trying to get our head around.

23 MR. STEWART: Sure.

24 COMMISSIONER BROADBENT: Appreciate it. Thank  
25 you.



1           CHAIRMAN JOHANSON: Commissioner Schmidtlein?

2           COMMISSIONER SCHMIDTLEIN: Okay, thank you very  
3 much. I'd like to also thank the witnesses for being here.

4           I'd like to also understand a little bit more  
5 about the corporate structure. And maybe I can just recite  
6 a little bit of what I understand, and you can correct me.

7           So we've got Dexstar, which is a division of  
8 Americana Development. We've got Monitor Manufacturing,  
9 which is also a division of Americana Development. And  
10 we've got Americana Wheel & Tire, which is a division of  
11 Americana Development. So are those three divisions  
12 separate legal entities?

13           Are they incorporated as separate companies?

14           MS. PICKARD: This is Robin Pickard. Those three  
15 divisions are all part of Americana Development, which are  
16 one legal entity. So Americana Development is one legal  
17 entity which houses both three divisions, in addition to  
18 some other divisions that are not related to this case.

19           COMMISSIONER SCHMIDTLEIN: Okay. And then  
20 Americana Development is owned by--

21           MS. PICKARD: American Kenda Rubber.

22           COMMISSIONER SCHMIDTLEIN: American Kenda Rubber,  
23 okay. And that is you? You are Vice President of American  
24 Kenda Rubber and?

25           MS. PICKARD: Americana Development.

1 COMMISSIONER SCHMIDTLEIN:

2 COMMISSIONER SCHMIDTLEIN: And Americana  
3 Development. Okay. And also the group comptroller. Okay.

4 So Kenda Tire & Wheel, which Mr. Starner is the  
5 President of, correct? Also with regard to Monitor  
6 Manufacturing, you're also the president of that? So what  
7 does Kenda Tire & Wheel do? And how does it fit in?

8 MS. PICKARD: This is Robin Pickard again. Kenda  
9 Tire & Wheel is a d/b/a name that falls under Americana  
10 Development, Incorporated. And we came up with that name  
11 because he is over the manufacturing divisions, which would  
12 be monitoring Martin Wheel and Dexstar. So Kenda Tire &  
13 Wheel is a d/b/a name.

14 COMMISSIONER SCHMIDTLEIN: Okay. And so, Mr.  
15 Starner, you're over the manufacturing. We're got Mr. Craig  
16 here who is the general--I'm sorry, Mr. Oglesby, who is the  
17 General Manager of Dexstar, right? So do you report to Mr.  
18 Craig, then? Or, Mr. Starner, I'm sorry. Complicated  
19 structure here.

20 MR. OGLESBY: Yes.

21 COMMISSIONER SCHMIDTLEIN: So you report to Mr.  
22 Starner, then?

23 MR. OGLESBY: Yes, ma'am, I do.

24 COMMISSIONER SCHMIDTLEIN: Okay. And, Mr.  
25 Starner, you're president of Monitor Manufacturing, but what

1 responsibilities do you have with regard to Americana Tire &  
2 Wheel? You're in charge of their manufacturing?

3 MR. STARNER: Americana Tire & Wheel is an  
4 assembler, just like TredIt or the people represented here  
5 today. They're run as a separate division. So they're our  
6 customer. I'm not involved in their daily activities.

7 COMMISSIONER SCHMIDTLEIN: So you don't have any  
8 responsibility for their--

9 MR. STARNER: Other than being their supplier  
10 through Dexstar, no.

11 COMMISSIONER SCHMIDTLEIN: Okay. And so what  
12 does Monitor Manufacture do?

13 MR. STARNER: Monitor is also a wheel  
14 manufacturer.

15 COMMISSIONER SCHMIDTLEIN: So they compete with  
16 Americana Tire & Wheel?

17 MR. STARNER: No, they--

18 COMMISSIONER SCHMIDTLEIN: --in sales to  
19 assemblers?

20 MR. STARNER: They are--

21 COMMISSIONER SCHMIDTLEIN: You are an assembler,  
22 so--

23 MR. STARNER: They're a wheel manufacturer and  
24 they also do mount tires, but mainly for low-speed  
25 applications, which would be like golf carriers. In the

1 past, they had done some trailer business.

2 COMMISSIONER SCHMIDTLEIN: I see. Okay.

3 MR. STARNER: But only very selectively because  
4 of the geography.

5 COMMISSIONER SCHMIDTLEIN: Okay. Okay, that's  
6 helpful.

7 And then we have Mr. Sampson who is here who is  
8 the retired president of Americana Tire & Wheel. Who is the  
9 current president of Americana Tire & Wheel?

10 MR. SAMPSON: This is Jerry Sampson, retired  
11 president of Americana Tire & Wheel. David Craig, as he  
12 testified earlier, is my replacement, okay?

13 COMMISSIONER SCHMIDTLEIN: Okay, but your title  
14 is not "president" now? Is that right? Or it is?

15 MR. CRAIG: This is David Craig. No, my title is  
16 General Manager.

17 COMMISSIONER SCHMIDTLEIN: It's General Manager?  
18 Okay.

19 MR. CRAIG: Of Americana Tire & Wheel, yes.

20 COMMISSIONER SCHMIDTLEIN: But you are vice  
21 president of American Kenda Rubber, along with Ms. Pickard?

22 MR. CRAIG: This is David Craig. Yes, ma'am,  
23 that's correct.

24 COMMISSIONER SCHMIDTLEIN: Okay.

25 Okay, so I know also that--let me see, the

1 witness from--Mr. Craig, I believe it was you, that you  
2 testified that you don't have any influence over the prices  
3 that Dexstar quotes?

4 MR. CRAIG: This is David Craig. Yes, ma'am,  
5 that's correct.

6 COMMISSIONER SCHMIDTLEIN: Okay. So can you all  
7 discuss who does have input into the prices that Dexstar  
8 sets?

9 MR. PIZZOLA: Commissioner, this is Jeff Pizzola.  
10 I have some input on that, and we also have discussions with  
11 our sales--Patty Bowen, who is here. And we previously, we  
12 don't currently have a sales manager for Dexstar, but we  
13 have had a sales manager in the past.

14 COMMISSIONER SCHMIDTLEIN: So Americana  
15 Development, which--so these are all part of the same legal  
16 entity, right? We've got Americana Tire & Wheel, Dexstar,  
17 Monitor, and then some others, all part of the same legal  
18 entity. The legal entity is Americana Development.

19 So when we're talking about Dexstar selling to  
20 Americana Tire & Wheel, but you're sitting on top of all of  
21 it, and you're setting the prices for what one of your  
22 divisions is selling to the other division?

23 MR. PIZZOLA: I am involved in the price  
24 setting--

25 COMMISSIONER SCHMIDTLEIN: Along with--

1           MR. PIZZOLA: --from Dexstar, and it's primarily  
2 driven by the market pricing in the market. And the pricing  
3 at each of our divisions is operated as a separate entity.  
4 So there's very little interaction other than maybe a  
5 customer/supplier relationship. The four divisions that  
6 you've mentioned are completely independent of each other.

7           COMMISSIONER SCHMIDTLEIN: Who does Mr. Craig  
8 report to?

9           MR. PIZZOLA: Myself.

10          COMMISSIONER SCHMIDTLEIN: Who does Mr. Oglesby--  
11 and Mr. Oglesby reports to?

12          MR. PIZZOLA: Mr. Starner.

13          COMMISSIONER SCHMIDTLEIN: And who does Mr.  
14 Starner report to?

15          MR. PIZZOLA: Myself.

16          COMMISSIONER SCHMIDTLEIN: Okay. So you have the  
17 people--but yet we're calling these arms' length  
18 transactions, when you've got the reporting chain up to you  
19 who has input on the price that Dexstar is selling to  
20 Americana Tire & Wheel. How can we call that an "arms'  
21 length" transaction?

22          MR. PIZZOLA: We've submitted pricing that shows  
23 that the pricing between our companies that are owned but  
24 within our division--our company, and then also merchant  
25 customers. And the pricing is very much identical. And

1 each of our divisions are a profit and loss center, and they  
2 have to stand on their own.

3 So in Americana Tire & Wheel's case, they have  
4 the option of purchasing from Dexstar, purchasing from the  
5 Chinese imported wheels, and they make that decision. And  
6 their history has been some of the smaller sized wheels, 12-  
7 and 13-inch wheels, Dexstar unfortunately was not--could not  
8 compete with the Chinese pricing and so they moved that  
9 business to China because they have to compete with other  
10 assemblers in the marketplace.

11 So they can't essentially be paying more for a  
12 wheel than their competitors--

13 COMMISSIONER SCHMIDTLEIN: Downstream  
14 competition.

15 MR. PIZZOLA: Yes.

16 COMMISSIONER SCHMIDTLEIN: Right. Would it be  
17 possible, Mr. Stewart--I know you referred to the  
18 information on page 105 of your brief, which is the first  
19 quarter '19, and are those actual sales, or are they quotes  
20 for sales?

21 MR. STEWART: Those are the price lists that are  
22 given to the customers after--when you're in negotiations  
23 with them, as I understand. And so it's up to the customer  
24 if they choose to buy at those prices or not. If they don't  
25 choose to buy at those prices, they go someplace else.

1                   COMMISSIONER SCHMIDTLEIN: But you don't  
2 negotiate? And so the actual sales price could be different  
3 from what you're initially quoting them?

4                   MR. PIZZOLA: No, that's the quoted price.

5                   COMMISSIONER SCHMIDTLEIN: And that's it? Okay.  
6 Would it be possible to get that kind of information for  
7 prior years?

8                   MR. STEWART: I'm sure the answer is yes, except  
9 that the major assemblers have abandoned the company. So  
10 there wouldn't be any big purchasers. So one of the  
11 statements that's been made throughout is that the price  
12 that you get if you're an assembler is based in part upon  
13 the volume you're going to buy.

14                   So if you look at the numbers that are on that  
15 page of the brief, you'll see that there are large volumes.  
16 If you go back to 2018, you'll find that there are virtually  
17 no sales to companies, either no sales or very low sales,  
18 and so there wouldn't be a price list because they weren't  
19 dealing with Dexstar.

20                   COMMISSIONER SCHMIDTLEIN: What about 2016 and  
21 2017?

22                   MR. STEWART: It would be pretty much--we can--we  
23 will send you the sales information post-hearing.

24                   COMMISSIONER SCHMIDTLEIN: Send us what you have.

25                   MR. STEWART: We'll be happy to do it.



1                   COMMISSIONER SCHMIDTLEIN: Okay. Alright, the  
2 last question is, can you discuss how you allocate  
3 production? And I'm sure some of the other Commissioners  
4 are going to ask about these allegations of supply  
5 constraints, and I know you touched on it in your opening  
6 in some of the testimony, but when you've got a sale, you've  
7 got a commitment to one of the affiliated divisions of  
8 Americana Tire & Wheel, and you've also got commitments to  
9 other customers, or maybe you had no other customers is what  
10 you're sort of suggesting here, in the prior years, but how  
11 do you allocate if you run into a supply constraint? Does  
12 your affiliated company get priority? How do you make that  
13 decision?

14                   MR. PIZZOLA: Commissioner, this is Jeff Pizzola.  
15 All of our affiliate companies, as well as all the  
16 assemblers, carry inventory. And so it's not a  
17 just-in-time--it's not a just-in-time delivery time frame.  
18 We can move those deliveries a couple of days.

19                   And when we plan our production, we're looking at  
20 what orders have been given to us from our customers in a  
21 forecast, and we plan our production accordingly. There are  
22 times where a customer will want something urgently, which  
23 is pretty frequent, and so we will try to fit that into our  
24 production if we can.

25                   MR. STEWART: The direct answer, I believe,

1 Commissioner Schmidtlein, to your question is that there's  
2 no priority given to affiliates over unrelated. If there is  
3 an order in for an unrelated customer and there's an order  
4 in from an affiliate, they will try to meet both of them.  
5 And they will meet with that which they can in terms of what  
6 their production has been.

7 COMMISSIONER SCHMIDTLEIN: Okay. Alright, my  
8 time has expired. Thank you very much.

9 CHAIRMAN JOHANSON: Commissioner Kearns?

10 COMMISSIONER KEARNS: Thank you all again for  
11 appearing before us today, and in particular the purchasers.  
12 It's very helpful to have your input.

13 I wanted to touch on a subject that Commissioner  
14 Broadbent raised, the changes to the data I guess it was  
15 yesterday. I mean it seems to me that it's particularly  
16 troubling that we had to look at these new data, given that,  
17 you know, the reason why we were asking for data based on  
18 weight is because we expected there would be product-mix  
19 issues. And so I would have thought that, you know,  
20 counsel would have also been aware of that issue. And so it  
21 wouldn't have made sense to apply an across-the-board  
22 average weight number.

23 So can you speak to that?

24 MR. STEWART: In our shop, Commissioner Kearns,  
25 we don't fill out the questionnaires, our clients do. And

1 they don't necessarily identify everything that's been done.  
2 They have their own constraints in terms of what data they  
3 have, and they may or may not have an understanding that  
4 would be similar to what you believe the Commission staff  
5 was trying to get in terms of the data.

6 So it was a good-faith effort to deliver the  
7 numbers. The numbers for total weight is obviously correct.  
8 So the issue came up, nobody figured out what the cause of  
9 the problem was till we got to the last weekend. We spent a  
10 lot of time trying to figure out what was going on, and  
11 that's what we came up with. So our intention was to get it  
12 in as soon as we found out, and as soon as we could get  
13 confirmation from the client that what we had found was  
14 correct, and that's we did.

15 COMMISSIONER KEARNS: Okay, thank you. I want to  
16 ask a question about the channels of distribution. Can you  
17 address respondents' arguments that, because we didn't  
18 collect data separately for assembler purchasers and OEM  
19 purchasers, we're not really examining where there's  
20 head-to-head competition?

21 MR. STEWART: Well, we and they have different  
22 arguments. We believe that the vast majority of our sales  
23 are to assemblers. That's true on unrelated, as well as  
24 obviously the related folks are assemblers as well. And  
25 that the key competition is between us and the Chinese at

1 the assembler. So at the Tredit, at the Lionshead, at the  
2 other assemblers who are also importers.

3 Their argument is that you should be looking at  
4 prices, not of wheels, but rather of assemblies and you  
5 should be looking downstream. Well, we do have competition  
6 downstream in the aftermarket and we have some competition  
7 at some smaller OEMs that we sell directly, right? So the  
8 information on combining the two was at the prelim, we had  
9 raised the issue that the competition was really between us  
10 and the assembler who was the importer in terms of the price  
11 from China versus our price. In the prelim, the staff  
12 report showed margins both ways, margins for prices there,  
13 as well as the prices for the resell by the assemblers. And  
14 the data that got collected was data on the resell.

15 You also collected the price that was paid, but  
16 the staff did not choose for purposes of the prehearing  
17 staff report to show what the margins would've been between  
18 Dexstar's prices and those prices. So we think those prices  
19 are the most relevant, the other prices have some relevance,  
20 because we do sell them downstream as well.

21 COMMISSIONER KEARNS: Okay, thank you. Why do we  
22 see more overselling to the aftermarket compared to mostly  
23 underselling to OEMs and assemblers?

24 MR. STEWART: I don't think that we have a handle  
25 on why that's the case, the underselling/overselling is for

1 the resale of wheels as opposed to the original sale of  
2 wheels. There's a lot more volume if you looked at the  
3 original sales to the importers, and you would have, we  
4 believe, a very high underselling margins on those  
5 comparisons between Dexstar to assemblers versus the  
6 imports. The aftermarket is a part of the market and I  
7 can't really explain what the numbers show other than I saw  
8 the differences in the margins.

9 COMMISSIONER KEARNS: Okay, thank you. I had a  
10 question for ATW. You say you purchase Chinese product when  
11 it's lower priced. What happened over the period of  
12 investigation with those purchasers? Did they go up? Did  
13 they go down?

14 MR. CRAIG: Mr. Commissioner, this is David  
15 Craig. Over the period of investigation, that went down,  
16 those purchasers from China, because they virtually cut us  
17 off as a supplier.

18 COMMISSIONER KEARNS: So it's because they didn't  
19 wanna sell to you, not because you didn't wanna purchase  
20 from them?

21 MR. STEWART: It was after the filing of the  
22 petitions, they cut our client off.

23 COMMISSIONER KEARNS: But before the filing of  
24 the petition though? I know, but what happened before the  
25 filing of the petition? Were purchases pretty steady?

1           MR. SAMPSON: This is Jerry Sampson. I was in  
2 charge of the ATW group at the time. As was stated by Mr.  
3 Pizzola, I believe earlier, the situation we were in with in  
4 ATW, first of all, as was explained, we don't receive what I  
5 would consider any sort of preferential pricing from  
6 Dexstar, for example. We get a price list from them, we  
7 have price lists from our--at that time--Chinese suppliers.  
8 And we chose, based on that pricing, where to go purchase  
9 the product.

10           On the smaller diameter wheel, the 12- and  
11 13-inch, in particular, the pricing gap between the Dexstar  
12 price and the price that we could import from China, even  
13 with all the add-ons--the freight and duties and that sort  
14 of thing--was significantly below the Dexstar pricing. So  
15 we went to the Chinese sources to import the product, both  
16 painted, galvanized, etcetera.

17           And even on some of the larger sizes, we saw gaps  
18 of some limited significance, so we weren't limited to 12-  
19 and 13-inch, but as Mr. Pizzola explained, we were charged  
20 within ATW, you know, we're a product center, we have a  
21 separate P&L and so we were obligated to run the operations  
22 efficiently, etcetera, and part of that was the purchase of  
23 the wheels and so we selectively chose to purchase the  
24 lowest-cost wheel, which in many cases was the import.

25           COMMISSIONER KEARNS: But what I'm seeing is that

1 from our report, it looks like your purchases of subject  
2 imports declined over the POI from one year to the next,  
3 which seems to be inconsistent with the notion that, you  
4 know, we're facing increased competition from China.

5 MR. STEWART: Let me add, if I could, because I'm  
6 not sure that the question was understood. If you look  
7 ATW's data, what you will see is, that you will see a  
8 decline from China ahead of them cutting off after we filed  
9 the case for Dexstar and a shift to non-subject from Korea,  
10 and that was basically premised on quality and delivery  
11 issues that ATW was having with Jingu.

12 COMMISSIONER KEARNS: Okay, thank you. I wanted  
13 to ask about financial performance. You argued that we  
14 should give reduced weight to the interim period data as  
15 these investigations led to a decline in subject imports.  
16 What explains the financial performance of the industry in  
17 interim 2019? Were subject imports the main cause or are  
18 there other factors at work during that time period?

19 MS. PICKARD: If I'm understanding your  
20 question correctly, you're looking at the decline in the  
21 performance on Dexstar in the first quarter of 2019?

22 COMMISSIONER KEARNS: That's right.

23 MS. PICKARD: At the end of 2018, December 15th  
24 of 2018, Dexstar experienced a non-recurring event which was  
25 a fire that damaged a significant piece of equipment on

1 their rim line. And so that discontinued the production  
2 that we can do using that equipment. During the first  
3 quarter of 2019, actually March 15th, we were able to bring  
4 that rim line and get it back up and running. So in the  
5 first quarters' financial performance, you will see the  
6 production a lot lower.

7 COMMISSIONER KEARNS: Okay, thank you. I'm out  
8 of time, so thank you very much.

9 CHAIRMAN JOHANSON: Thanks again to all of you  
10 for appearing here today. And following up from  
11 Commissioner Kearns, on Pages 3 to 4 of Trans Texas Tires'  
12 brief, there is a discussion of Dexstar's corporate  
13 relationships with assemblers, ATW, Monitor and Martin. Is  
14 Dexstar aware of its affiliates' sourcing decisions? And  
15 does Dexstar know whether those affiliates have increased or  
16 decreased their purchases of imports?

17 MR. PIZZOLA: Commissioner, this is Jeff Pizzola.  
18 The Dexstar is aware when volume drops off from its related  
19 assemblers and from really any customer. They're aware of  
20 when that volume does drop down.

21 CHAIRMAN JOHANSON: So you would know whether  
22 those were subject or non-subject?

23 MR. PIZZOLA: They would've been subject  
24 merchandise.

25 CHAIRMAN JOHANSON: Okay, thanks, Mr. Pizzola.



1 Nonsubject imports appear to have risen markedly in 2019.  
2 What are the largest sources of nonsubject imports and do  
3 you see those increasing in the future?

4 MR. STEWART: Well, the U.S. import statistics  
5 show that Korea is the largest source of increased imports.  
6 And that was surprising. They were already growing by 2018  
7 as I recall. If you look more recently, Jingu has an  
8 operation in Thailand and Sunrise has an operation in  
9 Vietnam. Those two operations you're starting to see  
10 imports come in from those, by the time you get out to the  
11 May statistics, so I guess the first month that you see  
12 imports from those two countries. Taiwan historically has  
13 been a source as well and there're undoubtedly others.

14 CHAIRMAN JOHANSON: Are you able to speak on the  
15 production capacity in those nonsubject countries? Are you  
16 familiar at all?

17 MR. STEWART: We know -- I think our client has  
18 heard that there's been significant increase in capacity in  
19 Korea and that there are also obviously, Jingu presumably is  
20 shifting capacity to Thailand and we would assume that the  
21 same is happening for Sunrise into Vietnam.

22 CHAIRMAN JOHANSON: And could you or some of the  
23 witnesses discuss a bit further as to why there was an  
24 increased interest for wheels from nonsubject imports  
25 towards the end of the period of investigation?

1 MR. STEWART: Why there was?

2 CHAIRMAN JOHANSON: Right.

3 MR. STEWART: Well, I think, because of the large  
4 share that China has had of the market, when the preliminary  
5 margins start to come in, you have purchasers obviously  
6 looking for alternate sources of supply. And whether that  
7 be domestic or whether that be nonsubject, and that's  
8 typically what happens in every case that's before you.

9 CHAIRMAN JOHANSON: Okay, thanks. Thank you, Mr.  
10 Stewart. I'm now going to turn to an issue which was  
11 discussed at some length by respondents and that is  
12 galvanized trailer wheels. Are there any standards that a  
13 galvanized trail wheel must meet that a nongalvanized  
14 trailer wheel does not have to meet?

15 MR. SAMPSON: I can respond to that,  
16 Commissioner. A galvanized wheel or a non-galvanized wheel  
17 such as a painted wheel, for example, must meet all the  
18 required NHTSA or DOT standards. There's no difference  
19 between the wheel requirements. The only difference is the  
20 finish on the wheel.

21 CHAIRMAN JOHANSON: And following up on that, is  
22 there any property that is conferred by galvanized and that  
23 cannot be duplicated through the use of other coatings such  
24 as paint?

25 MR. SAMPSON: I'm not sure I understand your

1 question.

2 CHAIRMAN JOHANSON: Let me just repeat it then.  
3 Is there any property that's conferred by galvanizing that  
4 cannot be duplicated through the use of other coatings such  
5 as paint?

6 MR. SAMPSON: I'm not aware of any.

7 CHAIRMAN JOHANSON: Okay. So if you paint and  
8 you galvanize, basically the tire's gonna have the same end  
9 properties?

10 MR. SAMPSON: Yes. Other than the finish.

11 MR. STEWART: Well, I think, Chairman Johanson,  
12 if you looked at the statement that was made by Mr. Starner,  
13 what you would see is, obviously, a galvanized wheel, its  
14 property is that it has higher corrosion-resistance. But  
15 there have been developments of other finishes that have the  
16 same or higher corrosion-resistance than galvanized.

17 So people would buy a galvanized because they  
18 believe it will give them greater corrosion resistance,  
19 which may be relevant if it's a marine operation trailer or  
20 if it's being used up in the northern part of the country  
21 where there's a lot of snow, etcetera, etcetera. But  
22 there's no end use difference, but that is a  
23 characteristic. And other finishes attempt to replicate or  
24 improve upon that characteristic.

25 CHAIRMAN JOHANSON: Is there an aesthetic reason

1 for preferring galvanized over non-galvanized?

2 MR. SAMPSON: No, I would say not.

3 CHAIRMAN JOHANSON: Yeah, I --

4 MR. SAMPSON: Aesthetically, I mean, you see what  
5 a galvanized wheel looks like.

6 CHAIRMAN JOHANSON: Yeah.

7 MR. SAMPSON: So --

8 CHAIRMAN JOHANSON: I understand, before the  
9 hearing, I thought there might be an aesthetic reason why  
10 you might want to buy, but looking at the ones this morning,  
11 I can't really see it.

12 MR. SAMPSON: Yeah.

13 CHAIRMAN JOHANSON: So no offense to the  
14 galvanized wheels. Could you please explain why Dexstar  
15 uses a toller to galvanize its trailer wheels instead of  
16 performing this function inhouse?

17 MR. OGLESBY: We choose to go to a third-party  
18 galvanizer because we do not have the volume inhouse for the  
19 galvanizing to do it inhouse. It's not feasible. So we  
20 choose to go to a third party to do it offsite.

21 CHAIRMAN JOHANSON: And on Page 6 of the Chinese  
22 producer Jingu's brief, they note that some of the importers  
23 and purchasers that answered that galvanized and now  
24 non-galvanized were comparable, were related to the  
25 petitioner? Does Dexstar view the comparability between --

1       how does Dexstar view the comparability between galvanized  
2       and non-galvanized wheels? I think you've basically --  
3       again, it's a corrosion-resistance issue.

4               MR. STEWART: Yeah, going through the factors in  
5       terms of whether it should be a separate domestic like  
6       product, Mr. Starner went through all of those issues in his  
7       testimony and we also did it in a PowerPoint and so Dexstar  
8       and their affiliated companies, obviously concur that the  
9       physical characteristics and end uses are quite similar.  
10      There's interchangeability, etcetera, etcetera, all the  
11      things we went through. So, yes, that would be true.  
12      There's the sin of the -- some of the people putting down a  
13      correct answer, we're related parties.

14             CHAIRMAN JOHANSON: Okay, thanks, Mr. Stewart.  
15      On Page 24 of its brief, Jingu claims that the petitioners  
16      requesting an expansion in the scope with respect to  
17      chrome-coated wheels, can you explain what the petitioner  
18      requested of Commerce and what Commerce has done in  
19      response?

20             MR. STEWART: Yeah, this is the PVD issue. And  
21      simply, what it was, was when the petition was filed, if you  
22      look at the petition and you look at what was excluded, we  
23      were excluding a product that can't be produced in the  
24      United States because of the toxic nature of the chrome that  
25      is used. And that is the chrome electroplating. That is

1 not available in the United States, and because it's not  
2 available in the United States, Dexstar said that they're  
3 weren't concerned or didn't want to have that covered.

4 Questions arose over at the Commerce Department  
5 as to whether PVD wheels, which are basically painted wheels  
6 that have a metal inner layer, were intended to be covered  
7 by that exclusion. That was not our intention; it was  
8 efforts by some of the respondents to claim that that should  
9 be the case. So we sought clarification from Commerce that,  
10 in fact, PVD wheels were included.

11 There's a lot of material that was submitted in  
12 our prehearing brief and there's a lot of material on the  
13 web pages of the other parties that shows that they are  
14 significantly different and that the chrome inner layer,  
15 where if the chrome is the metal that's used as the inner  
16 layer is a nontoxic form, and that is viewed as the green  
17 version of being able to do it. And it's obviously  
18 available through tolling or other ways. Here in the  
19 United States is heavily used by some of the auto companies  
20 for the wheels that they use in auto use, and could be used  
21 by the domestic producers, Dexstar here in the United  
22 States.

23 CHAIRMAN JOHANSON: Thank you, Mr. Stewart.  
24 Commissioner Williamson?

25 COMMISSIONER WILLIAMSON: Thank you. Just want

1 this question on American Tire & Wheel, Monitor and Martin.  
2 My wife grew up in Reynoldsburg, Ohio, and I haven't been  
3 there in a long time, but the last time I was there, it was  
4 a pretty small town. Are all three companies located in  
5 the, sort of like the same campus? Or same complex?

6 MR. PIZZOLA: No, all three companies are located  
7 in a separate location. So Monitor Manufacturing is located  
8 in Cartersville, Georgia. And the Martin Wheel is located  
9 in the Akron, Cleveland area. And then Dexstar Wheel is  
10 located in the Elkhart, Indiana area.

11 COMMISSIONER WILLIAMSON: Okay. So just the  
12 management is in Reynoldsburg, is that --

13 MR. PIZZOLA: Robin and my office is in  
14 Reynoldsburg, Ohio, yes.

15 COMMISSIONER WILLIAMSON: Thank you. I take it  
16 that each one is sort of targeted at a different segment of  
17 the market in general.

18 MR. PIZZOLA: Yes, each of those divisions  
19 targets a different marketplace. For example, Americana  
20 Tire & Wheel focuses on what we'd call the high-speed  
21 trailer market, along with Dexstar being the wheel  
22 manufacturer. And then Monitor Manufacturing is focusing on  
23 the lawn and garden, golf cart industry.

24 COMMISSIONER WILLIAMSON: Okay.

25 MR. PIZZOLA: Martin Wheel is a distributor, also

1 focusing on the lawn and garden, ag implement market.

2 COMMISSIONER WILLIAMSON: Okay. Thank you. Mr.  
3 Mountain from Homesteader, do you buy from Dexstar or from  
4 American Tire and Wheel?

5 MR. MOUNTAIN: We buy specifically from American  
6 Tire and Wheel.

7 COMMISSIONER WILLIAMSON: Okay. Are you  
8 guaranteed to get a Dexstar wheel when you order from them  
9 or--

10 MR. MOUNTAIN: No, we are not.

11 COMMISSIONER WILLIAMSON: Okay. And is that an  
12 issue? Or is it --

13 MR. MOUNTAIN: No, it's not an issue.

14 COMMISSIONER WILLIAMSON: Okay. Thank you.

15 Should the Commission relay on its traditional  
16 product-specific pricing data, or on the import purchase  
17 cost data? And do both comparisons tell the same story?

18 MR. STEWART: We believe that the better data is  
19 the import data, because that's where the main competition  
20 is with the assemblers. But both data will show a similar  
21 story, namely that there's--in our view--that there's  
22 significant underselling. We believe it's a higher level  
23 and a broader base if you do the import data versus Dexstar  
24 data. But either one will come to the same conclusion, that  
25 there's substantial underselling.



1                   COMMISSIONER WILLIAMSON: Okay, thank you. What  
2 explains the differences in the AUVs of Dexstar shipments to  
3 related affiliates as compared to AUVs of its shipments to  
4 unrelated affiliates? I don't know whether --

5                   MR. STEWART: This is the topic where our link  
6 discovery of the problem has been discussed at some length.  
7 This simply has to do with how the data was put together in  
8 the questionnaire. Originally the data was on quantity was  
9 done on the --

10                  COMMISSIONER WILLIAMSON: Okay. Well, we don't  
11 have to go over it again. So it's not a product mix issue?  
12 It's just a data collection issue or processing?

13                  MR. STEWART: Yeah, the data, as corrected by  
14 what was submitted yesterday, basically eliminates that  
15 question.

16                  COMMISSIONER WILLIAMSON: Okay.

17                  MR. STEWART: There are small differences, but  
18 they're not significant.

19                  COMMISSIONER WILLIAMSON: Thank you.

20                  MR. STEWART: Both on price and on cost.

21                  COMMISSIONER WILLIAMSON: Okay. And making a  
22 critical circumstances determination, should the Commission  
23 consider import inventories at the end of 2018 or at the end  
24 of the POI?

25                  MR. STEWART: Yeah, obviously, the end of 2018,

1 based on your methodology, where you have a large increase  
2 in inventories at the end of 2018.

3 COMMISSIONER WILLIAMSON: What would, looking at  
4 the end of the interim period?

5 MR. STEWART: At the end of the interim period,  
6 you've already gotten past where preliminary relief has  
7 occurred. And so you would expect that inventories would  
8 come down. And historically, you're looking at what the  
9 effect is before the prelim Commerce Department  
10 determination occurs. That was supposed to have occurred in  
11 early January, like the 7th, but was obviously, with the  
12 shut-down, was postponed until late February, so I believe  
13 the correct answer is that you should look at the end of  
14 December for the reason that that would coincide with the  
15 period before the prelim would've been due and when you  
16 would've expected people to have rushed in whatever  
17 inventory they were gonna bring in.

18 COMMISSIONER WILLIAMSON: Okay. You argue at  
19 Pages 68 to 71 of your prehearing brief that the Commission  
20 should adjust official import statistics and rely on the  
21 resulting figures to measure import volume. What is the  
22 benefit of doing this? And why would this give a more  
23 accurate picture of the U.S. market?

24 MR. STEWART: Well, we are okay with either set  
25 of data. The answer is, while you have an HTS number that

1 should be an exact match for wheels that are brought in for  
2 this category. And that should be comprehensive, other than  
3 the wheels that are brought in mounted with a tire on them.  
4 The questionnaire responses show that there's a significant  
5 volume that comes in under a different HTS number. So,  
6 while the responses that you have from importers is  
7 significant in this case, and we are okay with the data, it  
8 understates the volume of the actual imports that have come  
9 in. And at the prelim you had done it the other way and the  
10 deviation in the final wasn't really explained why you  
11 didn't use what the same approach that had been used at the  
12 prelim. Because the prelim at least matches up the total,  
13 because in the questionnaire, you asked for imports that  
14 came under the HTS number that's relevant. Imports that  
15 come under a different HTS number, what those were, what was  
16 chrome, and what came in with a tire or valve banded on it,  
17 so that you could get an entirety. Those numbers are  
18 greater than the numbers that you show from the imports  
19 questionnaire. So that'd be the only reason.

20 COMMISSIONER WILLIAMSON: Okay. But, are the  
21 differences in trends or you think --

22 MR. STEWART: No, trends are basically same.

23 COMMISSIONER WILLIAMSON: Should the Commission  
24 focus on the total market or on the merchant market and why?

25 MR. STEWART: Well, in our view, we've not argued

1 that it should focus on the merchant market. We believe it  
2 should focus on the total market. But whether you focus on  
3 the total market or the merchant market, the figures in fact  
4 show similar trend lines and similar problems.

5 COMMISSIONER WILLIAMSON: Okay. Briefs were due  
6 before Commerce's final phase determination and final scopes  
7 were released. How does the final scope -- affect the  
8 Commission's data collection on subject imports?

9 MR. STEWART: Well, because PVD is specifically  
10 included, we believe that the Commission could choose to ask  
11 the importers if, in their data, was any imports of PVD  
12 product that was not reported as subject imports. If there  
13 were, then the data should be corrected. I think that's the  
14 only change that's been made that would likely be relevant.  
15 The other changes that were made in the scope, or the other  
16 clarifications that were made in the scope, presumably  
17 wouldn't've affected imports during the period of  
18 investigation.

19 COMMISSIONER WILLIAMSON: Okay, thank you for  
20 those answers.

21 CHAIRMAN JOHANSON: Commissioner Broadbent?

22 COMMISSIONER BROADBENT: Thank you. Let's see.  
23 Several purchasers referred to the emergence of new  
24 suppliers in Thailand and Vietnam as reported on Page 2-11  
25 of the prehearing report. I think I'll ask this of Mr.

1 Pizzola. Can you explain whether there have been new  
2 suppliers from other Asian countries and whether these  
3 sources have gained market share since the preliminary  
4 orders were imposed on imports from China?

5 MR. PIZZOLA: Yes, I can, Commissioner. As was  
6 previously stated by Mr. Sampson, Americana Tire and Wheel  
7 gradually, because of delivery and quality issues, moved to  
8 a producer in Korea. We're also aware that Jingu has been  
9 shipping, or has started shipping trail tire and wheels from  
10 Thailand. We're also aware of a manufacturing facility in  
11 Vietnam, Sunrise Wheel.

12 And we're also aware of the intent by Jingu to  
13 open a manufacturing facility about a half and hour, hour  
14 south of Dexstar, to service the trailer industry. And I'm  
15 not sure whether Carlisle has started production in the  
16 trailer wheel market or not again. They were in the market  
17 and our understanding was they ceased operations, but  
18 apparently data shows maybe they made a few wheels in that  
19 period.

20 COMMISSIONER BROADBENT: Okay, thanks for that.  
21 Good answer. I think this is for Ms. Bowen. And it's fun  
22 to have a lady in the front row. We don't get that many  
23 that often. You're involved in sales, is that correct?

24 MS. PICKARD: Excuse me, I'm Robin Pickard. Ms.  
25 Bowen is the one involved in sales.

1                   COMMISSIONER BROADBENT: Oh, okay. But yeah, you  
2                   should sit up front. Okay. This is related to sales for  
3                   Ms. Bowen in the back. About half of the responding  
4                   purchasers noticed that they had supply constraints with  
5                   domestic producers during the period with most of these  
6                   purchasers explicitly referring to Dexstar. Several firms  
7                   reported that domestic producers have no additional  
8                   capacity to produce wheels, which does not match with your  
9                   testimony where you reported capacity data. Why would  
10                  Dexstar be turning down purchase orders? Why would  
11                  purchasers perceive that Dexstar does not have sufficient  
12                  capacity?

13                  MS. BOWEN: I think that there's a level of  
14                  timeframe that we have to be able to ramp up, so to speak,  
15                  we have to get people in, we have to get them trained. We  
16                  have to add additional ships. Those things take time. A  
17                  lot of our customers are used to us being able to supply  
18                  within four to five weeks and when we tell them that we  
19                  can't make that big increase within that timeframe,  
20                  sometimes they feel that we're not meeting those needs. But  
21                  we're doing everything that we can possibly do to increase  
22                  that and go forward as we go.

23                  COMMISSIONER BROADBENT: Okay.

24                  MR. STEWART: If I could add to that,  
25                  Commissioner Broadbent. It's also the case in our

1 prehearing brief that we reviewed the nature of some of the  
2 people who were making those claims, and whether at any  
3 point in time during the period of investigation, they had  
4 bought from Dexstar. And so there's some question as to  
5 credibility of claims that you can't supply product when no  
6 one has ever contacted you.

7 COMMISSIONER BROADBENT: So you're thinking those  
8 folks don't have any knowledge of the market, or knowledge  
9 of Dexstar?

10 MR. STEWART: Well, it'd be like if you said that  
11 you went into the Giant food store and couldn't find certain  
12 products, but you'd never been in a Giant store. You could  
13 make the claim, but and maybe you were told by somebody that  
14 their experience was that. We have a lot of people who  
15 filled out questionnaires and said derogatory things about  
16 Dexstar, where in fact, if you look at Dexstar's sales  
17 records, these are not people who ever approached them or  
18 bought from them.

19 COMMISSIONER BROADBENT: Right. But I think  
20 generally purchasers are, you know, on the ball in their  
21 particular segment and know what's available. And I don't  
22 think we really discredit purchasers because they haven't  
23 particularly purchased from --

24 MR. STEWART: Most of the purchasers are buying  
25 from assemblers and so there was no lack of product of

1 Dexstar at assemblers.

2 COMMISSIONER BROADBENT: Okay. Let's see. Mr.  
3 Oglesby, has Dexstar experienced significant delays in its  
4 production at any point during the period of investigation?

5 MR. OGLESBY: We've experienced some, we've  
6 experienced some slowdowns from -- we do not have the  
7 purchaser, we don't have the quantity being ordered. We've  
8 slowed down from that standpoint. We're not to the full  
9 complement of people that we need to be to meet the demands  
10 that's coming. We're slowly getting there --

11 COMMISSIONER BROADBENT: Right.

12 MR. OGLESBY: -- but we're currently not there.  
13 As Ms. Bowen stated, it does take time. The training that  
14 needs to be done, the equipment -- of course, we're doing  
15 the upgrades, they were gonna be doing the end of this  
16 summer -- but the training needs to be done. We can ramp up  
17 and we'll ramp up to meet that, but of course, we're gonna  
18 have some gradual -- it's like a staircase, so we're gonna  
19 be able to meet that.

20 COMMISSIONER BROADBENT: I mean I think we had a  
21 purchaser said that your on-time delivery was only 37% or  
22 something. So that just seems pretty low for what  
23 purchasers need, but --

24 MR. STEWART: We have addressed, in fact, that  
25 particular purchaser in our prehearing brief in confidential



1 data, so we would refer you to that.

2 COMMISSIONER BROADBENT: Okay. Mr. Stewart, has  
3 technical ability or employee skillsets been an issue in  
4 fully utilizing capacity? Is it possible that Dexstar could  
5 be turning down business due to a lack of a practical  
6 ability to produce merchandise, notwithstanding significant  
7 excess nameplate capacity.

8 MR. STEWART: Well, the capacity that was put in  
9 the questionnaire was based on two shifts since they were  
10 working more than one shift in their operation. They have  
11 added, basically, a second shift in terms of the number of  
12 people between 2018 and the end of the first quarter of  
13 2019, and they're in a training process. But the big issue  
14 in terms of the first quarter of 2019 is simply its  
15 aberrational because of the fire and because of the upgrade  
16 of equipment.

17 No, so I don't think it's the technical, that  
18 there's the technical issues in terms of personnel. Anytime  
19 you bring people on, there's a training process that is  
20 needed and that's the same as going on now.

21 And, just to kind of put things in perspective in  
22 terms of delivery, Dexstar's delivery throughout the period  
23 has been thirty to thirty-five days for most product. Do  
24 they have times when that slips? Sure, they have times when  
25 that slips. But if you talk about the Chinese in the record

1 in our prehearing brief, as well as the post-conference  
2 brief, we included, I think, ten or twelve import documents  
3 from Jingu to ATW that showed that deliveries went from  
4 ninety days to two hundred and ten days. And that would be  
5 due to problems that would arise, either in terms of the  
6 ability to fill a container or what have you.

7 So every producer can have particular instances  
8 where production doesn't meet the immediate demand that  
9 hasn't been forecast or that the delivery is extended. But  
10 the performance of Dexstar, in fact, is far better than the  
11 performance of the Chinese producers on average or in  
12 specific cases.

13 COMMISSIONER BROADBENT: Okay. I'll just throw  
14 this one out. How do valuations in the Yuan affected the  
15 market for Chinese trailer wheels?

16 MR. STEWART: I'm sorry, Commissioner, could  
17 you--

18 COMMISSIONER BROADBENT: In the Chinese Yuan, how  
19 have devaluations in the Chinese Yuan affected the market  
20 for Chinese trailer wheels?

21 MR. STEWART: Well, during the period of  
22 investigation, you have a period of about six months where  
23 there is a 10% duty. During that same six months, the value  
24 of the Yuan was roughly 10% below where it had been six  
25 months before, in April of 2018 --

1 COMMISSIONER BROADBENT: And how much below?

2 Sorry.

3 MR. STEWART: 9.5% actually.

4 COMMISSIONER BROADBENT: Okay, yeah.

5 MR. STEWART: So very close to the 10%. So it's  
6 a question of whether or not the Chinese producers reduced  
7 their prices to reflect the devaluation of the Yuan or not.  
8 And of course that could vary by company.

9 COMMISSIONER BROADBENT: Right. Okay. This is  
10 sort of a legal question, Mr. Stewart. You argue that the  
11 Commission should reduce the weight accorded to  
12 post-petition data in these investigations. However, aren't  
13 any effects on volume pricing impact that are related to the  
14 pendency of the investigations' comingled with the effects  
15 of the Section 301 tariffs? How can the Commission  
16 separately consider the effects related to pendency of this  
17 investigation and the effects related to the Section 301  
18 tariffs?

19 MR. STEWART: Well, the statute basically says  
20 that if there are effects flowing from preliminary  
21 determinations or the filing of the case, that you can give  
22 it less effect. We know that there were effects started  
23 with a certain Chinese producer's withdrawing from the  
24 market, either in total or in part, right? And the  
25 information in your staff report indicates that that is

1 true, that that was happening during the period.

2 So we think that that's true, regardless of  
3 whether 301 duties are also a factor that it's out there.  
4 It's like lots of other things. We have multiple factors.  
5 So, giving it less effect is up to you and what the less  
6 effect is, you have a separate issue, which is obviously the  
7 first quarter's aberrational for the domestic industry  
8 because of the fire. And that affects volume, it affects  
9 the trend lines, and it affects cost of production in the  
10 first quarter.

11 COMMISSIONER BROADBENT: Okay. Thanks for that.  
12 Appreciate it.

13 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

14 COMMISSIONER SCHMIDTLEIN: Okay, thank you. I  
15 just have a few more questions. Following up on the line of  
16 questions about capacity, so are you adding capacity, in  
17 terms of the total number that's been reported to the  
18 Commission? Or is really just being able to utilize more of  
19 the nameplate capacity that you've reported?

20 MR. STEWART: I think that the present situation  
21 of going to a full second shift would be going up to the  
22 capacity that is listed in the questionnaire response,  
23 because the questionnaire response, because we were doing  
24 more than one shift, it was based on two shifts.

25 COMMISSIONER SCHMIDTLEIN: Okay.

1                   MR. STEWART: And so, I think that that's  
2 correct. It is the case that, as recently as 2014, the  
3 company was operating three shifts. So they could go up to  
4 three shifts and that would change the capacity number  
5 that's there, but your instructions are that you've limited  
6 to what you were doing at the moment, or doing during the  
7 period. The testimony was also from Mr. Starner that they  
8 are looking at adding a third line and if they were to add a  
9 third line, that would add 50% of the capacity to the  
10 capacity that, whether it's on a two-shift, three-shift  
11 basis.

12                   COMMISSIONER SCHMIDTLEIN: Okay. All right,  
13 thank you for that. Second question has to do with the  
14 captive production provision. And in the prelim, the  
15 opinion drops a footnote, which says that this provision  
16 doesn't apply because, having to do with the fact that the  
17 downstream article is also within the domestic like product  
18 and in-scope, right? Because it includes tire wheel  
19 assemblies, but just covering the wheel portion, is my  
20 understanding.

21                   So my question, since no one addressed it at the  
22 preliminary stage, neither side, you can address it now if  
23 you'd like, whether or not that was the correct decision,  
24 but I'd like to have the parties, both sides address whether  
25 or not that should apply, especially given the fact that

1 what we're really talking about here is one legal entity,  
2 even though you call these separate divisions, and I  
3 understand the testimony about, you know, it being arms'  
4 length. Does that make a difference?

5 MR. STEWART: On the first question about whether  
6 the footnote was correct or not, in my own view, the answer  
7 is no, it wasn't a correct footnote.

8 COMMISSIONER SCHMIDTLEIN: Okay.

9 MR. STEWART: And that's because what is true for  
10 scope has nothing to do with domestic like product or in  
11 that context. We were including wheels because that's all  
12 that the case is about. When you go downstream and you have  
13 an assembler, the assembler is putting together an assembly.

14 And under the captive production provision, the  
15 second part of the captive production provision would not  
16 apply because the greater value is the tire. The wheel is  
17 the smaller value of the assembly, so if the question is,  
18 does captive production provision apply, the answer's no.  
19 But the reason it doesn't apply is the second provision, not  
20 because the only thing's that relevant is the wheel.

21 COMMISSIONER SCHMIDTLEIN: Okay. Well, I invite  
22 you to put that in writing in the post-hearing and --

23 MR. STEWART: Of course we will.

24 COMMISSIONER SCHMIDTLEIN: -- the other side as  
25 well, if you would address the captive production provision,

1 that would be helpful. All right.

2 So, on this question about the corporate  
3 structure here and how that impacts the case, if the  
4 Commission were to find that, given the corporate structure  
5 and the fact that it's one legal entity and that you have,  
6 you know, a CFO, a COO who has input into the prices that  
7 Dexstar sets to the other division, and the other  
8 division's general manager's reporting up to a chain that  
9 comes up to the same person, if the Commission were to find  
10 that that means these aren't arms' length transactions, how  
11 would that impact the analysis in this case?

12 MR. STEWART: In my view, it shouldn't affect  
13 the analysis at all. You have different lines for  
14 intercompany transfers and for downstream production or  
15 internal consumption, right? And you've had, I think, eight  
16 or nine other cases where divisions were petitioners -- of  
17 companies were petitioners and were you have never viewed  
18 that as relevant to how you would look at the data.

19 If there was a significant difference in the  
20 profitability between merchant and related transactions,  
21 which you can evaluate or your staff can evaluate based on  
22 the questionnaire data, then you might say that you would  
23 want to do some additional exploration.

24 The other side has suggested doing additional  
25 exploration, but their basis for wanting to do that is

1 basically data that was, unfortunately, not corrected early  
2 enough.

3 COMMISSIONER SCHMIDTLEIN: So, the other cases  
4 that you've mentioned where the petitioners been a division  
5 have those cases involved companies where that division's  
6 major buyer is the same company -- a division in the same  
7 company?

8 MR. STEWART: I don't know that the public  
9 record would tell me enough to tell me that, but often they  
10 were divisions were they were one of many divisions within a  
11 bigger company.

12 COMMISSIONER SCHMIDTLEIN: I assumed you were  
13 representing all of those petitioners, you know.

14 MR. STEWART: I thank you for that comment.

15 COMMISSIONER SCHMIDTLEIN: Okay, alright. Okay,  
16 well, again, I invite you to address that question in the  
17 post-hearing. It's always helpful for when we come around  
18 to the vote date.

19 I don't think I have any other questions at this  
20 point, so thank you very much.

21 CHAIRMAN JOHANSON: Commissioner Kearns.

22 COMMISSIONER KEARNS: Thank you.

23 Ms. Pickard, I wanted to follow up with you on  
24 questions I had about the fire and the impact on the first  
25 quarter of 2019. If we look at your production data,



1 comparing the first quarter of 2019 to the first quarter of  
2 2018, there seems to be a mismatch there between what we see  
3 on production versus what we see on profitability.

4 And also, by the way, if we look at production  
5 versus sales or shipments. Can you speak to that at all?

6 MS. PICKARD: During the first quarter of 2019,  
7 we did have, as I believe mentioned in our testimony, new  
8 customers that had approached Dexstar because the  
9 preliminary duties were put in place, so now we had  
10 customers that were coming back to purchase from Dexstar, so  
11 that did help with achieving sales.

12 And as you'll see in the questionnaire, the  
13 merchant market sales did increase over the intercompany  
14 sales during that first quarter.

15 COMMISSIONER KEARNS: Okay, thank you. Maybe  
16 post-hearing --

17 MR. STEWART: You're looking for something that  
18 kind of goes through -- why would the loses have increased  
19 in the period, et cetera?

20 COMMISSIONER KEARNS: Exactly. And addressing  
21 specifically the apparent mismatch between what I'm seeing  
22 on production first quarter comparisons versus  
23 profitability, yeah.

24 MR. STEWART: We'll do that post-hearing, but I  
25 mean I think the effort that the company put in to try to

1 maintain as much production as they could despite the fact  
2 that their number one rim line was down or a major piece of  
3 the equipment was down for almost the entirety of the first  
4 quarter meant that they went through a lot of extra costs.

5 COMMISSIONER KEARNS: Okay.

6 MR. STEWART: We already indicated that on the  
7 personnel they'd basically hired a full second shift and  
8 were in training. And with the first line down, it would  
9 mean that -- or partially down -- that would mean that you  
10 had a lot of people who were being trained who couldn't  
11 actually go out and produce stuff.

12 COMMISSIONER KEARNS: Okay, okay. So,  
13 production wasn't destroyed in the first quarter of 2019,  
14 but you ended up having to do more shifts and so forth on  
15 other equipment?

16 MR. STEWART: Well, they have two lines and so  
17 you're scrambling to see what you can do and getting people  
18 to work extra hours and those sorts of things.

19 COMMISSIONER KEARNS: Okay, thank you. That's  
20 helpful.

21 I wanted to ask about capacity. Post-hearing  
22 can you provide us with specifics concerning your expected  
23 capacity increases in the coming years. And also, looking  
24 back, can you provide information as to when you last  
25 operated at or near full capacity?

1                   MR. STEWART: We'll be happy to do that  
2 post-hearing.

3                   COMMISSIONER KEARNS: Okay, thank you.

4                   I want to ask a question about galvanized. This  
5 is more of a high-level question, I guess. I guess what I'm  
6 wondering is if we were to find two separately like  
7 products, galvanized and non-galvanized, and if we were to  
8 find that galvanized did not cause injury, but  
9 non-galvanized did what would happen? And specifically,  
10 would you expect that galvanized would then begin to be used  
11 as a substituted for non-galvanized subject imports?

12                   And specifically, I'm trying to figure out -- it  
13 seems to me that there is a price difference, as you all  
14 have said, between galvanized and non-galvanized, but is it  
15 enough and are subject import prices of galvanized low  
16 enough that they could serve as a substitute for  
17 non-galvanized product in segments of the market that don't  
18 need a high corrosion resistant product.

19                   MR. PIZZOLA: The galvanized wheel will  
20 essentially have the same operating characteristics of a  
21 painted wheel, so you could substitute a galvanized wheel on  
22 a trailer. And likewise, you can put a painted wheel in  
23 place of a galvanized wheel. So, it's the same physical  
24 characteristics. It's just a different coating on the  
25 outside of the wheel.

1                   COMMISSIONER KEARNS: And is the price of  
2                   galvanized; in particular, of imports from China of  
3                   galvanized so much higher that it could never really be  
4                   substituted or can you speak to that?

5                   MR. STEWART: Pretty clearly, Commissioner  
6                   Kearns, if you made a different decision on galvanized, the  
7                   whole reason that that has been teed up is the desire to  
8                   ship in as much as they can with that type of coating.  
9                   Certainly, it would maintain the volume that they have and  
10                  cannibalize a bunch of other things. It's even possible,  
11                  based on where prices are, that you could strip the  
12                  galvanizing off and put a different coating on.

13                  COMMISSIONER KEARNS: Thank you. And I did take  
14                  a quick look before the hearing at the AUVs of galvanized  
15                  subject imports and compared them to the AUVs of  
16                  non-galvanized U.S. product and I didn't see a huge  
17                  difference there. And I guess post-hearing if you could  
18                  speak to that and speak to whether or not we should be  
19                  thinking about that kind of impact when we do our  
20                  domestic-like product analysis. That'll be helpful. Thank  
21                  you.

22                  MR. STEWART: We will. Thank you.

23                  COMMISSIONER KEARNS: Thank you. I think the  
24                  last question I have is with respect to sales to related  
25                  parties versus non-related parties. You know we've talked

1 about the fact that there are product mix issues there and I  
2 guess if you can just give us some examples preferably now;  
3 if not, post-hearing as to what products you tend to sell to  
4 related parties versus to non-related parties to help us  
5 understand why there would be this difference.

6 MR. STEWART: Yeah, the analysis that we did off  
7 of the sales database is -- it's not that there are products  
8 that don't get sold to one or the other. It's that there is  
9 a higher percentage of products that gets sold to one or the  
10 other. So, to unrelated parties during this time period --  
11 take 2018 for an example -- we did a run. If you said,  
12 okay, assume that these prices were the same at  
13 related/unrelated and that you just had a sale of one, okay,  
14 and then we looked at what the mix was.

15 And so, with identical prices the mix would've  
16 resulted in an average unit value per unit to related  
17 parties that 18 percent lower based on the actual mix in  
18 2018 versus an identity of prices at each of the products.  
19 So, that tells you that there's a significant differential  
20 in terms of how much of 16-inch wheels go to unrelated  
21 versus related 15-inch wheels on up, alright?

22 So, we can present that in summary form in the  
23 post-hearing brief, but that's the nature of the thing. You  
24 know you have some customers -- for example, one of the  
25 customers that was lost by Monitor that we had the slide up

1 earlier, that showed it was based on price, the lower price  
2 that they could do bringing a product in from China and  
3 doing their own assembly, that was a major purchaser of  
4 12-inch wheels that would've gone to the related party. And  
5 so, the related wheels of 12-inch were dramatically skewed  
6 toward related parties.

7 COMMISSIONER KEARNS: Okay.

8 MR. STEWART: Obviously, those are much cheaper,  
9 less expensive wheels than a 16-inch wheel, as you would  
10 expect. So, it's that kind of thing.

11 COMMISSIONER KEARNS: Okay, yeah, that's a  
12 really helpful example. If there's others like that, you  
13 know just say like I get that it's not 100 percent one way  
14 or the other, but we tend to sell these products more to  
15 related parties versus those products that'd be helpful.

16 MR. STEWART: We'll give you a percentage  
17 breakout based on 2018 as an example.

18 COMMISSIONER KEARNS: Okay, great. Thank you  
19 very much. I have no further questions.

20 CHAIRMAN JOHANSON: At the bottom of page 4 of  
21 Tredit Tires' brief, Tredit notes some specific quality  
22 concerns with Dexstar supplied wheels. Could you all please  
23 address these concerns?

24 MR. STEWART: We would be pleased to do so.

25 CHAIRMAN JOHANSON: Again, they're at the bottom

1 of page 4.

2 MR. STEWART: Yes, I don't have their brief  
3 immediately in front of me, but they had a number of issues  
4 that they identified. If you look at in our pre-hearing  
5 brief, while we didn't have their brief in front of us,  
6 obviously, it was pretty clear, based on the conduct of  
7 Tredit in their relationship with Dexstar over the last six  
8 months that there would likely be a series of issues.

9 One issue had to do with a center disk which  
10 apparently came out of a wheel that one of their customers  
11 hand and this was viewed as a major problem. Dexstar  
12 requested that the wheel be returned to it so that it could  
13 determine whether or not the problem was due to a  
14 manufacturing problem or a misuse by the customer. All  
15 these wheels are rated for certain low gradings, right?

16 And for reasons known only to Tredit, they opted  
17 not to send it back and our client ended up going to  
18 extraordinary efforts to try to make sure that it wasn't a  
19 manufacturing problem. Because if it was a manufacturing  
20 problem, they'd be looking at bringing product back from  
21 other customers who had bought it. So, that's one that they  
22 claimed was a problem.

23 All the review that was done by Dexstar  
24 demonstrated that there was nothing wrong with wheels in  
25 that same batch of the same size produced on the same day

1 and so that was one that is made as a claim against them,  
2 but which is not actually, in our view, been proved to be a  
3 Dexstar problem as opposed to perhaps a misuse by a customer  
4 problem, which can happen, of course.

5 Second, there were issues with regard to whether  
6 wheels that they received you could see the date stamp on  
7 them. And the first claim that came, I believe, came out of  
8 Florida.

9 MR. PIZZOLA: Pennsylvania, I believe.

10 MR. STEWART: Pennsylvania. So, a bunch were  
11 brought back and the ones that were brought back and were  
12 inspected all had the date stamp that was visible. In the  
13 materials that they sent, they also sent an example of one  
14 that presumably was claimed not to be able to see the date  
15 stamp and so here it is. And either they need to invest in  
16 a new pair of glasses or they need to do a better job of  
17 identifying what the problems are.

18 Despite that, the company made great efforts to  
19 deal with any claims that were had -- they had -- and  
20 brought the product back, gave them credit, if that's what  
21 they wanted, and shipped the product or the people were, in  
22 fact, the date stamp was, in fact, on it. And also, took  
23 the effort to move the date stamp from the front to the back  
24 where there's less paint and hence, it would be less of an  
25 issue and informed Tredit of that fact.



1           None of that, of course, is included in Tredit's  
2 description of what was done. So, they pretend that our  
3 client did nothing to address concerns that were raised as  
4 opposed to doing what most manufacturers do with their  
5 customers. You have a problem, let's take a look, let's see  
6 if we can deal with it, et cetera.

7           So, that also, in our view -- could there have  
8 been some that were problematic, possibly. If that had been  
9 the case, were they taken back and credited, yes, et cetera.  
10 So, those were a couple of the ones that I can think of off  
11 the top of my head that were listed at the bottom of the  
12 page as though they were problems.

13           Now, in the case of our client, they've own  
14 Dexstar, I think, for 15 years and no one has ever raised an  
15 issue about illegibility of the date stamp. So, this was  
16 the very first time it came up and they acted responsibly.  
17 They bought product back which they disagreed couldn't read  
18 the date stamp, but they also worked to move where the date  
19 stamp would be so that there would be less issue that that  
20 could be a problem. I would think that that is what the  
21 idea of a good relationship and a proper service level by a  
22 manufacturer would be.

23           CHAIRMAN JOHANSON: Thanks, Mr. Stewart.

24           On page 18 of Trans Texas's brief, Trans Texas  
25 argues that a significant number of firms have named Dexstar

1 as having supply constraints. Could you all please discuss  
2 this issue?

3 MR. STEWART: Yes, we already discussed it in  
4 our pre-hearing brief. I believe I mentioned that to one of  
5 the other Commissioners.

6 First, many of the people who made those claims,  
7 if you look, will turn out to be people who never bought  
8 directly from Dexstar and would've been dealing only with  
9 assemblers, whether it be ATW, whether it be Trans Texas,  
10 whether Tredit, whether it be somebody else. So, how would  
11 you know what Dexstar delivery is or ability to supply if  
12 you're buying from an assembler who has Dexstar product?  
13 You would be evaluating the assembler and has far as we know  
14 there have not been any supply issues at the assembler  
15 level.

16 So, there are a lot of those types of things  
17 that are there with the data. Okay, you can add up the  
18 numbers, but you need to do some analysis of the numbers in  
19 terms of whether these are people that have any credibility.

20 CHAIRMAN JOHANSON: Thanks, Mr. Stewart.

21 And then going back to Tredit Tires' brief, back  
22 at pages 5 and 6, on page 5 to 6 of Tredit's brief, Tredit  
23 discusses some innovative features associated with the new  
24 design adopted by subject imports and appears to indicate  
25 that these features were not available from Dexstar.

1                   Does Dexstar off some version of these features  
2                   in its own wheels? And again, these are at pages 5 to 6 of  
3                   the --

4                   MR. STEWART: I think the answer is, is that  
5                   everything that you see on the table in front of you were  
6                   brought in specifically to show that the things that were  
7                   being claimed to be unique are not unique.

8                   In addition, there is an Exhibit 12 to our  
9                   pre-hearing brief which are the results of tests that were  
10                  done of Dexstar's product against all the major Chinese  
11                  product and also against the Korean product to test how  
12                  those products perform and the Chinese products all failed.  
13                  The Dexstar and Korean products both passed. So, it may be  
14                  that they're wonderful things that people that they have  
15                  that we don't have, but it's not been identified and the  
16                  wheels in front of you would show that the 360 wheel (A) is  
17                  available if you want it from Dexstar, isn't required to  
18                  have superior characteristics to wheels from China that do.  
19                  Masking is done; all the things that they claim are unique  
20                  are not unique and have been done for a long time by  
21                  Dexstar.

22                  CHAIRMAN JOHANSON: Thank you, Mr. Stewart.

23                  That concludes my questions. I appreciate you  
24                  all being here today. Do any other Commissioners have  
25                  questions? No Commissioners have questions for this panel?

1 Do staff have any questions for this panel?

2 MR. THOMPSON: Craig Thompson, Office of  
3 Investigations, the staff has no questions for this panel.

4 CHAIRMAN JOHANSON: Do Respondents have any  
5 questions for this panel.

6 MR. SCHUTZMAN: No questions from the  
7 Respondents.

8 CHAIRMAN JOHANSON: Alright, no questions from  
9 Respondents.

10 Alright, well, let's now take a recess for lunch  
11 and let's return here at 1:20 p.m. And I'd also like to  
12 remind parties that this room is not secure, so if you have  
13 any business-confidential information, you will want to take  
14 it with you. We'll see you back here at 1:20.

15 (Whereupon, a lunch recess was taken to  
16 reconvene this same day at 1:20 p.m.)

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

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

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

5                   MR. BISHOP: Mr. Chairman, I would note that the  
6 panel in opposite to the imposition of antidumping and  
7 countervailing duties have been seated. This panel has  
8 sixty minutes for their direct testimony.

9                   CHAIRMAN JOHANSON: You all may proceed whenever  
10 you'd like.

11                   STATEMENT OF BRIAN F. WALSH

12                   MR. WALSH: Good afternoon, Mr. Chairman, members  
13 of the Commission, and Commission staff. I am Brian Walsh  
14 from Barnes, Richardson & Colburn, here representing Tredit  
15 Tire & Wheel Company. Tredit is the largest assembler in  
16 the United States and, as such, the Commission may see that  
17 the company's view on the industry carry particular weight.

18                   Testifying on behalf of Tredit today will be  
19 Ronald Pike, President and CEO, who will discuss Tredit's  
20 history with the domestic industry and why Tredit shows to  
21 find alternate sources of supply. And Jeffrey Stevens,  
22 Quality and Compliance Manager, who will be discussing the  
23 physical differences between -- and -- wheels and the wheels  
24 supplied by Dexstar and Tredit's experiences with  
25 reliability and supply of Dexstar.

1           Before we get to that, I'd like to discuss  
2           critical circumstances. In making a critical circumstances  
3           determination, the Commission focuses on whether the  
4           post-petition imports are likely to seriously undermine the  
5           remedial effects of any antidumping or countervailing duty  
6           order to be issued. In applying its extremely high  
7           standard, the Commission looks at the volume of subject  
8           imports, increases in that volume over the relevant period,  
9           and whether inventories of the subject merchandise have also  
10          increased.

11           The statute focuses on these factors because if  
12          inventories of imported goods are sufficiently high in a  
13          low-demand market, they could be used to fulfill sales for  
14          the foreseeable future and prevent the domestic industry  
15          from benefitting from any antidumping or countervailing duty  
16          order. This is absolutely not the condition of the domestic  
17          trailer wheels market.

18           First, as indicated by data contained in the  
19          prehearing report, demand for trailer wheels is neither low  
20          nor sporadic. The figures in the prehearing report show a  
21          market that is simply too big for demand to be satisfied by  
22          imports over a short period of time. Beyond that, there are  
23          indications that U.S. consumption is poised to rise in the  
24          foreseeable future. First, from 2016 through 2018, apparent  
25          U.S. consumption had already risen.

1           There is no indication that these trends will  
2 stop in the foreseeable future or that trailers, towable RVs  
3 and mobile homes will stop needing replacement tires and  
4 wheels. In addition, if antidumping and countervailing  
5 duties are imposed, these will dramatically cut the supply  
6 of Chinese trailer wheels in the United States, and the  
7 United States trailer wheel industry will have a tremendous  
8 opportunity to benefit from any antidumping and  
9 countervailing duty orders.

10           It should also be noted that trailer wheel  
11 imports have been subject to additional 301 duties. As  
12 noted by the Commission staff in the prehearing report, most  
13 firms reported that these duties had no impact on overall  
14 demand, but that the price of wheels had increased as a  
15 result.

16           The situation in which demand is unimpacted by  
17 tariffs while prices increase, is literally the economic  
18 effect petitioners seek in pursuing antidumping and  
19 countervailing duty cases.

20           Notwithstanding the critical circumstances  
21 determinations of Commerce, market participants have  
22 reported to the Commission that petitioners have the  
23 opportunity to raise prices without demand falling.  
24 Considering this reality, it is not possible to conclude  
25 that the remedial effect of the antidumping or

1       countervailing duty order will be seriously undermined.

2               In light of the nature and size of the domestic  
3       trailer wheel industry, there is simply no surge of imports  
4       and no inventory that could be imported between the filing  
5       of the petition and the preliminary results that would  
6       undermine the benefit of any order to be issued.

7               The decrease in U.S. importers' inventories of  
8       Chinese trailer wheels from almost thirty-five million  
9       pounds in the January to March, 2018, period, to under  
10       thirty-one and a half million pounds in the corresponding  
11       period of 2019, clearly indicates the industry does not face  
12       a large overhang of Chinese inventory that would erode the  
13       benefits of any remedy.

14              In the context of the United States trailer wheel  
15       market, this inventory is simply not enough to prevent the  
16       petitioners from receiving whatever benefits they would  
17       receive from the issuance of such an order.

18              The percentage increase in imports of trailer  
19       wheels during the relevant period does not nearly approach  
20       the percentage increases found in the very rare instances in  
21       which the Commission has made an affirmative critical  
22       circumstance determination.

23              As stated in the prehearing report, total U.S.  
24       imports from China were up only 7.1% in the six-month period  
25       preceding the filing of the petition. This figure contrasts



1 dramatically with increases in cases where critical  
2 circumstances have been found, such as the 78.5% increase  
3 over the corresponding period in honey from Argentina and  
4 China and the increase of more than 300% in synthetic indigo  
5 from China.

6 As a final note, any critical circumstance  
7 determinations in this matter, affirmative critical  
8 circumstances determinations would have tremendous  
9 inequitable effects. Commerce determined very substantial  
10 antidumping margins and astronomical subsidy rates as a  
11 result of the use of adverse facts available. This was done  
12 because of the withdrawal of respondents from all or  
13 portions of the investigation; however, the decision of  
14 these few foreign producers did not participate should not  
15 be used to justify the imposition of massive retroactive  
16 duty liability on U.S. importers, particularly, assemblers  
17 who are located in the United States and generate  
18 significant employment and profit here.

19 Such assessment would constitute non-recoupable  
20 expenses on products already sold. Assemblers would need to  
21 cover these costs by cuts in other areas of company  
22 operations, including possibly wages and benefits, while at  
23 the same time providing no real benefit to the petitioner  
24 during the life of any order that may be issued. Thank you.

25 STATEMENT OF RONALD A. PIKE

1           MR. PIKE: Good afternoon, Mr. Chairman, members  
2 of the Commission and Commission staff. My name is Ronald  
3 Pike, here today with my colleague, Jeffrey Stevens,  
4 representing Tredit Tire & Wheel Company. I started with  
5 Tredit Tire in 1983, worked a sales territory in North  
6 Central Texas. In my thirty-six years at Tredit, I have  
7 held positions in material management, sourcing, later as  
8 Vice President of Operations for Tredit's six distribution  
9 centers across the U.S. In 2012, was promoted to President,  
10 Chief Operating Officer, and as of 2016, have held the  
11 position of President, CEO.

12           Tredit Tires started in 1967 with five associates  
13 in Elkhart, Indiana. At that time, a million in revenue.  
14 By 1993, Tredit had five distribution centers, amassing  
15 sales revenue of over a hundred million. Today, Tredit is  
16 the largest tire and wheel assembler in North America,  
17 distributing over three million units per year, eclipsing  
18 over two hundred million in revenue. This I am proud to say  
19 has been done with a hundred and seventy-two associates that  
20 have learned and earned the right to be the leader in our  
21 industry in product development, brand recognition, product  
22 safety.

23           This is not been accomplished by price. Tredit  
24 is not the industry leader in pricing. This has been  
25 accomplished with bringing value-add, service, quality,

1 mostly product confidence to our customers.

2 Tredit's relationship with the factory dates back  
3 to 1988, when Dexter Wheel was privately and later purchased  
4 by Phillips Industries. Back then, Goodyear tires were  
5 mounted to Dexter wheels and supplied to the growing RV  
6 business. As the industry grew and Tredit expanded in the  
7 1990s, Tredit became Dexter's largest steel wheel customer.  
8 However, the industry changed in 2004 when Kenda acquired  
9 Dexter Wheel, renaming the company Dexstar.

10 This acquisition put an offshore assembler in  
11 Tredit's supply chain. I vividly remember at that point  
12 with upper management, the conversation of, "This does not  
13 ensure continued volume to the plant." To ensure steady  
14 supply for our customers, Tredit dual-sourced to Korea for a  
15 portion of our needs. Later, that supplier moved to China.  
16 This is the real reason for Tredit's move. Still looking to  
17 work with Dexter as a vendor, though a competitor to Tredit,  
18 our purchases in 2013 grew to six hundred thousand pieces  
19 annually.

20 Contrary to what may appear in the affidavits  
21 submitted with Dexstar's briefs, inevitably though, from  
22 2014 through 2016, was strong economic growth in the U.S.,  
23 the towable industry was seeing strong double-digit growth.  
24 After several meetings, Tredit demands started out strip the  
25 factory's capability to supply Tredit's expansion in

1 locations, as well as units. Soon delivery, quality issues  
2 arose. Meetings were held with senior management, Paul  
3 Starner, Jeff Pizzola, promises were made. Results fell  
4 short for one reason or another.

5 Speaking to Dexstar's comments as to why Tredit  
6 moved to Chinese sources, each distribution center is its  
7 own profit center. Our managers are capable of contacting  
8 vendors directly. Rick Fimer was a operations manager. He  
9 was not in the supply chain decisions. Currently, Rick is  
10 no longer with Tredit, but in 2015, during these e-mail  
11 correspondences, Tredit's volume with Dexstar was two  
12 hundred and fifty thousand units, over four million in  
13 revenue. By 2016, volume at Dexstar was at fifty-eight  
14 thousand units.

15 Again, meetings were held. By now, it was  
16 obvious the plant was out of position as a supplier to  
17 Tredit. Strategically our management team saw this outcome  
18 way in advance and protected our values as an independent  
19 distributor. So we did what was right for our associates  
20 and customers and fulfilled the demand from multiple  
21 sources.

22 Last winter again, we met with Dexstar, looking  
23 for modest numbers in supply for 2019. My colleague,  
24 Jeffrey, will point out numerous examples on quality and  
25 manufacturing differences, testing criteria. Tredit could

1 not get the results needed from the supplier. Our decision  
2 is the same whether it's a domestic or offshore vendor.  
3 Quality, consistency, delivery is the backbone of any  
4 distributors' reputation.

5 Pricing was not the factor which led Tredit to  
6 seek sourcing alternatives. Tredit is in the best position  
7 to know why it sought foreign sources.

8 Others who claim to know are simply incorrect.  
9 Thank you for your time here today. Open to any questions.

10 STATEMENT OF JEFFREY STEVENS

11 MR. STEVENS: I'm gonna go back in time here a  
12 little bit. Back to 1998 and '99. Customers were --  
13 Tredit's value, Tredit's focus has always been to take care  
14 of the customer, do the right thing, put the best product  
15 out. You know, at one point in time, Dexter, Dexstar, they  
16 were that. As the market grew, the industry grew, learning  
17 curves, installation, when you install a tire and wheel,  
18 there is, you know, it's not Nascar, you don't go up and ram  
19 jam, pound the wheel on, you're gonna have problems.

20 So we identified this an issue. Wheels were  
21 loosening, torque was being lost and Mr. Bowman from NTSA at  
22 that time, I don't know if any of you remember him, was  
23 having conversations with our then-Vice President of Sales  
24 and Marketing. So in Tredit's belief of doing the right  
25 thing, putting better product in the field for our customer,

1       responding to safety needs and their requests, we developed  
2       the LMT. It's been called ITR, LMT, Masking, I've heard  
3       multiple terms throughout the course of the last several  
4       months.

5                I just wanna point out, you know, Dexstar, they  
6       knew of this process. You know, it's an automotive process.  
7       It was bought to us and developed with us with an individual  
8       from NK International by the name of Ted Shorn. So, we  
9       wanted to find, recreate the wheel, have the better wheel.  
10      As the members can see, and this is in one of the smaller  
11      briefs, but if you'd like to step down or I can bring it up  
12      to you, there is noticeable differences in the lug seat  
13      area. May I pass that around?

14             So evaluate where the lug hole is, where a lug  
15      nut will come into contact. You've heard the term 60 degree  
16      seat, you've heard the term conical seat, coin seat, coining  
17      provides a heavier wall. If a wall has begun to be  
18      installed and it is installed incorrectly, if it does not  
19      have a significant contact area or an reinforced wall, that  
20      lug seat area will collapse.

21             The other situation comes whenever the unit  
22      leaves the yard. The unit may be towed by a towaway, you  
23      know, just a guy towing that RV or cargo trailer to a  
24      dealer. They will stop, get out a 4-foot bar, no kidding,  
25      seen it, and will begin to push down on the lug nuts.

1           Again, trying to educate the industry, educate  
2           the end user that's towing this unit on vacation, we've gone  
3           beyond the end of the earth trying to educate, but we need  
4           to make it absolutely safe to where that situation does not  
5           take place. The collapsing of that lug pocket, that lug  
6           seat, will happen with misuse or misguided instruction.

7           So Tredit developed what we refer to as the LMT.  
8           That began development in 1998, proceeded through 2000. It  
9           took some time, took some doing. And again, we worked with  
10          Dexter through much of this. I've heard they have the  
11          technology, they have the ability, the capability -- I know  
12          on a couple of their smaller wheels, 12- and 13-inch  
13          products, you know, they have a coined type seat.

14          They could've benefited from what we brought to  
15          the market, what we were sharing and put themselves in a  
16          better position, but that's not the case, that's not where  
17          we're at today. I wanted to state the facts and just clear  
18          the air on all of the different terminologies that the  
19          Commission may have heard, and there you can witness there  
20          is a true design difference. If I have time, I wanna touch  
21          on a couple of the points that were brought up prior to  
22          break.

23          If we go to the exhibit in our statement there,  
24          if you go back through, starting with Exhibit 1 in the  
25          brief, after Page 16, you'll have the page of Exhibit 1.

1 Again, we've worked with Dexstar for many years. We do  
2 everything we can to help our vendor be a better vendor. We  
3 share what we see. We don't nitpick. There's an e-mail in  
4 one of the exhibits here where I asked, our customers, all  
5 customers have different criteria, primarily you look at the  
6 wheel and the tire assembly here with the center that's  
7 missing, that's back from 2013.

8           So, if you have time, please review some of this  
9 and we'd be happy to address any of the other questions.  
10 Some of the things we see -- and this is hard for our  
11 associates that are assembling a tire to a wheel -- we have  
12 a wheel factory. Their obligation is to provide us a  
13 product that we do not have to scrutinize with a fine-tooth  
14 comb. We need to get the product, pull it off the pallet  
15 and get a tire on it. Same thing goes for anybody else,  
16 whether it's an assembler, an end user, a retail. My God,  
17 I'd be frightened if a wheel with this split, as you page  
18 through here, would get into the hands of an end user that  
19 wouldn't be aware of that. We can continue to address this  
20 further. Thank you. Any questions, be glad to answer.  
21 Thank you.

22                           STATEMENT OF TING-TING KAO

23           MS. KAO: Good afternoon, and thank you for your  
24 time. My name is Ting-Ting Kao with White & Case. And I am  
25 here on behalf of Zhejiang Jingu, Company, Limited. I would



1 like to discuss the issues which were raised in our  
2 prehearing brief and certain scope issues addressed in  
3 petitioners' prehearing brief, particularly in light of the  
4 Department of Commerce's scope determinations, which were  
5 issued after the parties submitted prehearing briefs.

6 First, as discussed in our prehearing brief,  
7 there is substantial record evidence that galvanized trailer  
8 wheels constitute a separate like product and that imports  
9 of subject galvanized trailer wheels do not materially  
10 injure or threaten the domestic industry with material  
11 injury. Overall, consideration of the like product factors  
12 demonstrates that galvanized and non-galvanized trailer  
13 wheels are separate like products.

14 For example, producers, importers and purchasers  
15 consistently reported that galvanized trailer wheels are  
16 significantly more expensive than non-galvanized trailer  
17 wheels. Since much of the injury information is  
18 confidential, I will not go into it here, but our prehearing  
19 brief discusses why there is no material injury or threat of  
20 material injury to the domestic industry by reason of the  
21 subject galvanized wheel imports.

22 Second, I would like to reiterate comments made  
23 by others here and in prehearing briefs that there is no  
24 basis for an affirmative critical circumstances finding in  
25 these investigations. The data compiled by the staff for

1 critical circumstances purposes shows no surge in subject  
2 imports that would seriously undermine the remedial effect  
3 of any antidumping or countervailing order imposed.

4 As we noted in our prehearing brief, the slight  
5 increase in imports in December, 2018, is due in part to the  
6 regular increase in imports at the end of each calendar year  
7 by importers to account for the Chinese New Year holiday,  
8 when production in China is largely at a standstill.  
9 Moreover, inventory levels in the first quarter of 2019 were  
10 lower than inventory levels for the same period in 2018.  
11 And inventory ratios since 2016 have been steady.  
12 Accordingly, nothing in the record suggests that an  
13 affirmative critical circumstances finding is warranted.

14 Finally, I would like to discuss some issues  
15 related to scope. With respect to chrome, the scope  
16 language previously specified that all wheels coated  
17 entirely in chrome are excluded. And there was no  
18 qualification that the exclusion was based on how chrome  
19 wheels are manufactured. However, last week, the Department  
20 amended the scope exclusion to state that a chrome wheel  
21 manufactured with an electroplating process is outside of  
22 the scope, but a chrome wheel produced using Physical Vapor  
23 Deposition, also known as PVD, is within the scope.

24 We respectfully disagree, as manufacturing  
25 process was never identified by the petitioner as a

1 criterion for determining the scope for chrome wheels. We  
2 maintain that petitioners untimely scope request was a  
3 procedurally improper request to expand and not merely  
4 clarify the scope. As discussed in our prehearing brief,  
5 the petitioners' attempt to expand the scope was  
6 procedurally defective, because petitioner should have  
7 requested a scope expansion by amending its petition with  
8 both the Commission and Commerce before any preliminary  
9 determination was issued by the Department of Commerce.

10           However, petitioner did not do so. Instead,  
11 petitioners' request to expand the scope came well after the  
12 Commission's deadline for comments on the draft  
13 questionnaires, which meant that respondents did not have an  
14 opportunity to comment on data collection for chrome wheels.  
15 Petitioner never amended its petition to expand the scope  
16 and never informed the Commission that it was seeking to  
17 change the exclusion for chrome wheels to something other  
18 than wheels coated entirely in chrome.

19           Prior to Commerce's final scope determination  
20 last week, the scope language specified that excluded from  
21 the scope are steel wheels that are coated entirely in  
22 chrome. The staff in the final phase of these  
23 investigations issued questionnaires and collected data  
24 based on this definition. Notably, the Commission's U.S.  
25 importers' questionnaire asks for data regarding

1 out-of-scope imports of chrome-coated trailer wheels. That  
2 is wheels coated entirely in chrome, which the industry  
3 understands to include PVD and electroplated chrome wheels.

4           Moreover, petitioner has stated that there are no  
5 U.S. producers of chrome-coated wheels. Accordingly, the  
6 data collected by the Commission is not meaningful for  
7 critical circumstances or injury determination, since the  
8 data includes both subject and non-subject wheels as now  
9 defined by Commerce in its scope determination.

10           As we explained in our prehearing brief, due to  
11 the procedurally defective nature of petitioners' request  
12 regarding the expansion of the scope to include chrome  
13 wheels, the Commission should find that the domestic injury  
14 was not injured by reason of imports of chrome wheels,  
15 whether electroplated or PVD-produced.

16           Petitioner also claims in its prehearing brief  
17 that Commerce's determination regarding third-country  
18 processing will affect the Commission's critical  
19 circumstances' determination. We note here that the  
20 Department has clarified that the scope only includes wheels  
21 manufactured in a third country, where both the rim and the  
22 disc are from China.

23           And finally, with respect to nontrailer wheels  
24 such as passenger vehicle or light truck wheels, the  
25 Department of Commerce declined to include an end-use

1 certification specifying that the scope does not include  
2 nontrailer wheels. Nonetheless, petitioner has repeatedly  
3 made clear in its petition and statements before the  
4 Commission and the Department of Commerce and in its  
5 prehearing brief that it has no intent of including  
6 nontrailer wheels within the scope.

7 Accordingly, we ask that the Commission make  
8 clear that nontrailer wheels do not constitute subject  
9 imports and do not injure the domestic industry. Thank you  
10 for your time.

11 STATEMENT OF STEVE COURREGES

12 MR. COURREGES: Good afternoon. My name is  
13 Steve Courreges and I am the President of Big Tex Trailer  
14 Manufacturing, which is part of American Trailer World  
15 Corporation, or ATW.

16 ATW is the largest diversified manufacturer,  
17 distributor, and retailer of trailers and trailer parts in  
18 the United States, with approximately 4,500 employees, with  
19 manufacturing facilities in Texas, Oklahoma, Virginia,  
20 Indiana, Georgia, Ohio, Nevada, Oregon, Utah, and Idaho.

21 Trailers play an important role in our national  
22 economy, contributing billions of dollars to our GDP and  
23 employing hundreds of thousands of American workers. Within  
24 the Beltway, trailers might be a bit harder to spot amidst  
25 the congestion, but trailers are everywhere supporting large

1 and small businesses across the country serving markets such  
2 as agriculture, construction, energy, landscaping, and  
3 supporting people's personal and leisure activities.

4 This case is not about unfair competition. It's  
5 about Dexstar Wheel, a division of Americana Development,  
6 attempting to stifle U.S. competition with tire and wheel  
7 assemblers at the expense of American businesses and the  
8 American people.

9 Contrary to the arguments in Dexstar's Petition,  
10 imports are the result of strong demand in the United  
11 States, lack of domestic production capacity, and the need  
12 of our industry to have a reliable supply of quality steel  
13 trailer wheels.

14 Over the last five years, and specifically during  
15 the period of this investigation, the trailer industry has  
16 experienced tremendous growth, well ahead of GDP, for  
17 professional grade trailers generally between 4,000 pounds  
18 and 26,000 pounds GBWR, the segment of the market which Big  
19 Tex Trailers focuses.

20 The industry has posted a compounded annual  
21 growth rate of 8 percent during this five-year period. And  
22 in 2017 and '18, the industry saw accelerated growth well  
23 above 10 percent. The cargo trailer segment, as well,  
24 experienced similar growth since 2014, experiencing a 7  
25 percent KGR.

1           With the strong economy and diverse in-markets,  
2           coupled with the national shortage of commercial drivers, we  
3           expect the growth in the trailer industry to continue.  
4           Practitioner Dexstar and the only other domestic producer,  
5           American Wheel Corporation, a company I had never heard of  
6           prior to this case, cannot seem to produce enough steel  
7           trailer wheels in the U.S. market.

8           As an illustrative example, Carry-On Trailer, an  
9           ATW sister company of mine, had a first-hand experience with  
10          the risk involved in relying on the Dexstar conglomerate.  
11          Carry-On Trailer purchased wheels from Monitor, which is  
12          affiliated with Dexstar, and Kenda is the parent company of  
13          both these entities--Monitor is Kenda's distribution  
14          division for wheels and tires. Carry-On had a supply issue  
15          in June of 2018 with Monitor which resulted in the company  
16          needing to purchase about 10,000 15-inch tires and wheel  
17          assemblies from another source, as Monitor could not meet  
18          the demand of their current business.

19          A manufacturing company simply cannot afford  
20          suppliers who cannot deliver on their commitments. A  
21          stoppage of production is extremely expensive in terms of  
22          down time, rework, double handling, and can result in a loss  
23          of confidence by our direct customers and their customer's  
24          confidence in our products and brands.

25          There simply are no domestic steel wheel

1 suppliers that can meet the industry demand in a timely  
2 fashion for all the products that are needed. Our  
3 understanding is that a substantial portion of Dexstar's  
4 production goes to supply their internal affiliates who  
5 supply downstream customers with tire and wheel assemblies.

6 Assemblers like Trans Texas Tire, TreadIt and Tex  
7 Trail compete directly with Dexstar. For these assemblers  
8 to rely on a competitor to supply wheels does not make  
9 sense from a business perspective, particularly when the  
10 competitor does not have the capacity to meet lead times and  
11 production specifications.

12 Assemblers who have demanding OEMs and  
13 after-market customers with strict lead times have no choice  
14 but to turn to imports to meet their needs. Therefore, any  
15 increase in volume of imports is directly related to  
16 increases in demand and the need for alternate, reliable  
17 sources.

18 To the extent that price from producers in China  
19 and offshore are lower, it is our opinion that such pricing  
20 relates to the automation of some of the production  
21 processes which leads to higher production efficiencies,  
22 which in turn lowers cost and corresponding lower selling  
23 prices.

24 While I have never been to the Dexstar  
25 Manufacturing facility, I understand, having read



1 transcripts of testimony, that Dexstar has consolidated  
2 staffing and held back on capital investment, whereas  
3 several Chinese plants have invested in technology and  
4 automation of wheel manufacturing to improve productivity.

5           Additionally, producers in China have also  
6 improved lead times and offer products with improved torque,  
7 retention, and a variety of specifications. This allows for  
8 a higher quality and more cost effective products.

9           I would like to take a moment to expound upon the  
10 improved torque retention feature on wheels, and would ask  
11 each of you to reflect on the last time retorquing your  
12 car's lug nuts ever entered your mind. In today's  
13 fast-paced on-the-move society, torquing lug nuts is a task  
14 from a by-gone era. Today, as a professional grade trailer  
15 manufacturer, I consider improved torque retention  
16 technology a critical safety feature, and would not  
17 consider buying from a supplier who could not provide.

18           In conclusion, I strongly urge the Commission to  
19 reject Dexstar's Petition which seeks to financially reward  
20 a single multinational conglomerate to the detriment of  
21 broader American industry.

22           American trailer manufacturers and their  
23 suppliers have created billions of dollars in economic value  
24 and have grown to support hundreds of thousands of American  
25 jobs.

1 Thank you for your time and consideration.

2 STATEMENT OF AMANDA LEE WALKER

3 MS. WALKER: Good afternoon, members of the  
4 Commission, and Commission staff. My name is Amanda Lee  
5 Walker and I am the Chief Operating Officer of Trans Texas  
6 Tire. We call ourselves "TTT." We are based in Mount  
7 Pleasant, Texas.

8 TTT is a distributor of steel wheels, which  
9 represents about 10 percent of our overall business, but we  
10 focus on tire wheel assemblies. That is more than 50  
11 percent of our business. The rest is retail.

12 We are a family company. It was started by my  
13 father in 1985, and I began with the company in 2004. At  
14 first, as the OEM supply chain director, then I was  
15 Executive Vice President, and now I'm the COO.

16 We manufacture and market the Arc Wheel. You'll  
17 see it. It's the one with the pretty gold ticker. We do  
18 that with Shema Wheel from Lonco, China.

19 TTT employs about 120 people in four states, with  
20 our assembly facilities in Mount Pleasant, Texas; Feista,  
21 Missouri; Hampton, Iowa; Macon, Georgia. We also have 15  
22 subcontractors in California and Indiana where we cater to  
23 strictly distribution. Our principal markets are tire wheel  
24 assemblies for utility trailers, RVs, livestock trailers,  
25 and 53-foot dry vans.

1           We are here to tell you the truth about Dexstar  
2           and its methods, its motivations, its products. These are  
3           truths that may be obscured by the data and the information  
4           appearing in the Commission's staff report, but they are  
5           truths nonetheless.

6           You need to know these truths before you make any  
7           decision that will affect tens of thousands of hard-working  
8           Americans in the trailer industry, in the tire and wheel  
9           assembly business, not to mention the hundreds of thousands  
10          of consumers who will be adversely affected by that  
11          decision.

12          We recognize that in the final analysis we may  
13          not have much say in this matter. But as a life-long  
14          American entrepreneur in the trailer wheel business, we  
15          notice that people are being hurt each and every day by the  
16          unjustified filing and antidumping/countervailing petitions  
17          by Dexstar.

18          We are compelled to speak. First and foremost,  
19          this Petition is not about injury to Dexstar by reason of  
20          imports of trailer wheels from China. It is about a company  
21          that has been devastated financially by--it is not about a  
22          company that has been devastated financially by competition  
23          through China through no faults of its own. It is not about  
24          a desire to put more Americans to work or increase  
25          productivity, or to sell more American-made steel wheels,

1 because that simply will not happen.

2           Regardless of what you decide, it's about a  
3 company from Taiwan. Dexstar's parent company, Kenda,  
4 taking advantage of U.S. trade laws to stifle competition  
5 from China and to shield its unproductive, inept subsidiary,  
6 and that subsidiary's substandard wheels from a losing  
7 battle it can't win based upon the way it simply does  
8 business.

9           Make no mistake about it, a vote for material  
10 injury is a vote for unfair competition. We urge you to see  
11 beyond the numbers that manipulate the system with impunity,  
12 because that's what they're doing. It's just manipulation.

13           Total wheels for the RV and trailer industry  
14 consist of two basic items: a hoop, which is a steel rim;  
15 and a center disc, which is pressed. Dexstar's parent  
16 company, Kenda, purchased the antiquated and unprofitable  
17 former Dexstar axle wheel factory in 2004. Fifteen years  
18 later, Dexstar has yet to build a better wheel than the  
19 Chinese. And the fact that it doesn't even produce the  
20 majority of its center discs in the United States, until the  
21 filing regularly they imported many of their center discs.  
22 Yet they still advertise their product as "Made In America,"  
23 which is untrue.

24           Dexstar has not improved its trailer wheel by  
25 adding ITR improved torque retention, as did the other

1 suppliers in the market, nor did it improve the product's  
2 coating and rust resistance by adding E-coating and  
3 powder-coating standard like we did.

4 Improved torque retention for the trailer wheels  
5 is a significant innovation that Tread It pioneered and  
6 Trans Texas followed with our Chinese partners in 2009.  
7 Using fundamentals of the automotive disc centers, the wheel  
8 functioning principles of physics, this improved disc is  
9 able to provide a combined and beveled stud hole with  
10 dynamic coating strategy. The blocking and masking they're  
11 talking about is easy. And we made several changes in the  
12 conic and beveled holes, which gave us an edge in the  
13 market.

14 For example, we revolutionized the way to improve  
15 the coating process and to make the stud holes more adhesive  
16 to the bolt. This inhibits the paint chipping and also it  
17 prohibits the suffering of clamp-force loss, which is really  
18 dangerous.

19 This process prevents wheel loss and wobbles,  
20 which really present a very real danger in the operating of  
21 trailer wheels. It seems from the earlier testimony that  
22 Dexstar now only offers this as an upgrade or a call-out,  
23 where we have 209 respecifications that use this particular  
24 technology. Innovations we made are factors that  
25 distinguish our wheels from Dexstar's, and are a key factor

1 in the purchasing decisions of our customers.

2 TTT uses 100 percent name-brand coatings. We use  
3 Avolta and Ram Hawk Powder Coating. I don't know what brand  
4 they use. These coatings provide a more enhanced protection  
5 and a better finish. Dexstar continues to use a less  
6 attractive paint which is not nearly as effective or  
7 aesthetically pleasing as our name-brand coatings.

8 Our ERP system has the ability to track paint  
9 batches in wheel lot numbers, enabling us to respond  
10 promptly and accurately if there are questions arising from  
11 the performance or coatings on our wheels. Mind you, these  
12 various characteristics that distinguish the Arc Wheel from  
13 Dexstar's wheel are critical in distinguishing the factors a  
14 customer uses to make decisions and buy. And that is why  
15 people would prefer to buy from us than Dexstar.

16 It isn't about price. And I know that to be true  
17 because Trans Tex's Tire has actually lost business to Kenda  
18 and the subsidiaries based solely on their lower margins.  
19 We just lost one Friday.

20 I urge you to examine the prices and  
21 profitability of Kenda's Americana Assembler unit, for you  
22 will see that even the lower pricing on assemblies they are  
23 making money, due in part to the favorable pricing they  
24 receive from Dexstar and from Kenda Taiwan, and other  
25 foreign affiliates which they assemble into the United

1 States on trailer wheels that they could, or maybe not get  
2 from Dexstar, or non-subject countries.

3 We also have serious doubt that Dexstar is  
4 capable of increasing or really even wants to increase the  
5 capacity to produce trailer wheels in the United States. In  
6 the face of Dexstar's allegations and alleged financial  
7 difficulties, Trans Tex did attempt to purchase large  
8 quantities. We gave them our entire RFQ as recently as  
9 November of '18 and March of '19, but to no avail. Dexstar  
10 will not sell to us.

11 Correspondence between Trans Tex and Dexstar  
12 documenting the unwillingness to supply is attached as an  
13 exhibit to our prehearing brief, which brings me to my next  
14 important topic, which is the majority of our business in  
15 the sale of trailer wheel assemblies is trailer wheel  
16 assemblies not single wheels.

17 We engage in a very limited competition on single  
18 wheels with Dexstar. Instead, our principal competitors are  
19 tire wheel assemblers, including Dexstar's sister Americana  
20 Tire & Wheel, Monitor, and Martin.

21 Assembly involves mounting trailer wheels--pardon  
22 me, their business involves mounting their trailer wheels to  
23 captive affiliates at dumped prices. It gives them an  
24 unfair advantage on the tire portion of the assembly.

25 This orchestrates maneuvers to maximize their

1 profit in a segment that is already very profitable. The  
2 tire wheel assembly market, not the trailer wheel market, is  
3 the lower here. Therefore, if Dexstar, but not because of  
4 their inability, it's therefore not Dexstar's problem but  
5 it's their inability to compete with the low-priced Chinese  
6 trailer wheels.

7 Dexstar may be suffering, but you can be sure  
8 Kenda in Taiwan is not. Kenda in the U.S. is not.  
9 Americana Assembly is not. It has to do with the parent  
10 company's decision to maximize profit for the consolidated  
11 overhang industry at the assembly level.

12 It is also contributed to by chronic  
13 mismanagement, failure to invest in upgrading its  
14 facilities, and neglecting needed innovative techniques to  
15 keep pace with steel trailer wheels produced in China.

16 Finally, our attorneys tell us that the purpose  
17 of antidumping and countervailing duties is to level the  
18 playing field for U.S. producers over products from foreign  
19 origin that are unfairly priced in this market. So those  
20 producers can produce--can increase production and put more  
21 people to work doing so.

22 Here if you decide affirmatively and grant injury  
23 to Dexstar, what will happen is exactly the opposite of the  
24 intended purpose. What will happen has already happened as  
25 a result of these Petitions. Imports of steel trailer



1 wheels from China have declined significantly, and imports  
2 from other countries have walked into the breach and  
3 replaced Chinese trailer wheels in the market.

4 Dexstar's production of steel trailer wheels has  
5 perhaps only increased to satisfy the increased appetite of  
6 its affiliated assemblers for wheels. The livelihoods of  
7 tens of thousands of production, administrative, sales,  
8 support workers in the assembly business will be lost with  
9 no appreciable benefit to the U.S. production.

10 Kenda and Taiwan will benefit. Americana Tire  
11 and Wheel will benefit. And they'll be laughing all the way  
12 to the bank about how they manipulated this situation to  
13 their advantage. I beg you not to let this happen.

14 Thank you for listening.

15 STATEMENT OF BRYAN HAAS

16 MR. HAAS: Good afternoon. My name is Bryan Haas.  
17 I'm Vice President of Sales for Trans Texas Tire. Our  
18 family-owned company specializes in purchasing tires and  
19 trailer wheels, and producing tire and wheel assemblies,  
20 while employing more than 120 people in 4 states.

21 We are the primary supplier of these assemblies  
22 for some of the largest trailer, cargo, RV, and dry van  
23 manufacturers in the industry. I've been with Trans Texas  
24 Tire for the past seven years. My comments will focus on  
25 conditions of the marketplace and our exclusive Arc Wheel

1 that differs from the Dexstar wheel in both safety and  
2 appearance.

3 One aspect of this investigation we believe has  
4 been overlooked is the way most trailer wheels are sold in  
5 the U.S. Like Dexstar, the majority of our wheels are sold  
6 as part of an assembly, a combination of both the tire and  
7 the wheel delivered to the trailer manufacturer.

8 This assembly is priced as a package, not solely  
9 on price but also availability, lead times, tire preference,  
10 and relationships. Concerning tire preference, we have made  
11 the Provider Brand Tire and companion wheel, a staple of the  
12 OE trailer business for more than 10 years, and it is highly  
13 regarded throughout the industry.

14 Trailer manufacturers demand a quality wheel and  
15 tire. And when they find one, they're less likely to leave  
16 regardless of the price. For these assemblies, the tire is  
17 generally much more expensive than the wheel. Depending on  
18 brand and size, the tire can cost between 30 to 200 percent  
19 more than the wheel.

20 For example, a 14-inch wheel may cost \$15, while  
21 the suitable tire sells for \$30 or \$35. This is  
22 particularly important when you understand Dexstar's  
23 Americana and their other divisions such as Martin Wheel,  
24 which are also owned by Kenda Rubber.

25 In other words, Dexstar has a built-in captive

1 customer, so they don't have to be as motivated to price  
2 their wheels in line with the market. Contrast that to the  
3 way we and some of our other competitors do business. If we  
4 request a price adjustment from one of our tire suppliers  
5 and they can't or won't deliver a lower price, we have the  
6 option of moving to another trusted supplier to see if they  
7 can hit target pricing.

8           Dexstar and Americana doesn't have that option.  
9 They must buy from their parent company, Kenda, regardless  
10 of the price. That may-pardon me. That may or may not be  
11 competitive, but without another resource they have little  
12 motivation to disrupt their pricing strategy.

13           This morning Mr. Mountain, the President of  
14 Homestyler Trailers, who builds a great trailer, testified  
15 to Dexstar's wheel price. What he's likely referring to is  
16 an assembly price, the package of the tire and the wheel.  
17 That's how trailer manufacturers buy.

18           In preliminary testimony given last August and  
19 this morning, Jeff Pizzola, Americana's COO, mentioned a  
20 couple of items I would like to address.

21           Mr. Pizzola said Martin Wheel is in a primarily  
22 different market segment. Martin Wheel, like Dexstar, is  
23 owned by Kenda. And while they sell some smaller tire and  
24 wheel assemblies, they've devoted more than 11 pages and 200  
25 SKUs to the very tires and wheel assemblies we're discussing

1 today.

2 In other words, they're dealing in a product  
3 which doesn't allow for market conditions to exist. Knowing  
4 that Martin Wheel and Americana are owned by Kenda, do you  
5 think they would be interested in bidding wheels or  
6 assemblies from us? Probably not.

7 Mr. Pizzola also stated that he has seen  
8 customers leave for as little as 10 cents a wheel. I can  
9 say that I've been involved in hundreds of conversations  
10 with buyers, both on the wholesale and retail front, and no  
11 one that I'm aware of has ever left for 10 cents.

12 If a customer tells you they're leaving for 10  
13 cents, rest assured it's probably for a host of other  
14 reasons which are causing them to find another supplier. In  
15 my experience, quality and availability are critical  
16 considerations, and the prehearing staff report confirms  
17 this.

18 Dexstar would like you to believe that every  
19 wheel is a commodity, and customers jump from supplier to  
20 supplier whenever the price moves. We believe the features  
21 of our wheel are superior to the offerings of Dexstar, and  
22 this is an important factor to customers when making a  
23 purchase.

24 Our Arc Wheel, featuring improved  
25 torque-retention technology is modeled on automotive center

1 disc standards. This disc, combined with beveled stud holes  
2 and dynamic coating strategies, provide an actual  
3 sustainable force clamp. Because of this technology,  
4 constant retightening of the lugs is unnecessary. The stud  
5 holes are also blocked during the powder coating process to  
6 prevent any chipping, preventing lugs from becoming loose  
7 and causing a potential wheel-off.

8 In short, we've engineered safety into every  
9 wheel, and that is critical to our customers and the final  
10 consumer who wants piece of mind when it comes to  
11 trailering. This technology has been the backbone of our  
12 wheel strategy, as evidenced by the industry's recognition  
13 of our gold seal as being unique in the market.

14 Contrast our wheel with Dexstar's which has the  
15 following warning, quote: "Improperly clamped wheels may  
16 loosen and could come off unexpectedly while traveling  
17 resulting in a dangerous situation. Dexstar recommends that  
18 wheel fasteners be checked frequently and retorqued to the  
19 appropriate level as needed." Unquote.

20 It sounds ominous. How frequently? And how  
21 much torque? Most consumers don't know the answers to these  
22 questions, and it is unlikely customers will abandon safety  
23 for 10 cents a wheel.

24 Our exclusive Arc Wheel also features an exalted  
25 coating which provides a more enhanced protection and a more

1 aesthetically pleasing finish. Dexstar uses a polyester wet  
2 paint which is not as durable as powder coating and can  
3 require maintenance or refinishing later. Our stated goal  
4 is delivering a cosmetically and structurally perfect tire  
5 and wheel.

6 Our manufacturing methods ensure this result.  
7 One June 13th of this year I went to a trailer parts store  
8 in Sarasota, Florida, which featured some Dexstar  
9 assemblies. Photos of the product that I saw are attached  
10 as Exhibit 2 to our prehearing brief. These photos show  
11 pinstripes which have rubbed off in nicked areas inside the  
12 bolt holes. Frankly, our customers wouldn't accept wheels  
13 that looked like this.

14 Thank you.

15 STATEMENT OF BRANDY HILTON

16 MS. HILTON: Thank you for the opportunity to  
17 testify about certain steel wheels from China. My name is  
18 Brandy Hilton. I am the Vice President of Global Supply  
19 Chain for Trans Texas Tire. I am a numbers person, relish  
20 the small import details.

21 I'd like to tell you about my position. I,  
22 along with our Vice President of Purchasing, co-manage a  
23 group of 10 people, which includes document specialists,  
24 logistic coordinators, buyers, and forecasters. On this  
25 team there are four languages spoken daily. We procure and

1       arrange logistics from 25 vendor partners throughout Asia,  
2       Eastern Europe, North and South America.

3               As you can image, we operate in a data-heavy  
4       environment where precision and attention to detail is  
5       essential. Our goal in the requisition process with our  
6       global vendors is accomplishing win/win strategies. We know  
7       in order to succeed a variety of steps must be taken to  
8       ensure uninterrupted delivery product.

9               We communicate via EDI with most vendors and  
10       only discuss releases in terms of IOS weeks. Our process is  
11       to through a purchase order expecting 24-hour confirmation  
12       and a formal release plan. With the exception of February,  
13       where we have very little shipping and using a specialized  
14       release cycle with specific ISO weeks, gives a definitive  
15       date we can expect to receive product. We are 100 compliant  
16       with this process and have utilized this program since the  
17       early 2000s.

18              In my experience with Kenda and Dexstar, we were  
19       always delayed and in some cases simple order confirmations  
20       took between 22 and 27 days. We felt like these slow  
21       communications were an effort to seek out the end product  
22       user we were attempting to service. In some cases, we were  
23       asked by Dexstar employees where the rush task was going.  
24       While not illegal, it's certainly unethical.

25              On the other hand, when they have a need for

1 wheels, we offer them a 24-hour confirmation after checking  
2 our ERP system and always convey to Dexstar if it was a  
3 shared customer. We would provide components to the OU  
4 manufacture to assure no down time or lost trailer sales.

5 We had the opportunity to read Dexstar's  
6 800-page pre-hearing brief and found some inaccuracies in  
7 the steamship and NVOCC industry. We maintain three major  
8 steamship contracts which are significantly faster than the  
9 date stated by Dexstar. The Ningbo China to Los Angeles  
10 cycle is regularly 17 days. The transit time is the same  
11 for CPS Ching Ho to LA service. We never see goods on the  
12 water for 30 to 38 days.

13 Maersk, Evergreen, and Merritt have these  
14 transit times on their websites. We will submit data  
15 showing that Dexstar presented the longest lead times  
16 possible in an effort to create the illusion that their lead  
17 times are acceptable. Dexstar is just not planning well in  
18 advance the way that are.

19 Finally, I would like to discuss purchasing. We  
20 buy both single tires and complete wheels. Our ERP System  
21 has the ability to track the batch, production date, DOT  
22 information, and other minutia. We have never purchased  
23 center disks as a stand-alone items. In other words, if an  
24 issue was ever raised about our wheels, we can track and  
25 determine all the potential wheels in that batch.



1                   We believe there is considerable risk purchasing  
2 disks and pressing them into hoops. In the past, our Sales  
3 Department has quoted Dexstar on disks only. Although our  
4 ERQ System can identify multiple disks suppliers, if needed,  
5 we would be reluctant to operate in this manner. It would  
6 be impossible to know which disk purchased went into what  
7 specific wheel.

8                   In theory, I wheel could have three to eight  
9 different disk manufacturers. Thank you for your time.

10   STATEMENT OF BRIAN RICKETTS

11                   MR. RICKETTS: Hello and good afternoon. My  
12 name is Brian Ricketts and I'm the Vice President of the  
13 Wheel Source. I've come here today in good faith to talk  
14 about our company, the relationships we have built with the  
15 manufacturers we work with and the customers we service, and  
16 why all that is now in imminent jeopardy.

17                   The Wheel Source is a company started by my  
18 father, Jim Ricketts, 15 years ago in 2004. I came to work  
19 for dad a few months later. What we have built is the  
20 epitome of a family business. At one time or another over  
21 the years, both my sister and mother have worked with us.  
22 The expectation is that my children would work for us as  
23 they learned what it is to put in a full day's work.

24                   In many ways, the Wheel Source has become a part  
25 of our family. We try to culture strong relationships with

1 everyone we deal with. It is our belief that the closer you  
2 become with your vendors and customers the more value you'll  
3 receive from that relationship in the long haul.

4           Currently, the Wheel Source sales steel wheels  
5 for the automotive aftermarket. We provide steel wheels for  
6 passenger cars and light and medium-duty trucks. We sell to  
7 automotive tire dealers and to truck part wholesalers.  
8 These are the only products we sell. Our passenger car  
9 wheels are mainly used as snow wheels and we sell them on a  
10 factory direct basis.

11           For those unfamiliar with snow wheels, they are  
12 typically steel wheels purchased along with snow tires for  
13 the winter season as an alternative to demounting summer  
14 tires from expensive alloy wheels and then remounting a set  
15 of new snow tires on those same alloys, only to repeat the  
16 process again in the spring.

17           This is a cumbersome and expensive process, to  
18 say the least, and is why consumers prefer to buy steel snow  
19 wheels, along with their snow tires. Without automotive  
20 steel snow wheels many consumers might consider taking the  
21 risk of skipping snow tires in the winter all together.

22           In addition to our factory-direct snow wheel  
23 orders, we utilize a warehouse in Taylor, Michigan, just  
24 outside of Detroit. In that warehouse, we keep our light  
25 and medium-duty singles and duals. These are wheels used

1 for Ford F1-50s and Chevy Silverados and Ram 1500s and so on  
2 and so forth. We sell these in pallet quantities to various  
3 wheel and rimmers, as they used to be called, across the  
4 country.

5 This, in a nutshell, is our business. The  
6 volume is not large. Depending on the snow wheel orders we  
7 receive, our annual volume is typically between 100,000 and  
8 200,000 wheels sold per year. This is peanuts compared to  
9 trailer wheels. Steel wheels are needed for U.S. consumers  
10 for other purposes besides trailers; however, Dexstar's  
11 petition includes all 12 to 16 1/2-inch steel wheels,  
12 something that even they were looking to avoid. Refer to  
13 their own remarks to the International Trade Commission on  
14 August 29, 2018.

15 "Excluded from the petition scope are steel  
16 wheels that are chrome coated, steel wheels that are for  
17 tube tires, such wheels have multi-piece rims, steel wheels  
18 of sizes smaller or larger than wheels covered by the scope,  
19 steel wheels for passenger vehicles, light trucks, or  
20 off-the-road vehicles and aluminum wheels. All those are  
21 excluded."

22 We know that this has been discussed many times  
23 since then; yet, as of today, we are still covered by the  
24 scope of the investigation because of the scope definition.  
25 Look through Dexstar's catalog. You will see no mention of

1 automotive wheels. Then look through a Wheel Source  
2 catalog. You will see no mention of trailer wheels.  
3 However, because Dexstar, by the scope definition it chose,  
4 has decided to include the passenger car and light truck  
5 wheels we sell.

6 In this investigation, the data you have and are  
7 using to make your decision may be skewed. The Commission  
8 rightly considers this investigation to cover certain  
9 trailer wheels only; yet, the scope definition appearing in  
10 your importers' questionnaire, for example, from the  
11 petition states on page 2 that the investigation covers  
12 on-the-road steel wheels, disks, and rims for tubeless tires  
13 with a wheel diameter of 12 to 16 1/2 inches regardless of  
14 width and that these wheels are generally for road and  
15 highway trailers and other tollable equipment. This  
16 description includes our company's wheels.

17 In its decision last week, the Department of  
18 Commerce declined to implement a certification requirement  
19 for the exclusion of passenger and light truck wheels that  
20 fall within the literal scope language, preferring instead  
21 to evaluate the ambiguity created on a case-by-case basis.

22 Automotive wheels themselves are physically  
23 different from trailer wheels. There are differences in  
24 offsets and back spacing. There are differences in center  
25 bores and disk profiles. The differences in load rating are

1       staggering. Dismissing load ratings because of similarities  
2       in 1/13-inch trailer wheels completely dismisses the fact  
3       that hundreds of 14, 15, and 16 automotive wheels do not  
4       meet the load requirements of similarly sized trailer  
5       wheels. The fact is were a customer even able to get an  
6       automotive wheel to fit onto their trailer, which would be  
7       unlikely, the automotive wheel would fail under the pressure  
8       of a trailer load.

9               The attorneys tell us that the passenger and  
10       light truck steel wheels that fall within the literal scope  
11       of this investigation should be considered separate like  
12       products from steel trailer wheels. I understand that the  
13       criteria the Commission uses in considering whether given  
14       products like passenger car wheels and trailer wheels are  
15       separate like products are physical characteristics and  
16       uses, common manufacturing facilities, interchangeability,  
17       customer and producer perceptions, channels of distribution,  
18       and price.

19               Looking at these criteria, it is clear that  
20       passenger car wheels and trailer wheels are separate like  
21       products because they differ in all six of these categories  
22       on inquiry. Accordingly, we urge the Commission to find, as  
23       Ms. Kao noted earlier in her remarks, the passenger car  
24       wheels are a separate like product.

25               Since there is no data on the ITC's record that

1 the U.S. steel trailer wheel industry has been materially  
2 injured or threatened with material injury by reason of  
3 imports of passenger and light truck wheels within the scope  
4 of the investigation, the Commission should rend a no injury  
5 determination on those products.

6 MR. SCHUTZMAN: That concludes Respondents  
7 presentation, Mr. Chairman. Thank you.

8 CHAIRMAN JOHANSON: I would like to thank you  
9 all for appearing here today. We will now begin  
10 Commissioner questions with Commissioner Broadbent.

11 COMMISSIONER BROADBENT: Thank you, Mr.  
12 Chairman. I want to welcome the witnesses here. I think,  
13 Ms. Walker, I remember your earlier testimony this year, so  
14 it's good to have you back.

15 For Tredit and Trans Texas Tire, Mr. Pike and  
16 Ms. Walker, this is my question. Since the preliminary  
17 determinations has Tredit or Tran Texas Tire increased its  
18 use of non-subject imports as a source of supply for trailer  
19 wheels?

20 MR. PIKE: If I understand the question right,  
21 have we sourced outside of China?

22 COMMISSIONER BROADBENT: Yes.

23 MR. PIKE: Yes, ma'am, we have.

24 COMMISSIONER BROADBENT: And from which  
25 countries?

1 MR. PIKE: Taiwan, Vietnam, Thailand.

2 COMMISSIONER BROADBENT: Okay, Ms. Walker.

3 MR. PIKE: Excuse me, Korea.

4 MS. WALKER: Yes, ma'am, we did continue to  
5 build PVD chrome because we thought it was out. We built a  
6 very small portion in China, but then we began to utilize a  
7 new mix featuring India, Vietnam, Korea, and we also have  
8 samples inbound from Latin America. We have notices that  
9 there are some inconsistencies in production and in correct  
10 load-carrying capacity.

11 One thing the Chinese really did a great job was  
12 they nailed usage. You know if you needed to carry  
13 something heavy, they had the thick center disk, and they  
14 were ready to go.

15 COMMISSIONER BROADBENT: Okay, thanks. So,  
16 maybe you could just summarize some of your reasoning for  
17 choosing these other choices of supply.

18 MS. WALKER: Thank you very much. We just went  
19 to people we knew. You know we know a lot of people in the  
20 industry because we have a large bill of materials, so we  
21 went to friends and former partners in Latin America, in  
22 India, and in just throughout Asia and just said, hey, are  
23 you interested and then we gave them our bill of materials  
24 and our requisitions.

25 MR. PIKE: Tredit's decisions were started with

1 the acquisition of Dexstar back in 2004. We had  
2 relationships already established in Korea with both tires  
3 and steel trailer wheels. Tredit also acquires a large  
4 number of aluminum trailer wheels. Part and parcel with  
5 that, we have manufacturers in Taiwan that also produce  
6 aluminum trailer wheels, so the partnership for steel  
7 wheels and the synergy there was fairly easy to develop.  
8 Okay, our relationship with Vietnam is a new relationship  
9 that is an offspring from China.

10 COMMISSIONER BROADBENT: Okay, thank you.  
11 Purchasers reported that price was the most important factor  
12 in their purchasing decisions more frequently than any other  
13 factor. The domestic product was considered inferior to  
14 subject imports with respect to price by virtually all  
15 purchasers.

16 Given the importance of price, wouldn't lower  
17 Chinese prices drive demand for the subject merchandise?

18 MR. PIKE: If you don't have supply, the price is  
19 irrelevant.

20 MS. WALKER: I concur with Mr. Pike. There have  
21 been widespread gaps as availability. Typically, people  
22 would buy color and finish in style and in the last six  
23 months people have just had to buy on diameter.

24 You know, you may have wanted a pretty black  
25 wheel, but you may have settled for a kind of white plain



1 wheel, but at least it was 15-inch.

2 COMMISSIONER BROADBENT: Yep, okay. Mr.  
3 Schutzman, how should we compare Tables 2-10 and 2-11 of the  
4 pre-hearing report? Table 2-10 indicates that for several  
5 important factors, purchasers considered the U.S. product to  
6 be inferior to the subject merchandise.

7 But then Table 2-11 indicates that almost all  
8 firms considered these products to be interchangeable. Mr.  
9 Walsh, you could also answer if you want to.

10 MR. SCHUTZMAN: Commissioner Broadbent, with your  
11 permission we'll address that in the post-hearing brief.

12 COMMISSIONER BROADBENT: You do, okay. Ms. Kao,  
13 how have valuations in the Chinese yuan affected the market  
14 for Chinese trailer wheels? When did the valuation start to  
15 affect the trailer wheels market and how has the valuation  
16 of the yuan affecting the market now?

17 MS. KAO: We have not -- we don't think that that  
18 has had a significant impact, but we can address that in  
19 more detail in our post-hearing brief.

20 COMMISSIONER BROADBENT: Okay, thanks. For Mr.  
21 Pike or Ms. Walker, to what extent do firms pass through  
22 changes in raw materials costs to purchasers? Do contracts  
23 formally include price adjustment mechanisms, or is the pass  
24 through more informal?

25 MS. WALKER: Ours are quite extenuous. As soon

1 as we receive an increase, we try to pass it within days and  
2 weeks. Sometimes because we have new material coming in,  
3 you know, weekly, because we release ISO, we can feel a  
4 price change in 21 to 30 days, so we are definitely going to  
5 pass it on to the consumer into the OE manufacturer. We  
6 can't absorb it.

7 MR. PIKE: This is Ron Pike. Offshore purchasing  
8 practices typically are 90 to 120-day lead times. So, in  
9 most of our agreements as orders are placed 90 to 120-days  
10 out, we -- unless there's again a tariff, or some type of  
11 catastrophic event in steel pricing, we expect our order  
12 bank to be honored at current price pay or purchased.

13 At that point in time since we do OE  
14 manufacturing, notification to an OE manufacturer is a  
15 minimum of 60-days. So, you have roughly about a 75-day  
16 drag to get your raw material into the market. I will  
17 comment on the tariff of 10% in October and 15% follow-up.

18 We went to marketplace almost immediately because  
19 of the significance of the increase.

20 COMMISSIONER BROADBENT: Okay. Alright I wanted  
21 to just kind of talk about the quality issue and this  
22 question would be for Ms. Walker, Mr. Courreges, from Bix  
23 Tex and Mr. Haas and I'm going to refer to some of these  
24 tables, but maybe you can get the sense of what I'm saying.

25 Table 3-10 of our pre-hearing report shows that

1 the large majority of purchasers considered subject imports  
2 in the domestic product to be comparable with respect to  
3 quality standards. Table 2-11 of our report shows that a  
4 large majority of purchasers considered subject imports to  
5 be always interchangeable with the domestic product.

6 And then Table 2-12 shows that the large majority  
7 of purchasers stated that U.S. wheels always met minimum  
8 quality specifications. How do we square this data supplied  
9 by the purchasers with your statements regarding lower  
10 quality, dangerousness and poor design of U.S. steel trailer  
11 wheels?

12 MS. WALKER: This Amanda Walker. I'd like to  
13 address Table 2-10 first. You get a myriad of responses in  
14 there, but the first thing is I don't know if the question  
15 is clear enough. Okay, does it fit -- sure. It goes on the  
16 correct stud hole, yes it fits on the trailer. Does it fit  
17 -- yeah. Does it -- is it rust resistant? Does it have  
18 anti-corrosive properties?

19 Is it aesthetically pleasing? Is it what the  
20 market wants? You know, specifically speaking, I think we  
21 have 19,000 white wheels that nobody will buy right now.  
22 The price is good, but the trend in the industry has moved  
23 to silver and black. So, price sometimes matters but not  
24 all the time matters.

25 There are definitely retail trends and Steve can

1 speak to this more effectively, there are also OE trends,  
2 about what they want. So, if you don't have what they want,  
3 you can't -- there's no expectation of a sale. And sadly,  
4 every one of the assemblers gets put behind that.

5 We may have something that is not attractive to  
6 the end user. On the other tables, I'm the one who answered  
7 that I don't like their quality. You know, we've talked  
8 many times about the coatings, and we call out our coatings  
9 and we have for more than 15 years.

10 We use Axalta -- it used to be Dupont. We use  
11 Rohm Haas, they're from Holland and it's because we want a  
12 very specific appearance on these wheels. We want a level  
13 of durability that we're not getting phone calls on. And  
14 that's just kind of how we made the decision. You know,  
15 sometimes we pay more for that coating that we rest pretty  
16 well at night because we don't have ugly wheels in the  
17 market. We don't have cuds and stuff like that. We don't  
18 have arrest or appearance problems, but these are decisions  
19 we make, thank you.

20 COMMISSIONER BROADBENT: Okay, thank you. I  
21 appreciate your testimony. My time has expired.

22 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

23 COMMISSIONER SCHMIDTLEIN: Okay, thank you very  
24 much. I'd like to thank all the witnesses for being here  
25 today to help us understand this case. I want to ask a few

1 questions. I think I will start with the profit shifting  
2 argument and the argument that we should be looking at the  
3 financials of the sister corporations, or sister divisions I  
4 should say of Americana Development.

5 And I wonder if you could sort of elaborate on  
6 that in terms of if we did look at those financials and we  
7 find that those divisions are profitable, you know, based on  
8 their P&L, does that mean the domestic industry in this case  
9 hasn't been injured?

10 MR. SCHUTZMAN: Commissioner, Max Schutzman.  
11 Yes, it could very well mean that.

12 COMMISSIONER SCHMIDTLEIN: But how would we, of  
13 course, we have in mind the provision in the 2015 and then  
14 into the statute that says basically the profitability, you  
15 know, being profitable doesn't mean you can't reach an  
16 affirmative determination.

17 MR. SCHUTZMAN: That's correct, coupled with  
18 other factors.

19 COMMISSIONER SCHMIDTLEIN: Right. So, how do we  
20 --

21 MR. SCHUTZMAN: But in this particular case,  
22 you're dealing with this one conglomerate. And this  
23 conglomerate is making a collective profit and you've heard  
24 witness testimony -- certainly on this panel, that these  
25 companies compete downstream principally with the

1       assemblers.

2                   And because that's the case, the Commission  
3       should be looking at the profitability of the downstream  
4       assemblers which in effect would be the profitability of the  
5       group.

6                   COMMISSIONER SCHMIDTLEIN: Well, so my question  
7       is though, obviously just because they're profitable doesn't  
8       mean they haven't been injured, so how would we determine  
9       that that profitability has somehow been skewed or is out of  
10      proportion?

11                   Would we need to look at the financials of other  
12      wheel assemblers in order to see, you know, that these --  
13      this set of divisions is somehow disproportionately  
14      profitable and that means there has been profit shifting?

15                   MR. SCHUTZMAN: I don't think you necessarily  
16      need to look at the profitability or the financial  
17      statements of other companies. I mean I think you can make  
18      that determination based upon the totality of the data that  
19      you collect from this collective entity.

20                   COMMISSIONER SCHMIDTLEIN: But how would we know  
21      that that's out of line with what the level of profitability  
22      is in the wheel assembler industry?

23                   MR. SCHUTZMAN: You have historical data, do you  
24      not, for this Petitioner? You have historical data going  
25      back to 2016, so you have some -- you would have some sense.

1                   COMMISSIONER SCHMIDTLEIN: Do you think the  
2 profit shifting has happened in the later part of the POI?

3                   MR. SCHUTZMAN: Sure, yeah.

4                   COMMISSIONER SCHMIDTLEIN: So, when do you think  
5 it started?

6                   MR. SCHUTZMAN: I can't answer that.

7                   COMMISSIONER SCHMIDTLEIN: Well I'm just trying  
8 to get a sense of if we did look back to see what their  
9 profitability was earlier in the POI, under your theory it  
10 would just be well if it went up, that's when it changed?

11                  MR. SCHUTZMAN: Correct, correct and but of  
12 course, as you correctly point out, it's not just  
13 profitability that you would be looking at -- simply because  
14 they're profitable doesn't mean they would not be injured.  
15 You would have to look at other aspects, as you do, your  
16 typical statutory criteria.

17                  But that is a critical aspect because this is in  
18 effect a pricing exercise, is it not?

19                  COMMISSIONER SCHMIDTLEIN: Okay, how would we  
20 account for -- let's say we did that and let's say that the  
21 other divisions are profitable. Let's put aside the quality  
22 and supply constraint arguments, right, because I understand  
23 those go to causation and so, let's put those aside for a  
24 moment. I'm going to come back to that.

25                  Given that the industry has lost market share,

1       how, you know, and therefore if they hadn't lost market  
2       share, they would have been more profitable. They would  
3       have had more additional revenue, right?

4                 So, in other words, how does that -- how does  
5       that explain, how does the profitability of the other  
6       divisions explain away what the impact of the loss of market  
7       share? Again, putting aside the question about what does  
8       the loss of market share due to quality? Was it due to  
9       supply constraints, those arguments?

10                MR. SCHUTZMAN: But the loss of market share --  
11       the loss of market share that you're referring to has to do  
12       with the so-called U.S. industry here. What we're saying --  
13       we're suggesting that it's not just the U.S. industry. It's  
14       not just Dexstar, its affiliates.

15                COMMISSIONER SCHMIDTLEIN: So, you would include  
16       its affiliates as part of the domestic industry?

17                MR. SCHUTZMAN: Yes.

18                COMMISSIONER SCHMIDTLEIN: Okay, did you make  
19       that argument? Have you all made that argument?

20                MR. SCHUTZMAN: Well, we made that request in the  
21       -- when we were commenting on the questionnaires for the  
22       final, we asked that the Commission collect financial data,  
23       profitability data, from the downstream affiliates and that  
24       request --

25                COMMISSIONER SCHMIDTLEIN: Well if we included



1       them as part of the domestic industry, that would change the  
2       apparent consumption numbers and everything right, because  
3       then we'd have to be including those shipments and so forth.  
4       It's slightly different -- isn't it a slightly different  
5       question?

6                 MR. SCHUTZMAN:   Yes, yes.

7                 COMMISSIONER SCHMIDTLEIN:   Okay.

8                 MR. SCHUTZMAN:   Correct, but that certainly would  
9       have given you a different frame of reference on the price.

10                COMMISSIONER SCHMIDTLEIN:   Okay.

11                MR. SCHUTZMAN:   Because you're looking at  
12       underselling in a situation where these companies are not  
13       competing with Dexstar.

14                COMMISSIONER SCHMIDTLEIN:   Well, but the  
15       underselling -- okay, so let me shift gears to price, that  
16       was going to be the next question I had.  The underselling  
17       data we have on the record is we have two sets, right?  We  
18       have the regular pricing data which is importers sales to  
19       unrelated parties, and we have the direct import data.

20                Under -- which set do you think we should  
21       consider for the purpose of evaluating price effects --  
22       both, neither, one or the other?

23                MR. SCHUTZMAN:   Oh, you evaluate both, do you  
24       not?

25                COMMISSIONER SCHMIDTLEIN:   Usually we would.

1 MR. SCHUTZMAN: Yeah, I'm sure you would.

2 COMMISSIONER SCHMIDTLEIN: I know that in your  
3 brief they argued that the direct import data isn't as  
4 reliable because some of the people responding did not  
5 include their estimated cost of importing -- some did.

6 MR. SCHUTZMAN: Some did, some did not.

7 COMMISSIONER SCHMIDTLEIN: Some did, right, okay.

8 MR. SCHUTZMAN: Yes.

9 COMMISSIONER SCHMIDTLEIN: So, we have averages  
10 that we could include for.

11 MR. SCHUTZMAN: Yes, and you would still consider  
12 that.

13 COMMISSIONER SCHMIDTLEIN: Right, okay, so if we  
14 look at that, given that at least in the direct import data,  
15 which is where most of the volume is -- it shows --  
16 significant underselling, right? If not, I think all  
17 underselling.

18 MR. SCHUTZMAN: No. Not --

19 COMMISSIONER SCHMIDTLEIN: In the direct import  
20 data?

21 MR. SCHUTZMAN: Yeah, not nearly as significant  
22 as the other data, right?

23 COMMISSIONER SCHMIDTLEIN: In the direct import  
24 data?

25 MR. SCHUTZMAN: Yeah, the direct import data.

1                   COMMISSIONER SCHMIDTLEIN: No, not the data I'm  
2 looking at.

3                   MR. SCHUTZMAN: Okay, well.

4                   COMMISSIONER SCHMIDTLEIN: Yeah, okay, in the  
5 pricing section that the China cost is significantly below  
6 what the U.S. prices were.

7                   MR. SCHUTZMAN: Okay, well we can certainly  
8 develop this more post-hearing.

9                   COMMISSIONER SCHMIDTLEIN: Okay.

10                  MR. SCHUTZMAN: When we have an opportunity to  
11 better analyze that data.

12                  COMMISSIONER SCHMIDTLEIN: Okay.

13                  MR. SCHUTZMAN: But nevertheless, nevertheless it  
14 is our position, you know it's our position that the  
15 collection of that downstream data would have been  
16 beneficial in your analysis to know whether the consolidated  
17 entity was very profitable, moderately profitable, not  
18 profitable, right?

19                  COMMISSIONER SCHMIDTLEIN: Okay. This is a  
20 slightly different question. Maybe one of the witnesses can  
21 answer -- one of the fact witnesses can answer this. In  
22 your experience, has the price of Chinese wheels been lower  
23 than Dexstar's prices?

24                  MS. WALKER: I have no idea, oh pardon me.

25                  COMMISSIONER SCHMIDTLEIN: In your experience it

1       hasn't.

2                   MR. SCHUTZMAN:   Yes, yes.

3                   COMMISSIONER SCHMIDTLEIN:   And Miss Walker, you  
4       don't have any?

5                   MS. WALKER:   I have no idea, Jeff froze us out,  
6       he wouldn't sell to us both quotas.

7                   COMMISSIONER SCHMIDTLEIN:   So, you don't have any  
8       familiarity with Dexstar's products?

9                   MS. WALKER:   No, I have familiarity.   We bought  
10      them in the spot market in the past, but at some level there  
11      is no like between Americana Tire and Wheel and Dexstar.   We  
12      inquired to Dexstar, Jeff sent us to Paul Starner at  
13      Americana Tire and Wheels.

14                   We're an assembler.   You know, that's an abrupt  
15      just turn face.   I mean why am I being directed to their  
16      assembly division to buy steel wheels?   I mean, and they  
17      didn't even bother to do it on the phone, they did it in  
18      writing.

19                   COMMISSIONER SCHMIDTLEIN:   So, when was the last  
20      time you actually purchased from Dexstar?

21                   MS. WALKER:   Last August we bought probably 400  
22      pieces while we were waiting for an inbound container.

23                   COMMISSIONER SCHMIDTLEIN:   Okay.

24                   MS. WALKER:   And before that was in '16 and we  
25      had to return 186 pieces because the welds were burnt

1 through on the hoops. So, you know, them touting quality  
2 and price and everything doesn't go very far with me because  
3 I had so many wheels that we actually had to replace tires  
4 because the wheels would not hold air, and so the tire  
5 de-inflated and the wheel cut through the tire tread because  
6 they did not do any kind of quality assurance on their weld.

7 We could hold the weld up to the light and see  
8 light through it. It took us 18 months to get the credit  
9 back and then they said it wasn't their problem. It  
10 definitely it was their problem. The weld was too hot, and  
11 they didn't do any QC. So, them saying price, price, price  
12 -- I don't buy it.

13 It's called equality and that they have a sister  
14 company that wants to dictate if they can sell me wheels or  
15 not.

16 COMMISSIONER SCHMIDTLEIN: Okay. So, you've had  
17 a few experiences, you've had the '16, the purchase of 400  
18 which was in 2018, last August 2018?

19 MS. WALKER: Yes, ma'am.

20 COMMISSIONER SCHMIDTLEIN: And then I know you  
21 had a recent exchange with them over email with regard to  
22 potential --

23 MS. WALKER: Yeah, we sent formal letters of  
24 requisition. We were true and honest. We gave them our  
25 usage and we were clear with them that we didn't like their

1 coating and they took afront to it.

2 But, you know, the inability to ask for what you  
3 need for in this world is not my problem. I'm the consumer.  
4 I'm telling them what I want.

5 COMMISSIONER SCHMDITLEIN: Okay. Alright, well  
6 let me come back because I've now gone a minute over, so  
7 I'll finish up mine in the next round, thank you.

8 CHAIRMAN JOHANSON: Commissioner Kearns?

9 COMMISSIONER KEARNS: Thank You all again for  
10 appearing before us today. As I'm understanding it, I'm  
11 hearing kind of three arguments, right? Tell me if I've got  
12 this about right. One is Dexstar's quality is inferior to  
13 the subject imports.

14 Two, Dexstar products are not available to you  
15 because you're frozen out because they'd rather sell to  
16 their related party assemblers. And then three is that I  
17 guess, well that's okay. So, one is quality, two is  
18 availability, and three I guess is kind of related to two to  
19 the extent that Dexstar is hurting. It's at the expense --  
20 it's in order to make their downstream assemblers better  
21 off right, in terms of product pricing.

22 So, I want to address each of these three things.  
23 I mean that's basically the three legs of the stool, right?  
24 With the first one, I mean, and I think you were asked about  
25 this before but let me understand. I mean if the Chinese

1 product is higher quality, wouldn't we expect the Chinese to  
2 sell it at a higher price relative to domestic producers,  
3 otherwise you're just leaving money, you know, on the table,  
4 right?

5 MR. PIKE: The manufacturing in China is very  
6 efficient.

7 COMMISSIONER KEARNS: Okay, I get that, but still  
8 why leave money on the table? Like, if your only  
9 competition is you know, is product that is not, you know,  
10 that is inferior, why not you know, charge a little bit more  
11 and get a little bit more money?

12 MR. PIKE: Well, and that is a very valid point.  
13 I think when you go back to the quality question -- let me  
14 address that first. As Jeff mentioned, in 1998, working  
15 with NK, we went with the LNT program. The LNT program was  
16 through TSC, the Trailer Safety Commission, and we worked  
17 closely with NTSA.

18 This was in the total industry wheel loss it was  
19 an issue, and we worked in developing that technology. Once  
20 again, in some of the briefs we can do it, we've looked at  
21 it. We have the engineering, but do they do it in every SKU  
22 13 through 16 inch? No.

23 So, the quality decision was easy. The factories  
24 overseas and current factories.

25 COMMISSIONER KEARNS: But they would say well we

1 do it when we're asked to do it, I think that's what they  
2 were saying with the plugs, you know, for on the paint.

3 MR. PIKE: But that is not truly the technology  
4 sir. Plugging, masking, painting out of the lug area,  
5 that's just part of the dance. That's not truly what the  
6 technology is. Low maintenance torque is the Bellville  
7 washer effect of creating clamp force between the hub and  
8 the wheel center.

9 COMMISSIONER KEARNS: And you said they don't do  
10 that?

11 MR. PIKE: They do not do it on all SKU's  
12 provided 13 through 16 inch.

13 COMMISSIONER KEARNS: They'll do it as they're  
14 asked to do it by a customer, no?

15 MR. PIKE: If they are willing to invest the  
16 tooling, if they are willing to invest the engineering and  
17 if they are willing to invest the people. So, quality  
18 addressing that, that was technology okay?

19 To your point, if you got a higher quality wheel  
20 coming out of China, why don't you charge more? In the  
21 assembly business it's a competitive market, it's an OE  
22 market, it's probably very similar to Detroit, okay, and the  
23 automotive market -- tires and wheels are a commodity. It's  
24 rubber and steel, very competitive.

25 COMMISSIONER KEARNS: Okay, and then switching to



1 the issue of availability. I mean I'm hearing that -- and  
2 maybe I have this wrong, but as I understand it you're  
3 saying once Dexstar was purchased by Kenda, Dexstar was no  
4 longer interested in selling to the unrelated assemblers?

5 MR. PIKE: Our relationship with them sir was  
6 still good. As I mentioned in my comments, we were up to  
7 600,000 wheels with them, that's quite a few wheels. That's  
8 over 30% of our current consumption. So, when you look at  
9 importing cost, you look at container traffic, you look at  
10 congested ports, you look at overloaded rails.

11 You look at what it costs to move a container  
12 from Asia with 120-day lead times.

13 COMMISSIONER KEARNS: So, are you saying that  
14 they weren't freezing you out? They were willing to sell to  
15 you.

16 MR. PIKE: Sure, they were.

17 COMMISSIONER KEARNS: Okay, is that also true for  
18 TTT?

19 MS. WALKER: We have different experiences.  
20 You're on the right track. In 2003, there was a very large  
21 American wheel manufacturer that had some kind of family  
22 bankruptcy and all of us just suddenly didn't have steel  
23 wheels available.

24 Kenda's decision was to buy Dexstar. Our --

25 COMMISSIONER KEARNS: What year was that?

1 MS. WALKER: That was 2004.

2 COMMISSONER KEARNS: Okay.

3 MS. WALKER: Our decision was to partner in  
4 China. There is about 20% different in transportation  
5 costs. It costs about 20% of the product to get it from  
6 Asia, so there is some considerations, but the motivation  
7 was for Kenda to have their own steel wheel plant under  
8 their own control.

9 And we have bought and sold with them over the  
10 years. You know, we didn't know we had such a -- I don't  
11 even know, ambiguous relationship with them until this  
12 filing. But we've sold tires to them over the years. We've  
13 sold them wheels over the years on an emergency basis.

14 But, on some level, they do not like that I give  
15 them feedback on quality.

16 COMMISSIONER KEARNS: Okay, so what you're saying  
17 though is back to 2004, once they were purchased by Kenda,  
18 that's when you sort of said we better be careful here and  
19 you start purchasing -- oh, I'm sorry.

20 MS. WALKER: No, we bought from CRC. Right  
21 before Christmas, CRC went bankrupt. Our family celebrated  
22 Christmas early that year and we went and got on a plane to  
23 China and we saw four or five different steel wheel  
24 manufacturers.

25 And then by the first quarter of 2004, we had

1 samples, and we had prototypes and that was the decision.

2 COMMISSIONER KEARNS: Alright.

3 MS. WALKER: Kenda chose to deal with the exit of  
4 CRC in a very different way. They bought Dexstar. It's  
5 just choices.

6 COMMISSIONER KEARNS: Okay, okay. I guess  
7 related to this, Mr. Schutzman, I think you're probably the  
8 best able to answer this, but whoever would like to. I mean  
9 it seems like the argument you're making that you know, to  
10 the extent you're seeing harm to Dexstar, you know, look  
11 down the pike and you'll see that you know, it's to the  
12 benefit of their unrelated suppliers.

13 I mean it seems to me like that argument -- tell  
14 me if I'm wrong, that argument seems to hinge on the notion  
15 of load transfer prices and we now have just as of  
16 yesterday, new data suggesting that maybe those transfer  
17 prices aren't so low. And I wanted to make sure you had a  
18 very full opportunity now and in post-hearing to respond to  
19 that new data.

20 And so, if you could just answer with me first,  
21 like do I understand that correctly? I mean if it in fact  
22 is the case that there isn't a big difference or no real  
23 difference in terms of the price to related parties, and the  
24 price to unrelated parties, then what's left of your overall  
25 argument that you know, they're doing just fine downstream.

1           And then also, you know, just responding to the  
2 data. Do you believe that these new data are accurate or  
3 not?

4           MR. SCHUTZMAN: Commissioner Kearns, I think you  
5 have it correct. We have not had an opportunity to digest  
6 that change in the questionnaire response, so of course we  
7 will address it in the post-hearing brief.

8           But our basic position was and is that the  
9 relationships infected those sales. Those sales are just  
10 not valid bases for determining one way or another whether  
11 there's underselling -- because they're infected by the  
12 relationship.

13           COMMISSIONER KEARNS: Yeah. That makes sense to  
14 me, let me just follow-up because my time's running short.  
15 If that's right, then how about it would seem to me that it  
16 would make sense to say okay, let's put those sales aside  
17 because we're not real sure what to do with those, let's  
18 just look at the merchant market sales.

19           But don't we kind of see the same story if we  
20 just look at the merchant market sales?

21           MR. SCHUTZMAN: I don't know yet because I  
22 haven't reviewed all the data yet. I think we need to look  
23 at that.

24           COMMISSIONER KEARNS: Well no, even before the  
25 change yesterday.

1 MR. SCHUTZMAN: Ah, okay.

2 COMMISSIONER KEARNS: You know, if you look at  
3 the C Tables, we've got I believe, if I remember right,  
4 we've got merchant market broken out separately. And I  
5 don't see really all that different of a story there at all.  
6 It seems to me like that it still seems to suggest that  
7 there's an increase in imports, there's a decrease in U.S.  
8 production, U.S. producers aren't doing so well.

9 MR. SCHUTZMAN: Okay, well we'll certainly  
10 address that in post-hearing Commissioner Kearns.

11 COMMISSIONER KEARNS: Okay, thank you. Oh, and  
12 also the pricing products I think are specific to the  
13 unrelated -- to the unrelated assemblers, unrelated  
14 purchasers.

15 MR. SCHUTZMAN: Right.

16 COMMISSIONER KEARNS: So, it seemed that we have  
17 a lot of data there as well that sort of suggests that  
18 there's underselling and so forth, so also if you could  
19 address that, that would be helpful as well.

20 MR. SCHUTZMAN: We will do so.

21 COMMISSIONER KEARNS: Okay, thank you.

22 MR. SCHUTZMAN: Thank you.

23 COMMISSIONER KEARNS: I guess I've got just  
24 enough time for one more quick question for Tredit -- Mr.  
25 Pike, I guess. So, you saw this morning these emails. I

1 believe they were that the Petitioners showed, and I think  
2 you were kind of responding to this in your opening where  
3 you pointed out that you know, this is from someone who's no  
4 longer with the company and I think you were sort of  
5 suggesting that a lot has changed since then.

6 But I mean why is it that we're seeing on there a  
7 lot of concerns about price and about the U.S. price being  
8 too high and talking about the imported price? I mean it  
9 sure looks like Tredit's concern was that the U.S. product  
10 is priced too high, not that there's issues with quality.  
11 Can you respond to that?

12 MR. PIKE: Yes, sir. In 2015, as I mentioned in  
13 my opening comment, we were still a very large customer of  
14 Dexstar, 250,000 units. And it is our job to keep our  
15 vendors aware of changes in the marketplace.

16 Rick Bymers comments here are obviously passing  
17 on industry knowledge of staying competitive in the  
18 marketplace. Our goal was to keep our relationship with  
19 Dexstar afloat. So, we're communicating competitive  
20 activity in the marketplace -- that's our job as a customer.  
21 Their job as a manufacturer is to react to that  
22 competitiveness.

23 Down at the very, very bottom, that is our  
24 directory of supply chain management, Rick Green, that is  
25 the last one that they call out. That gentleman is in the

1 position to make a decision on a buy or a sell or a change  
2 in a vendor. So, you have people in distribution centers  
3 that are reaching out into Dexstar and passing on industry  
4 competitive knowledge, okay?

5 COMMISSIONER KEARNS: Yeah, but I'll tell you  
6 what I'm seeing. I'm seeing you all are saying your prices  
7 are too high and then there were fewer sales that you had  
8 with Dexstar after that.

9 MR. PIKE: 2016 our numbers were still at  
10 200,000. Our numbers dropped off in 2018.

11 COMMISSIONER KEARNS: Okay.

12 MR. PIKE: Acquisition was 2004, Tredit remained  
13 a customer -- active customer, probably 50% of the plant,  
14 all the way out through 2017.

15 COMMISSIONER KEARNS: So, you're saying that you  
16 were complaining about price back then, but you continued to  
17 purchase from them. You were just passing on the  
18 information and then subsequently there became concerns  
19 about quality?

20 MR. PIKE: Correct sir.

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

23 CHAIRMAN JOHANSON: This is a question for Jingu.  
24 How do you respond to the Petitioner's argument that a  
25 particular niche use for a certain product type where the

1 general use is identical is not a sufficient difference to  
2 create a separate like product?

3 MS. KAO: I assume this is with respect to  
4 galvanized wheels?

5 CHAIRMAN JOHANSON: Right.

6 MS. KAO: Okay, with respect to the galvanized  
7 wheels, it is a niche product specific to marine and water  
8 use and not vice-versa. So, I think you saw this morning a  
9 sample of a galvanized wheel where you could see there was  
10 aesthetic differences between the galvanized wheels and the  
11 other painted wheels.

12 And as you heard from several of the other fact  
13 witnesses here, the RV industry in general, purchases based  
14 on quality and style and color and galvanized wheels simply  
15 don't offer those features for RV purposes, so there is a  
16 distinct difference in the use in that regard.

17 And so galvanized wheels are used, in particular,  
18 for not only marine uses, but also niche required usages  
19 where they might be exposed to salt and other corrosive  
20 environments.

21 CHAIRMAN JOHANSON: Can you see how they would  
22 see as a subset though of the product?

23 MS. KAO: Right, but there is a dividing line  
24 between them. I mean they are all undoubtedly trailer  
25 wheels, no one disputes that they're not also trailer



1 wheels, but they are a different type of trailer wheel that  
2 is a different like product of trailer wheels.

3 CHAIRMAN JOHANSON: Okay, the whole issue of  
4 galvanized wheels -- do you know why Chinese production of  
5 galvanized wheels decreased over the period of investigation  
6 as you say on page 16 of your brief?

7 MS. KAO: Do I know why they?

8 CHAIRMAN JOHANSON: Right, because -- go ahead,  
9 I'm sorry.

10 MS. KAO: Sorry, no finish your question, I'm  
11 sorry.

12 CHAIRMAN JOHANSON: So, if you look at Table 7-5  
13 of the staff report which is public, ICX generally of these  
14 types of products from China increased steadily over the  
15 period. I'm wondering why there's a divergence in trade.

16 MS. KAO: We can certainly address that in the  
17 post-hearing brief.

18 CHAIRMAN JOHANSON: Okay, it just kind of jumped  
19 out at me.

20 MS. KAO: Sure.

21 CHAIRMAN JOHANSON: If you wouldn't mind doing  
22 that, that would be good, thank you. And this is again for  
23 Jingu. Are there any standards that a galvanized trailer  
24 wheel must meet that a non-galvanized trailer wheel does not  
25 have to meet?

1 MS. KAO: As I'm not a fact witness, that's a  
2 factual question which I can certainly look into and address  
3 in our pre-hearing brief, but certainly they do have to meet  
4 the same standards that a trailer wheel would have to meet,  
5 but I can -- we can address whether there is any additional  
6 requirements in our post-hearing.

7 CHAIRMAN JOHANSON: Okay, and I'm going to  
8 continue on just for a minute or so, more on galvanized  
9 wheels. Can a galvanized trailer wheel be used for all the  
10 same end uses as a non-galvanized trailer wheel?

11 MS. KAO: You mean for -- as a substitution for a  
12 painted wheel, you mean?

13 CHAIRMAN JOHANSON: Right, or any other type of  
14 -- let's just stick with painted wheels.

15 MS. KAO: Sure. To my knowledge, you know, if  
16 it's a trailer wheel, you know, physically they are similar,  
17 but so to the extent it would be maybe able to be  
18 substituted too for a painted wheel, the vice-versa, the  
19 opposite may not necessarily be true.

20 So, a painted wheel may not be acceptable or  
21 useable as a substitute for a galvanized wheel.

22 CHAIRMAN JOHANSON: But I assume a galvanized  
23 wheel can be used for the same purposes of other trailer  
24 wheels?

25 MS. KAO: Right, but my understanding is that the

1 product itself would not be accepted in the marketplace  
2 because it's aesthetically not what an RV or trailer wheel  
3 customer would want. It doesn't have that aesthetic appeal  
4 which I think other witnesses here have talked extensively  
5 about, about how important the aesthetic appeal of a wheel  
6 may be, particularly in the RV industry.

7 CHAIRMAN JOHANSON: Okay, thanks Miss Kao. And I  
8 think I have one more for you here.

9 MS. KAO: Okay.

10 CHAIRMAN JOHANSON: Is the only physical  
11 difference between a galvanized trailer wheel and a  
12 non-galvanized trailer wheel the use of zinc in the coating  
13 of the galvanized trailer wheel?

14 MS. KAO: To my knowledge, that is the one clear  
15 distinctive physical difference between the two is that you  
16 have a zinc coating that's applied in a very different  
17 manner and production process than a painted wheel. And I  
18 think it's clear from the hearing report, that production  
19 process is -- involves different machinery, different  
20 employees, different costs that significantly drive up the  
21 price of a galvanized wheel.

22 CHAIRMAN JOHANSON: Okay, thanks for your  
23 responses. Could you all please respond to the Petitioner's  
24 argument on page 78 of the brief regarding underselling  
25 being underestimated because the comparisons are not at the

1 same level of trade?

2 MR. SCHUTZMAN: Commissioner Johanson, I think  
3 that's something we're going to have to deal with in the  
4 post-hearing.

5 CHAIRMAN JOHANSON: Okay, certainly I understand  
6 Mr. Schutzman.

7 MR. SCHUTZMAN: Thanks, thank you.

8 CHAIRMAN JOHANSON: Now I have a question for  
9 Trans Texas. There's a lot of CBI, confidential business  
10 information on pages 5 to 9, which I wish that we could  
11 discuss here, but we have to be circumspect on that. But on  
12 page 9, you state that with Dexstar's transfer prices  
13 between divisions of one corporate entity, and in the  
14 absence of evidence of the buyer's resale price, we don't  
15 have the data necessary to form a conclusion about price  
16 effects.

17 But on the bottom half of page 6 in the first  
18 paragraph of 7, your brief points out some pretty solid  
19 evidence of price effects. Why isn't the characterization  
20 you make about Dexstar's purchasers on pages 6 to 7 and the  
21 quote there from the purchaser questionnaire, consistent  
22 with the Petitioner's theory of price effects due to lost  
23 sales and underselling by subject imports?

24 MR. KAHN: As you mentioned Commissioner  
25 Johanson, there's a lot of BPI here, this is something that

1 we'd like to address in post-hearing brief.

2 CHAIRMAN JOHANSON: Okay. I understand, thank  
3 you. This is another question for Trans Texas. On page 22  
4 of your brief it states, "Dexstar has faced a price -- a  
5 cost price squeeze and poor financial performance in order  
6 to shift profits downstream to the assembly function  
7 performed by Dexstar's affiliates." My question is that if  
8 Dexstar's affiliates are making above normal profits off  
9 each unit they purchase from Dexstar as opposed to  
10 purchasing for more on the open market, then shouldn't we  
11 observe that the affiliates buy all their wheels from  
12 Dexstar?

13 MR. SCHUTZMAN: I think the response Commissioner  
14 Johanson, would be that Dexstar has insufficient supply to  
15 provide even their affiliates.

16 CHAIRMAN JOHANSON: Okay.

17 MS. WALKER: Commissioner, they're supplementing  
18 their own domestic production with considerable imports from  
19 KWC, which is Korea Wheel Corp. Also, I'm probably the only  
20 one that will say this, they're actually able to divert  
21 expense because Kenda produces tires in house.

22 Mr. Pike and I don't have that leisure. We buy  
23 tires on the open market. We may have relationships, but  
24 they actually are able to control the cost component of that  
25 tire in the assembly. So, they make money on the wheel,

1       they don't make money on the wheel, it doesn't matter.

2                   Because they're able to really pinch cost on that  
3       tire. So, I have considerable concern about their  
4       downstream subsidiaries.

5                   CHAIRMAN JOHANSON: Okay, thanks Miss Walker.  
6       The yellow light is on, so we'll turn to Commissioner  
7       Williamson.

8                   COMMISSIONER WILLIAMSON: Okay, thank you Mr.  
9       Chairman. And I too want to thank all of the witnesses for  
10      coming and presenting their testimony today. In addition to  
11      addressing post-hearing the comments, the question  
12      Commissioner Kearns posed about what does the -- looking at  
13      the merchant market, the Table, I guess the C-3 or 4,  
14      compared to how the domestic industry is performing overall  
15      and explain the difference or lack of difference in terms of  
16      your theory about transferring -- should we say transferring  
17      prices or making profits.

18                   I would also be curious -- they noted that their  
19      purchases -- that their sales to their subsidiaries, there's  
20      a change in the percentage over the period of investigation.  
21      I wondered if you have any theories as to why that occurred?  
22      You may have to address that post-hearing. And I think they  
23      were attributing that to the competition -- foreign imports.

24                   MR. SCHUTZMAN: I think that's something we can  
25      address in post-hearing Commissioner Williamson.

1                   COMMISSIONER WILLIAMSON: Okay. And then you've  
2 asked us to look at the profitability of the subsidiaries,  
3 and I was sort of wondering, what legal theory will we be  
4 doing this? And if we have to do that, don't we have to  
5 look at the responsibility of all of the assemblers in the  
6 domestic assembly industry too?

7                   MR. SCHUTZMAN: Well I think that was kind of  
8 what Commissioner Schmidtlein was saying because there would  
9 otherwise be no frame of reference.

10                  COMMISSIONER WILLIAMSON: Sorry, I'm just  
11 talking, but anyway it's still a relevant question, and I  
12 don't remember if you gave her an answer to that one either.

13                  MR. SCHUTZMAN: I mean I think it's certainly  
14 apart from the legal theory, alright -- we can talk about  
15 that in our brief, but it's certainly logical under these  
16 circumstances.

17                  COMMISSIONER WILLIAMSON: Excuse me, what's going  
18 on? Oh, is it my mic or someone else's, what's the matter?  
19 Oh okay, I'm sorry, okay.

20                  MR. KAHN: Commissioner Williamson?

21                  COMMISSIONER WILLIAMSON: Yes.

22                  MR. KAHN: If I could just add this is not a  
23 unique ask. I mean this is a unique situation as I believe  
24 you noted when questioning the Petitioner's panel this  
25 morning. There's a set-up of the Petitioner with the

1 affiliates, but we cited some cases on page 9 of our brief  
2 in other investigations where the Commission has "considered  
3 the financial data that include downstream profitability."

4 And the Commission specifically looked at it to  
5 evaluate whether there was possible misallocation of profit  
6 and that's all that we asked that the Commission do in this  
7 investigation.

8 COMMISSIONER WILLIAMSON: Okay, well and okay,  
9 but you still have to answer Commissioner Schmidtlein's  
10 question and why we should do that. But, okay, let's move  
11 on there. I was wondering if you could give us more details  
12 on the real difference -- you talked about the ITR method  
13 and I'm more interested in how it is different.

14 And also, what independent verification is there?  
15 I mean the Petitioners this morning said a lot about, you  
16 know, quality testing they've done on their products and  
17 intended that there's no difference.

18 MR. STEVENS: Whenever the development of the LMD  
19 ITR, you know, again, we'll use both terms. What it does if  
20 you -- if you'll refer in one of the briefs.

21 COMMISSIONER WILLIAMSON: Do I? Yeah, which one  
22 are you talking about?

23 MR. STEVENS: So, if you open up to where -- the  
24 first page of Exhibit 3 PowerPoint. So, as you go -- we'll  
25 get to the meat of the -- where it says features of the NK



1 design.

2 COMMISSIONER WILLIAMSON: Yeah.

3 MR. STEVENS: Okay, with the arrow. So, if you  
4 look where it explains the vertical wall for stability, it's  
5 a true 60 degree.

6 COMMISSIONER WILLIAMSON: I'm sorry, which?

7 MR. STEVENS: It would be.

8 COMMISSIONER WILLIAMSON: They're not numbered,  
9 okay, thanks, I got it now, thank you, okay.

10 MR. STEVENS: So, if you look at the description  
11 there as far as the coin seating, and we can refer back to  
12 the larger that might be, but then also there's changes on  
13 the back, you know, I mean engineering goes into the back of  
14 the wheel as well.

15 So, whenever we were you know, a Dexstar wheel  
16 has a Belleville washer effect. The NK LNT design has a  
17 greater Belleville washer. So, what that is -- is as the  
18 wheel is torqued, it will go down and it will spring --  
19 thing of it as a spring. It will spring back against the  
20 lug nut and that provides the clamp force, the torque.

21 So, with a flatter lug seat -- and again, it's  
22 been around from the age of time and it has worked, but we  
23 wanted to improve. We, you know, NTSA was looking down our  
24 driveway pretty hard and so we took the advice and developed  
25 it.

1                   So, the design -- it's truly in the design.  
2                   There is cost involved with the tooling. I mean it works.  
3                   Whenever someone -- again I know I was talking pretty fast  
4                   up there, if someone applies -- begins to apply lug nuts as  
5                   they run them --

6                   COMMISSIONER WILLIAMSON: I understand the points  
7                   you're making. I guess the question is what is there,  
8                   either independent studies, validation about how superior  
9                   this is and what's been the --

10                  MR. STEVENS: Yes. We went through independent  
11                  --

12                  COMMISSIONER WILLIAMSON: And why isn't it  
13                  reflected in sort of the purchaser --

14                  MR. STEVENS: If you'll turn a few more pages, if  
15                  you'll go where it says go to the little graph, and we've  
16                  done independent. There has been additional independent  
17                  testing.

18                  COMMISSIONER WILLIAMSON: Okay.

19                  MR. STEVENS: Over the years. So, if you look at  
20                  the initial torque and you'll see the guideline below.

21                  COMMISSIONER WILLIAMSON: Okay.

22                  MR. STEVENS: Showing the Dexstar.

23                  COMMISSIONER WILLIAMSON: Okay, well thank you  
24                  for that. I guess the question is -- is that reflected in  
25                  sort of market price that you can get for this product? And

1 why doesn't it sell for more than if it's so superior?

2 MR. STEVENS: Again, there's the variations  
3 between what some of the China product and then again, the  
4 development in the cost, you know, I guess as far as in  
5 Dexstar's case they choose not to do that, but as we go back  
6 to Mr. Kearns note, it's just one of those things where as  
7 we develop that -- the Chinese were, you know, our Chinese  
8 partners were more efficient and were able to provide the  
9 product.

10 MS. WALKER: Commissioner Williamson, I'd like to  
11 comment please.

12 COMMISSIONER WILLIAMSON: Sure.

13 MS. WALKER: We have a formal 88-page report from  
14 Archeotype Joint, which is a Detroit-based independent lab.  
15 And what that shows is that the ITR LNT wheels significantly  
16 keep torque over an extended period of time.

17 I haven't really understood the Kenda report.  
18 You know, ours pre-dates theirs considerably for more about  
19 10 years, and I agree with Tredit on the Bellville washer  
20 effect. But more than anything, you know, Kenda limping in  
21 and saying, "Oh, yeah, we've blocked the stud hole too,"  
22 that's just simply not enough. You have to go the further  
23 -- the extra step for the American consumer to prevent  
24 torque off.

25 Torque off kill people. I mean when they come

1 off, they're going 80 miles an hour and they bump into other  
2 cars. You really can't say in a liability situation that  
3 you've done your best unless you have put into the  
4 characteristics of the wheel to prevent torque off.

5 It's just saying you do it and actually doing it  
6 are two different things.

7 COMMISSIONER WILLIAMSON: I assumed that this was  
8 independently tested.

9 MS. WALKER: Yeah.

10 COMMISSIONER WILLIAMSON: And if it's going to be  
11 a liability situation, I assume that people -- there's a  
12 real market effect here.

13 MS. WALKER: For sure.

14 COMMISSIONER WILLIAMSON: On that?

15 MS. WALKER: Yes.

16 COMMISSIONER WILLIAMSON: And that's what I was  
17 just looking for was --

18 MS. WALKER: Ours was in our pre-hearing, the  
19 first information session, thank you.

20 COMMISSIONER WILLIAMSON: Okay, okay thank you,  
21 I'll take a look at that. Oh, my time is about to expire  
22 so, thank you for those answers.

23 CHAIRMAN JOHANSON: Commissioner Broadbent?

24 COMMISSIONER BROADBENT: Thank you. This would  
25 be for Mr. Stevens or Ms. Walker. To what extent has the

1 steel trailer wheel market been affected by substitution  
2 with aluminum wheels? Does substitution with aluminum  
3 wheels happen among OEM's or does it happen in the  
4 aftermarket?

5 MR. HAAS: This is Bryan Haas. I think most of  
6 that depends on the actual manufacturer and what their needs  
7 are. The majority of course are steel wheels, but we have  
8 many, many OE manufacturers that we service that use  
9 aluminum wheels.

10 So, it's much like a pair of shoes. Some are  
11 good for hiking and some are good for playing basketball, it  
12 just depends what you want to do with them.

13 COMMISSIONER BROADBENT: But I guess what I'm  
14 asking you is if you design a trailer for using steel  
15 wheels, can it accept aluminum wheel replacements and  
16 vice-versa?

17 MR. HAAS: Yes.

18 COMMISSIONER BROADBENT: Okay. Miss Kao, this  
19 would be for Chinese Respondents. Petitioner has framed  
20 Chinese government support within the context of a broader  
21 strategy to both to the Chinese automobile industry. Is  
22 development of a steel wheel industry a priority for the  
23 Chinese government?

24 MS. KAO: Not to my knowledge, and I'm not sure  
25 what exactly you know, they're referring to. They're

1 referring to specific programs that were addressed in the  
2 countervailing duty investigation and that, you know, is a  
3 separate proceeding.

4 But if they're referring to the China 2025 which  
5 was addressed in Section 301 proceedings, you know, steel  
6 wheels are a commodity. They're not a high-tech product.  
7 And so, you know, if that's what you're referring to then  
8 no.

9 COMMISSIONER BROADBENT: Well if you could just  
10 check their brief and maybe respond to the record that would  
11 be helpful.

12 MS. KAO: Sure, we'll do that.

13 COMMISSIONER BROADBENT: That would be great.

14 MR. HAAS: Ms. Broadbent?

15 COMMISSIONER BROADBENT: Yeah?

16 MR. HAAS: Can I just tack on something to what I  
17 said previously?

18 COMMISSIONER BROADBENT: Uh-huh.

19 MR. HAAS: About the aluminum wheels. Aluminum  
20 wheels can be put on --

21 COMMISSIONER BROADBENT: We're back on aluminum  
22 wheels.

23 MR. HAAS: Sorry.

24 COMMISSIONER BROADBENT: Right, no, it's good.

25 MR. HAAS: Just back a little bit.

1 COMMISSIONER BROADBENT: I just had to like --

2 MR. HAAS: The difference -- one of the  
3 differences for tire manufacturers is the expense of  
4 aluminum. They're significantly more expensive than a steel  
5 trailer wheel.

6 COMMISSIONER BROADBENT: Okay.

7 MR. HAAS: So, it's not just as simple as when  
8 the people are taking into account how the trailer is going  
9 to be used and who's going to be using it. Are people  
10 willing to pay that much extra for aluminum wheels?

11 And that's going to be a decision that's made by  
12 the OEM, and in most cases they use steel wheels.

13 COMMISSIONER BROADBENT: Okay, are they clearly  
14 looking--like do they look better than the white ones?

15 MR. HAAS: They're much cooler looking, yeah.  
16 You can get them in multiple designs and things like that.  
17 Trailer wheels are typically white, black, or silver.

18 COMMISSIONER BROADBENT: Okay. Good. Thank  
19 you.

20 Ms. Kao, again, to what extent is there a home  
21 market for steel trailer wheels in China? And how does the  
22 size of this market compare with the U.S. market size?

23 MS. KAO: If I recall correctly, there is a  
24 small home market demand for trailer wheels in China. I'll  
25 have to check and see exactly how much that is, but we can

1 address that in the posthearing brief.

2 COMMISSIONER BROADBENT: That would be great,  
3 thank you.

4 And then, Ms. Kao, can you describe the status of  
5 the European Commission's Antidumping Proceeding on steel  
6 road wheels from China? Do you happen to know?

7 MS. KAO: Sure. Our understanding is that there  
8 is an investigation undergoing in the European Union now  
9 that does also cover certain trailer wheels within its  
10 scope. I'm not sure what the exact status of that is as of  
11 this date, but we can also address where it stands in our  
12 posthearing.

13 COMMISSIONER BROADBENT: Okay, great. And then  
14 finally, Ms. Kao, how did the Section 301 tariffs affect the  
15 Commission's threat analysis? How would you advise us  
16 there?

17 MS. KAO: Well as the Commission is aware, the  
18 Section 301 tariffs came into effect first in September at a  
19 rate of 10 percent, and then subsequently increased, or were  
20 scheduled to increase in, in I believe January 1st, before  
21 they were deferred a little bit until May 10th.

22 As far as--do you mean threat to the domestic  
23 industry?

24 COMMISSIONER BROADBENT: Um-hmm.

25 MS. KAO: I'll have to look at some of the



1 responses from folks, but--and we can certainly address that  
2 more fully, and I don't know if some of that may include  
3 confidential data that I don't want to get into here.

4 COMMISSIONER BROADBENT: Yes, no, that's fine if  
5 you could just address it in the posthearing.

6 I want to thank all the witnesses. That  
7 concludes my questions.

8 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

9 COMMISSIONER SCHMIDTLEIN: Okay, I just had one  
10 more question, and this is for the posthearing, having to do  
11 with critical circumstances, given that my colleagues have  
12 really asked all the questions that I was going to follow up  
13 with, so at page 93 of the Petitioner's brief they include  
14 some public data with regard to imports that shows a larger  
15 increase toward the end of 2018. And so just for the  
16 posthearing, could you discuss why there might be this  
17 discrepancy? And also if there's any reason why we  
18 shouldn't use this public data in analyzing critical  
19 circumstances?

20 MR. WALSH: Yes, we'll address that.

21 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank  
22 you. I'd like to thank the witnesses for being here.

23 CHAIRMAN JOHANSON: Commissioner Kearns?

24 COMMISSIONER KEARNS: Thank you. Just a few  
25 last questions. This is just--I don't need a response to

1 this now, but given that the final scope explicitly includes  
2 PVD finished wheels, please be sure to work promptly with  
3 staff to make any necessary revisions to your data after the  
4 hearing.

5 I did have a couple of questions for you, Ms.  
6 Kao, and whoever else would like, about the galvanized  
7 products. First--and this is again for posthearing--can you  
8 give us examples of past cases in which we have defined a  
9 separate like product for one particular type of merchandise  
10 that is distinguished only by the type of coating or  
11 finishing?

12 MS. KAO: Sure. We can do that.

13 COMMISSIONER KEARNS: Thank you. And then the  
14 second question I have on galvanized, I don't know if you  
15 heard my question this morning to the Petitioners, but I  
16 kind of have the same question for you all, which is: We've  
17 heard in the staff report and so forth that there tends to  
18 be about I think a 30 percent sticks in my mind difference  
19 in price between galvanized and nongalvanized, but it seems--  
20 --for one thing, I have looked at what the AUVs are for  
21 subject imports of galvanized versus the AUVs for  
22 nongalvanized U.S. product. And it seems like there isn't  
23 that big of a difference when it comes to that. And so, you  
24 know, how would you respond to that?

25 It seems to me that if we were to put in place an

1 order on nongalvanized and what galvanized--have that not be  
2 subject to an Order, that galvanized product would end up  
3 replacing some nongalvanized product for uses other than  
4 those traditionally associated with the need for corrosion  
5 resistance. So any thoughts you have on that would be  
6 appreciated, as well.

7 And if you have any now, that's also fine. But I  
8 assume you want to wait for posthearing.

9 MS. KAO: Yes, we'd like to do that. Thank you.

10 COMMISSIONER KEARNS: Okay, thanks. Let's see,  
11 I think just one more question, and I apologize. This may  
12 not be the bestly worded question, but we're trying to avoid  
13 BPI, business proprietary information. But given the trends  
14 in Dexstar's overall shipments when comparing their merchant  
15 market shipments and company transfers from 2016 to 2018--so  
16 again, comparing merchant markets to company transfers--  
17 could that be an indication that Dexstar was losing sales to  
18 unaffiliated purchasers due to subject imports? Any  
19 thoughts on that? I guess this is sort of a legal  
20 question, so I guess I'd be looking to the lawyers.

21 MR. SCHUTZMAN: Commissioner Kearns, I think  
22 that question implicates a considerable amount of BPI  
23 analysis, so I think we'll defer that to the posthearing  
24 brief, if that's okay?

25 COMMISSIONER KEARNS: That's fine. Thank you.

1 And I think that is all I have. Thank you again for being  
2 here with us today.

3 CHAIRMAN JOHANSON: Commissioner Williamson?

4 COMMISSIONER WILLIAMSON: Just three more  
5 questions, and holler if somebody else has already answered  
6 it.

7 For Trans Texas. You argue at page 4 and 5 of  
8 your prehearing brief that competition between subject  
9 imports and Dexstar's domestic like product is extremely  
10 limited. Isn't it more accurate to say that the real  
11 competition occurs when assemblers decide whether to import  
12 trailer wheels, or buy the trailer wheels from domestic  
13 producers?

14 MR. KAHN: Are you asking--Commissioner  
15 Williamson, are you asking where is the locus of  
16 competition?

17 COMMISSIONER WILLIAMSON: For the purposes of  
18 our analysis, yeah, what should we be looking at?

19 MR. KAHN: It occurs downstream at the assembler  
20 stage. That's where our client tried it. That's where the  
21 competition occurs for the subject merchandise.

22 COMMISSIONER WILLIAMSON: You mean after--you  
23 mean in sales to the assemblers? Or what the assemblers are  
24 selling?

25 MR. SCHUTZMAN: Trans Texas competes with

1 Dexstar's affiliates downstream for the sale of complete  
2 assemblies of wheels and tires. That's the principal  
3 competition here between Trans Texas and Dexstar--it's not  
4 Dexstar, it's Dexstar's affiliates.

5 COMMISSIONER WILLIAMSON: But Trans Texas also  
6 buys wheels from--there's been discussion about whether or  
7 not they wanted to, or would buy wheels, or could buy wheels  
8 from Dexstar as opposed to importing. So isn't that  
9 competition occurring there, too?

10 MS. WALKER: They don't make everything we need.  
11 You know, there's like 11 sizes that they don't carry.  
12 They don't have the coatings we want or need. So, sure, we  
13 could buy some things from them, but they could not complete  
14 the spectrum of our needs. We have greater needs than what  
15 they can fulfill.

16 COMMISSIONER WILLIAMSON: We often have cases  
17 where there are things that are imported because, you know--  
18 at fair prices because the domestics don't produce them. I  
19 mean, that's not unusual. But the question is in our  
20 exercise here, are the subject imports--and I assume the  
21 subject imports are the wheels--

22 MR. SCHUTZMAN: The subject--

23 COMMISSIONER WILLIAMSON: --the domestic  
24 producers of wheels.

25 MR. SCHUTZMAN: But the subject imports are the

1 wheels included in the assembly.

2 COMMISSIONER WILLIAMSON: And also wheels that  
3 are not--

4 MR. SCHUTZMAN: And also just wheels, yes.  
5 Trans Texas's business is principally as an assembler.  
6 That's where it does most of its business, as an assembler  
7 of tires and wheels. Yes, it does have small amounts of  
8 wheel sales.

9 MS. WALKER: I'll be clear with you. The small  
10 amount of wheel sales are to like online retailers. Like  
11 you're a farmer. You damage a wheel. You need to buy a  
12 replacement. You might buy that from Amazon or E-Trailer or  
13 something like that.

14 The bulk of the business is at assembly. You  
15 know, we've been talking about this, and you wouldn't buy a  
16 pencil without a lead, a wooden pencil? You wouldn't buy  
17 one without a lead. And that's exactly where the dichotomy  
18 in this whole problem is.

19 They want OE business, but OE buyers don't buy a  
20 wheel. OE buyers buy a tire, a wheel, and a valve stem  
21 together. And that is the role that assemblers fulfill in  
22 this market. And that is where assemblers compete with  
23 their subsidiaries. And compete strongly.

24 COMMISSIONER WILLIAMSON: Okay. But the  
25 assemblers are purchasing wheels from somewhere?

1 MS. WALKER: Yes, sir.

2 COMMISSIONER WILLIAMSON: Okay. And that's--and  
3 since the subject product is the wheels, that's the  
4 competition I was asking about.

5 Okay, I've got another question. If the  
6 competition is say with the wheels, should we be focusing on  
7 Dexstar's prices, comparing those to the import purchase  
8 cost data that we have?

9 You know, we have the pricing data, and then we  
10 also have the import purchase cost data, too.

11 MR. SCHUTZMAN: Yeah, and you have Dexstar's  
12 price to its affiliates.

13 COMMISSIONER WILLIAMSON: I'm asking about the  
14 import purchase price data, that pricing information.

15 MR. SCHUTZMAN: Yes?

16 COMMISSIONER WILLIAMSON: And should we be  
17 looking at that and comparing that to Dexstar's prices?  
18 Think about it for posthearing.

19 MR. SCHUTZMAN: Okay, we can do that.

20 COMMISSIONER WILLIAMSON: Okay, one last  
21 question. Petitioners argue at page 68 to 71 of their  
22 prehearing brief that the Commission should adjust official  
23 import statistics by using certain questionnaire data and  
24 use the resulting figures to measure import volumes.

25 Do you agree with this? Or should the

1 Commission rely on questionnaire data as per the prehearing  
2 staff report? And if you want to do it post-hearing, you  
3 can.

4 MR. SCHUTZMAN: We can address that in more  
5 detail in the post-hearing, but there may well be defects in  
6 using the official data because it may be a bit  
7 over-inclusive. But we'll address that in the post-hearing.

8 COMMISSIONER WILLIAMSON: Okay, thank you. No  
9 further questions.

10 CHAIRMAN JOHANSON: Do any Commissioners have  
11 further questions? Commissioner Kearns?

12 COMMISSIONER KEARNS: I've just got one more  
13 based on what Commissioner Williamson was pursuing there. I  
14 mean, to be clear, it seems to me--so I think this is  
15 probably going to be post-hearing--but I'm looking at the  
16 scope here. The scope covers wheels. It does cover wheels  
17 with tires, but only, quote, "if the steel wheels or rims  
18 are imported as an assembly with a tire mounted on the wheel  
19 or rim and/or with a valve stem attached, the tire and/or  
20 valve is not covered by the scope."

21 So it seems to me that the related assemblers to  
22 Dexstar does not produce merchandise that is covered by the  
23 scope. So it seems to me like we are not, by statute we  
24 cannot include them within the definition of the domestic  
25 industry.



1           So now, or especially post-hearing, I guess your  
2 thoughts on that would be appreciated.

3           Having said that, I think I'm hearing you all  
4 make a different argument in your brief, which is that you  
5 quote a case, Hot-Rolled Steel Products from Argentina,  
6 China, India, Indonesia, and several other countries, and  
7 Stainless Steel Bar as well, on page 9, where I think you're  
8 saying there, you quote us as saying we considered the  
9 financial data that include downstream profitability. Such  
10 downstream data were examined by the Commission for possible  
11 misallocation of cost or profit between operations.

12           So I guess I'd like to hear more from you on  
13 that, and from the Petitioners on that, to see whether, you  
14 know, whether in fact we have in other cases looked at  
15 downstream or any related party financials in order to get a  
16 better sense of the industry. But, you know, I think we  
17 need to distinguish those two things: whether or not--  
18 because I'm hearing you all saying both, and I just want to  
19 be clear on which argument you really want to make there.  
20 So that's all I have.

21           MR. SCHUTZMAN: We will do that, Commissioner.

22           COMMISSIONER WILLIAMSON: Okay, thank you.

23           CHAIRMAN JOHANSON: Do staff have any questions  
24 for this panel?

25           MR. THOMSEN: Craig Thomsen, Office of

1 Investigations, staff has no questions for this panel.

2 CHAIRMAN JOHANSON: Do Petitioners have any  
3 questions for this panel?

4 MR. STEWART: No questions.

5 CHAIRMAN JOHANSON: Okay, then before this panel  
6 is dismissed, let me note that for purposes of rebuttal and  
7 closing that Petitioners have two minutes of direct, five  
8 minutes of closing, for a total of seven minutes.  
9 Respondents have zero minutes of direct, five minutes of  
10 closing, for a total of five minutes. And this panel is  
11 dismissed.

12 MR. BURCH: Rebuttal and Closing remarks on  
13 behalf of the Petitioner will be given by Terence P. Stewart  
14 of Stewart and Stewart.

15 CLOSING STATEMENT OF TERENCE P. STEWART

16 MR. STEWART: For the record, Terence Stewart for  
17 the petitioner. First, I wanna extend my thanks to the  
18 Commissioners and the staff for their attention today and  
19 for the extensive work that the Commission staff has done  
20 during the course of the investigation. Commissioner  
21 Broadbent asked us about the two purchasers. Neither of the  
22 two purchasers received questionnaires from the Commission.

23 One had received an importer questionnaire, but  
24 was not an importer. So they have not been asked to supply  
25 data. If the Commission wants them to, by all means,

1 Commission should send them a questionnaire. Last time I  
2 attempted to send questionnaires to potential respondents, I  
3 got a reprimand from the Commission for stepping over the  
4 line.

5           The questions towards the end that dealt with,  
6 "What is the real level of competition?" were correct.  
7 Dexstar, over the period of investigation, has sold to  
8 sixteen different assemblers. Those are the people who are  
9 doing the major importing. And Dexstar competes for their  
10 business against the Chinese or against other producers.

11           And so that is the relevant area of competition.  
12 Interesting to hear the comments about alleged quality and  
13 problems and superiority of techniques or developments that  
14 companies have done over the last thirty years. If you look  
15 at Exhibit 12 of our prehearing brief, there is an affidavit  
16 or a sworn statement accompanied by an independent report,  
17 looking at the current testing standards and comparing a  
18 wheel from Trans Texas, a wheel that was procured from  
19 Tredit, from one of their foreign suppliers, and other  
20 Chinese supply product against Dexstar's product and the  
21 Korean product.

22           And the only products that met current standards  
23 under that test were the Dexstar product and the Korean  
24 product. All of the Chinese products failed one or both of  
25 the two tests that are under the current standard. In terms

1 of paint, we've heard the kind of remarkable comments that  
2 Dexstar uses some kind of an inferior paint. There is a  
3 salt-spray test that we included in our prehearing brief as  
4 part of Exhibit 15, and if you will look at that, that takes  
5 a look at the results by an independent group of the  
6 salt-spray test on a Dexstar wheel, Trans Texas wheel, and I  
7 believe it's a Tredit wheel. It's either Tredit or a third  
8 company.

9 And again, the Dexstar wheel outperformed those  
10 wheels, so presumably the quality issue isn't there. You  
11 have lots of letters on the record from customers,  
12 purchasers who have attested to the quality of Dexstar, so  
13 we seem to be fighting an endless battle about an issue that  
14 has been trotted out, even though there are endless e-mails  
15 that say, "You're too high on price," "You're too high on  
16 price, we're sorry, we're moving the business away from  
17 you, but we're moving the business away because we decided  
18 it was cheaper for us to get imports."

19 That obviously is the right of purchasers to do,  
20 but if it turns out that it's purchasing product that's been  
21 dumped or sold at subsidized prices, that will come to an  
22 end, if there's affirmative determination. There was a  
23 question to the Tredit witnesses as to their sales, trend  
24 lines with Dexstar over time. If you're interested in that,  
25 Exhibit 22 of our prehearing brief is a copy of Exhibit 15

1 to our post-conference brief and has a history of the sales  
2 to Tredit and you will see that there is a huge drop-off  
3 between '15 and '16, which I think was a question you were  
4 asking and Mr. Pike was not quite sure as to when the  
5 drop-off occurred.

6 I can assure you it occurred in '16, not in '18,  
7 as was suggested. So the data when you look at it, industry  
8 as a whole, industry just on the merchant market, is an  
9 injured industry. You have large increases in imports  
10 during this period, you have aberrational data in the first  
11 quarter of 2019, which was a reflection of the fire that our  
12 client had and problems that they were struggling with in  
13 terms of getting through that and also trying to upgrade.

14 But the core issues before you are quite clear.  
15 Imports are up sharply. There has been heavy dumping and  
16 subsidization as found by the government. You have a  
17 domestic industry that is in trouble and has gone down  
18 dramatically, gone down more dramatically in the merchant  
19 market than in the related party side, but poor  
20 profitability throughout the time period, unsustainable over  
21 the time period.

22 You have large instances of underselling, even  
23 with the downstream price comparisons, you have much heavier  
24 underselling when you look at the correct comparison, which  
25 is the price from the Chinese to the assemblers and

1 Dexstar's price to the assemblers. And you have price  
2 depression, price suppression confirmed in the staff report  
3 in large lost sales.

4 So we believe that the case is a lot simpler than  
5 what our friends on the other side would have you believe,  
6 and we ask you to make an affirmative determination in this  
7 case. Thank you very much.

8 MR. BURCH: Thank you, Mr. Stewart. Rebuttal and  
9 closing remarks on behalf of respondents will be given by  
10 Max F. Schutzman of Grunfield, Desiderio, Lebowitz,  
11 Silverman & Klestadt. Mr. Schutzman, you have five minutes.

12 CLOSING STATEMENT OF MAX F. SCHUTZMAN

13 MR. SCHUTZMAN: Thank you. So, what do we know?  
14 What have we learned and what do we believe? We know that  
15 Dexstar sells many of its trailer wheels to its captive  
16 sister companies. We have learned that those sister  
17 companies allegedly treat Dexstar as they would any  
18 unaffiliated vendor to get the best price.

19 We are dubious that the relationship does not  
20 affect the pricing activity. We believe Dexstar is squeezed  
21 by its affiliates to sell at low prices, less maximizing  
22 profit for the affiliates and the sale of tire-wheel  
23 assemblies. We believe this is the paramount cause of  
24 Dexstar's precarious financial condition.

25 Because those affiliates source trailer wheels

1 from China pre-petition, and now source increasingly from  
2 nonsubject countries. We believe domestic industry  
3 performance is driven by this dynamic. In response to a  
4 question from Commissioner Williamson, we believe the  
5 captive nature of the relationship precludes the  
6 Commission's consideration of these transactions.

7 And like Commerce would do, in similar  
8 circumstances, the Commission should ignore that data and  
9 look downstream at the sales of the affiliates. We have  
10 learned that if Dexstar is unable to fill the needs of its  
11 affiliated assemblers, how can it possibly be expected to  
12 fill the needs of the rest of the market?

13 We've learned and we believe that Dexstar  
14 produces an inferior wheel to that of Trans Texas Tire,  
15 Tredit and other importers of Chinese wheels, and that this,  
16 too, affects its ability to increase its sales and market  
17 share. We know that multiple U.S. purchasers are unable to  
18 obtain trailer wheels from Dexstar, and if they are, there  
19 are significant delays in delivery and other associated  
20 supply problems.

21 We know that even after provisional CVD and AD  
22 duties were imposed, U.S. producers' business did not  
23 improve. Because sourcing was diverted from China to  
24 nonsubject countries and not to U.S. producers. We believe  
25 that as a result, the imposition of AD and CVD orders will

1 have the identical effect, that is, no effect.

2 We believe that Kenda's U.S. assemblers are  
3 extremely profitable, but we do not know this because the  
4 data's not available in the record of this investigation, as  
5 we've noted. We believe there's an absence of price  
6 depression and price suppression. And we believe the  
7 purchase cost data provided by the domestic industry do not  
8 provide evidence of underselling by subject imports.

9 We believe U.S. producers are unable to supply  
10 the needs of much of the U.S. market for steel trailer  
11 wheels and we believe that U.S. producers' capacity and  
12 capacity utilization figures are vastly overstated. We know  
13 that the imposition of AD/CVD orders on this merchandise  
14 will result in the likely loss of many more thousands of  
15 U.S. jobs at the distribution and assembly levels and would  
16 be the case in the absence of the orders.

17 We believe Kenda Rubber in Taiwan should not be  
18 permitted to manipulate the market situation, as it is  
19 attempting to do here with the filing of these petitioners  
20 purely for its own benefit and the benefit of its U.S.  
21 assembler affiliates. We believe the data already  
22 demonstrates that the imposition of AD/CVD orders will not  
23 result in any benefit to U.S. producers and will not result  
24 in putting more people to work. In fact, we believe it  
25 will have the opposite effect.



1                   We believe the Commission should view with  
2                   skepticism the 11th Hour changes to Dexstar's questionnaire  
3                   response and should likewise be wary of the bonafides of  
4                   Dexstar's entire U.S. producers' questionnaire response. We  
5                   know that the data developed by the Commission does not  
6                   support the imposition of critical circumstances.

7                   Consequently, we urge the Commission to render a  
8                   negative critical circumstances determination should it find  
9                   in the affirmative on the question of injury or threat--not  
10                  threat, injury--but that it should in any event, find in the  
11                  negative on the issues of material injury or the threat  
12                  thereof to the domestic industry. We believe it will.  
13                  Thank you.

14                  CHAIRMAN JOHANSON: Thank you all again for  
15                  appearing here today. I will now make the closing  
16                  statement. Post-hearing briefs, statements response to  
17                  questions and requests of the Commission and corrections to  
18                  the transcript must be filed by July 15th, 2019. Closing of  
19                  the record and final release of data to parties occurs on  
20                  July 25th, 2019, and final comments are due on July 29th,  
21                  2019. With that this hearing is adjourned.

22                  (Whereupon the hearing was adjourned at 3:45  
23                  p.m.)

24  
25

## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Steel Trailer Wheels from China

INVESTIGATION NOS.: 701-TA-609 and 731-TA-1421

HEARING DATE: 7-9-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 7-9-19

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  
Proofreader

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.

SIGNED: Gaynell Catherine  
Court Reporter