UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation No.:
TAPERED ROLLER BEARINGS	)	731-TA-344 (Third Review)
FROM CHINA	)	

Pages: 1 through 260

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Tuesday,
June 19, 2012

Room No. 101
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The hearing commenced, pursuant to notice, at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable SHARA L. ARANOFF, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

IRVING A. WILLIAMSON, COMMISSIONER
SHARA L. ARANOFF, COMMISSIONER
DEAN A. PINKERT, COMMISSIONER
DAVID S. JOHANSON, COMMISSIONER

Staff:

BILL BISHOP, HEARINGS AND MEETINGS COORDINATOR
SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT
JENNIFER MERRILL, INVESTIGATOR
DEBORAH McNAY, INTERNATIONAL TRADE ANALYST
JAMES FETZER, ECONOMIST
CHARLES YOST, ACCOUNTANT/AUDITOR
DAVID FISHBERG, ATTORNEY
ELIZABETH HAINES, SUPERVISORY INVESTIGATOR

APPEARANCES: (Cont'd.)

CONGRESSIONAL WITNESSES:

THE HONORABLE SHERROD BROWN, United States Senator, Ohio
THE HONORABLE BETTY SUTTON, U.S. Representative, 13th District, Ohio
THE HONORABLE JAMES B. RENACCI, U.S. Representative, 16th District, Ohio
THE HONORABLE BOB GIBBS, U.S. Representative, 18th District, Ohio

In Support of the Continuation of the Antidumping Duty Orders:

On behalf of The Timken Company (Timken), United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC (USW):

JAMES W. GRIFFITH, President and Chief Executive Officer, Timken
PHIL FRACASSA, Senior Vice President and Controller, Bearings & Power Transmission (B&PT) Group, Timken
STEVEN P. RUSSELL, Manager, Marketing, North America - Light Vehicle Systems, Heavy Truck and Off-Highway, Timken
THOMAS TECKLENBURG, Director, Automotive and Heavy Duty Aftermarket, Timken
GARY SCHALL, Plant Manager, Lincolnton Plant, Timken
DENNIS BROMMER, USW Subdistrict Director, USW Subdistrict 2, Canton, Ohio

TERENCE P. STEWART, Esquire
ERIC P. SALONEN, Esquire
PHILIP A. BUTLER, Esquire
JENNIFER M. SMITH, Esquire
Stewart and Stewart
Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to the Continuation of the Antidumping Duty Orders:

On behalf of Dana Holding Corporation:

JOSEPH HECKENDORN, Senior Counsel for International Trade Compliance, Dana Holding Corporation
HEIDI DAY, Global Commodity Manager - Bearings, Dana Holding Corporation

LYLE B. VANDER SCHAAF, Esquire
Brinks, Hofer, Gilson & Lione
Washington, D.C.

On behalf of The Coalition of Exporters and Importers of Wheel Hub Assemblies from China:

STEVEN CHANG, Sales Manager, Bosda International USA LLC
ZHIMIN (JEREMY) PENG, Overseas Sales Director, Zhejiang Sihe Machine Co., Ltd.
MELODY PENG, Translator for Zhejiang Sihe Machine Co., Ltd.
NANCY XIE, Chief Executive Officer, Li Li Auto USA
STEVE BEARDEN, Chief Executive, H.B. International Marketing Services, Inc.
KONG AIXIANG, General Manager, Zhejiang Zhaofeng Mechanical and Electronic Co., Ltd.
HARRY LI, Translator for Mr. Kong

LYLE B. VANDER SCHAAF, Esquire
Brinks, Hofer, Gilson & Lione
Washington, D.C.

I N D E X

I N D E X

P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN ARANOFF: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation No. 731-TA-344 (Third Review) involving Tapered Roller Bearings From China.

The purpose of this five-year review investigation is to determine whether revocation of the antidumping duty order on tapered roller bearings from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.

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

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary.

Speakers are reminded not to refer in their

remarks or answers to questions to business proprietary information. Please speak clearly into the microphone and state your name for the record for the benefit of the court reporter. If you will be submitting documents that contain information you wish classified as business confidential, your requests should comply with Commission Rule 201.6.

Before beginning I should point out to those who are curious that I'm serving as chairman today by operation of law as we await formal notification that the President has appointed a new chairman. We expect to receive such notification soon, and I don't expect to be holding the gavel for too many days.

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: No, Madam Chairman.

CHAIRMAN ARANOFF: Very well. Will you please announce our first congressional witness?

MR. BISHOP: The Honorable Kay R. Hagan, United States Senator, North Carolina.

(Pause.)

MR. BISHOP: Madam Chairman, we have a change in congressional witnesses. The Honorable Sherrod Brown, United States Senator, Ohio.

CHAIRMAN ARANOFF: Welcome back to the

Commission, Senator Brown.

MR. BROWN: Thank you, Madam Chair. Good to be back again.

CHAIRMAN ARANOFF: Please proceed.

MR. BROWN: Thank you for, first of all, your public service, all of you, and, second, for the good work specifically you do for American jobs and the fair trade policy and enforcing real trade rules and real trade law.

Thanks for the opportunity to be here today. Thanks for the chance to voice my strong support for continuation of the antidumping order on Chinese tapered roller bearings. I'm here to support the effort of the Timken Company and the United Steel Workers Union to maintain the order and to limit further harm to the domestic industry and to its workers.

Timken Company, headquartered in Canton, Ohio, is a major U.S. producer of tapered roller bearings. It has several of its TRB, tapered roller bearing, facilities in my state, as well as facilities that produce bearing quality steel. In Ohio, there are nearly 4,700 Timken workers, including more than 2,500 whose jobs are directly dependent -- directly dependent -- upon continuation of this order.

Since the second sunset review, there have been several plant closings and layoffs in the domestic industry. Without the restraining effects of this order, I feel certain that greater harm will have been suffered in my state during your current period of investigation.

In January 2009, Timken laid off 60 workers in its Bucyrus plant 30 miles from where I grew up at its Ohio tapered roller bearing factory. In 2009, it also closed the Canton bearing facility and Gambrinus bearing facility. Fortunately, the Gambrinus plant has reopened, but some foreign competitors have proven time and again that they're willing to do anything -- even cheat, if I could use such a word -- to gain an economic advantage over American innovation.

Too many American companies like Timken have been undermined by companies that game the system. Fortunately, because of some of the wise decisions you've made and new efforts you have made to enforce trade law, we're seeing some improvements. U.S. companies are beginning -- it's a bit anecdotal, but there is increasing evidence; beginning to bring production back to our country.

When a company decides to reshore, U.S. production often increase which means new jobs are

created here at home, but the viability of repatriated production depends on the ability of domestic producers to defend against unfairly traded imports. Too often foreign producers aided and abetted by their governments refuse to abide by international agreed upon rules for international trade. They engage in anticompetitive tactics such as dumping and improper subsidies to gain market share and export markets no matter the impact on industries in those markets.

China, as we know from repeated actions, is one of the worst offenders. Dozens of cases have been filed in recent years on products from China across a wide spectrum of industries, including products like steel and solar panels and wind energy structures. Distortions in the Chinese economy, including granting loans to favored industries, price controls in various areas, state ownership of sectors and restrictions on key inputs to bearings such as steel create an environment in which export prices often bear no relationship or little relationship to underlying actual cost.

It's these market distortions by China's state capital system that so severely disrupts the American marketplace. It's these distortions that our trade remedies must correct. That's why it's so very

important that the existing antidumping order on Chinese tapered roller bearings remain in place.

If the order is revoked, imports of tapered roller bearings from China will be dumped on the U.S. market at artificially distorted prices. Companies such as Timken, which operate in the free market in our country and globally, will be virtually unable to compete domestically and will struggle to remain a viable company in this area.

History has shown that foreign producers of tapered roller bearings are drawn to the U.S. market, and who can blame them. The U.S. market is highly attractive with a large customer base, well developed infrastructure and channels of trade and easy and open access. You can be sure that Chinese producers find the U.S. market no less attractive than producers from other countries.

Indeed, the U.S. has been and continues to be by far China's single largest export market for tapered roller bearings. If the order is removed, it's a certainty that China will resort to the same tactics of dumping that they have used successfully in other markets to seize market share away from Timken and other domestic producers.

The impact on manufacturing in my state is

potentially devastating. You have the power as ITC Commissioners and the authority to prevent that from happening. The work of this Commission is important to workers and producers in my state and across our nation. I urge you to exercise your authority once again to do the right thing and defend them in this review.

I'm so appreciative of the work you've done in the years I've been in the Senate and before that in the House and appearing in front of this Commission. You've mattered a great deal in a very positive way in my state, and I'm grateful for that.

CHAIRMAN ARANOFF: Thank you very much. Are there any questions for the Senator?

(No response.)

CHAIRMAN ARANOFF: No? Thank you for coming today.

MR. BISHOP: Our next congressional witness is the Honorable Betty Sutton, United States Representative, 13th District, Ohio.

CHAIRMAN ARANOFF: Good morning. Thank you for coming to the Commission.

MS. SUTTON: My privilege. Good morning to you. Thank you. Thank you to the members of the Commission for giving me the opportunity to testify

before you today. My name is Congresswoman Betty Sutton, and I represent the 13th Congressional District of Ohio.

Today I'm here on behalf of the hardworking men and women of northeast Ohio and workers throughout the U.S. who work in the tapered roller bearing or TRB industry to ask you to vote to continue the antidumping order on tapered roller bearings from China.

As a member of the House Trade Working Group, the House Manufacturing Caucus, the House Steel Caucus I have always fought to help level the playing field in support of domestic manufacturing. I strongly believe that each manufacturing job has a multiplier effect in creating additional good paying jobs, and supporting the domestic bearing industries means a strong Ohio and stronger country.

Moreover, maintaining the strength of our nation's manufacturing industry will ensure a strong middle class, make us a more productive and prosperous country, enable many more families to achieve the American dream. As a result of this belief, I'm particularly concerned about the adverse repercussions of allowing the antidumping order on TRBs from China to expire.

The Timken Company, the original Petitioner in this investigation and a global leader in the production of tapered roller bearings, employs hundreds of men and women in its Ohio plants, and this company has been a fundamental part of Ohio's manufacturing base for a long time.

Additionally, as tapered roller bearings are used in a variety of applications the success of the tapered roller bearing industry also affects the success of the automotive, aerospace, construction, offroad equipment, mining and other industries. These industries support jobs throughout Ohio and across the country. They're the backbone of our manufacturing workforce and the bedrock of a strong economy.

In other words, it's in our best interest to ensure that the domestic tapered roller bearing industry can compete on a level playing field. That's all we're asking for. This order is critically important to the viability of the tapered roller bearings industry because there's evidence that China is continuing to expand its production of tapered roller bearings and is focused on increasing exports.

China's twelfth five-year development plan called for targeted annual growth of more than 13 percent from 2011 to 2015 with a total increase in

bearing production from 15 billion units in 2010 to 28 billion units in 2015. And I know that it's highly unlikely that China intends to direct this significant growth towards its home market, especially since there are indications that China's economy is slowing.

Moreover, in Europe, a major export market for China, demand is weaker due to Europe's economic decline. Thus, if the antidumping order is revoked I am certain that China will quickly flood the U.S. market with its unfairly priced product, injuring the domestic TRB industry.

The evidence is clear. China intends to dominate the U.S. TRB market. Without the antidumping order in place, dumped imports from China will push domestic TRB prices down to unsustainable levels, and companies like Timken will likely have to reduce or even cease production of the TRBs for which Chinese producers offer the identical product. Depending on how much those products account for their total production, it could very well result in the shutting of plants altogether.

Well, I refuse to sit back and watch more Ohio plants close and witness more hardworking Americans lose their jobs as a result of China's unfair trade practices. We must not allow it to

happen. Thus, I strongly urge the Commission to vote to continue the antidumping order on tapered roller bearings from China. This order has been key to the continued existence of the domestic TRB industry, and we must work together to ensure that our region and indeed our nation does not lose this important industry.

By keeping the playing field level -- nothing more, nothing less -- we can help America's manufacturing sector not only survive, but thrive. We can thrive because we have businesses like Timken who are leading the way in driving our manufacturing industry, and I want to thank them for standing up and speaking out against these unfair actions.

And we can thrive because of the great men and women of the United Steel Workers. As voices for working families and fighters for the middle class, I want to thank them for their effort in standing with us to ensure that this ruling is upheld.

Thank you again for the opportunity to share my views today, and I look forward to hearing your ruling. Are there any questions? Thank you.

CHAIRMAN ARANOFF: Any questions?

(No response.)

CHAIRMAN ARANOFF: Thank you very much for

coming today.

MR. BISHOP: Our next congressional witness is the Honorable James B. Renacci, United States Representative, 16th District, Ohio.

CHAIRMAN ARANOFF: Welcome.

MR. RENACCI: Thank you. Good morning, Commissioners, and thank you for giving me the opportunity to testify before you today. I am here representing the 16th District of Ohio, the domestic tapered roller bearing, TRB, industry and the Timken Company, the original Petitioners in this case.

Timken is headquartered in Canton, Ohio, and our local economy relies heavily on the stable, good paying jobs and tax revenues the company provides. During my first term in office, I have been committed to job creation and protecting the existing jobs created by the local manufacturing companies, and that is why I am here today. Timken and other companies across the Ohio manufacturing sector will suffer greatly if the TRB antidumping duty order is revoked.

The Timken Company was founded in 1899 and has been headquartered in Canton since 1901. Since the company's formation, it has been an indispensable economic force in Ohio's manufacturing sector. Timken employs more than 4,000 people in Stark County alone.

Most of these employees are located at Timken's global headquarters in Canton, steel and roller plants in Canton Township and Perry Township and Timken's Technology Center in Jackson Township.

As Timken's products are used in the automobile, construction, industrial, aerospace and defense industries, any negative impact on the TRB industry will also affect these other sectors of my state's economy and the nation as a whole. According to the Commission's public prehearing staff report, significant underselling continues on imported TRBs from China despite the current order. Even with the protection provided by the order, the domestic industry has already had to shut plants.

In 2009 Timken closed the Canton bearing facility, and in 2010 Timken closed two TRB plants elsewhere in Ohio. I am extremely concerned that the revocation of this order will place American manufacturers in a further disadvantage and will ultimately result in the elimination of the domestic TRB industry.

Currently the antidumping order has been successful in restraining the growth of China's TRB exports to the U.S. The order requires the posting of cash deposits on imports, and these deposit rates can

often range up to nearly 100 percent. Absent the order and considering slowing demand in China's home market and import/export markets like Europe, China will have the ability to flood the U.S. market with underpriced TRBs, causing irreparable harm to the domestic TRB industry and our local economy.

In conclusion, I strongly believe that the continuation of the antidumping order on TRBs from China is critical to protect our domestic producers from China's predatory trading practices. Our local manufacturers depend on fair trade conditions being maintained in the market, and I sincerely hope that upon reviewing the record the Commission will conclude that an affirmative determination is warranted in this case. Thank you for your time and consideration.

CHAIRMAN ARANOFF: Thank you very much. Are there any questions?

(No response.)

CHAIRMAN ARANOFF: No? Thank you for coming today.

MR. RENACCI: Thank you.

MR. BISHOP: Our next congressional witness is the Honorable Bob Gibbs, United States Representative, 18th District, Ohio.

CHAIRMAN ARANOFF: Good morning.

MR. GIBBS: Good morning. Good morning, Commissioners, and thank you for the opportunity to testify before you today. I am here on behalf of the skilled workers producing tapered roller bearings, or otherwise known as TRBs, in the 18th District of Ohio and to urge your consideration in continuing the antidumping duty order on the TRBs from China.

This order has been integral to the continued existence of the domestic bearings industry and the jobs of more than 2,500 workers across Ohio who are directly impacted by the continuation of this order. That includes not only the workers who produce the TRBs, but also those who produce the bearing quality steel used to make those bearings.

Much of Ohio's economy relies on the strength of its manufacturing industries. The Timken Company, the original Petitioner in this investigation and the leading global manufacturer of higher engineered bearings, ally steels and related components has played a very important role in bolstering Ohio's economy with the operations they maintain in our state.

In my district alone, the Timken Bearing Company in the New Philadelphia bearings plant employs hundreds of workers producing numerous varieties of

tapered roller bearings. These men and women take pride in their work, and I hope they have the opportunity to remain at their jobs as long as they wish.

Unfortunately, these manufacturing jobs are unlikely to survive if the antidumping order on TRBs does not remain in effect. China's trading practices continue to directly threaten the domestic tapered roller bearing industry. In fact, dumping of TRBs by Chinese producers has continued even with the order in place.

Chinese producers cannot compete successfully in our market unless they resort to dumping. In the state capitalist economy such as China, profit is not the primary incentive. It is to maintain employment and generate revenue from exports, irrespective of international trade rules and obligations.

As tapered roller bearings from China are sold in the U.S. at artificially low prices, U.S. producers are struggling to compete with those unsustainable prices in order to stay in business. Although companies like Timken have worked hard to be innovative and improve their production processes while reducing cost, their inability to remain viable

players in this market is dependent on fair trade conditions being maintained.

Removal of this order would lead to a large increase of imports from China at very depressed prices, which would result in lost revenue for domestic producers. This would result in the closure of plants and loss of jobs for working men and women in Ohio and across America.

With the recession of 2008 and 2009 and a slow rate of recovery, the domestic industry is already seeing plants close even when the order is in place. For example, in 2010 Ohio saw the closing of two Timken tapered roller bearing plants. The revocation of this order will further hurt market conditions for domestic producers and their workers.

Data from China's twelfth five-year development plan show that Chinese production of all types of bearings has increased by a staggering 150 percent between 2005 and 2010. Concerning that TRBs have been singled out as one of the key products targeted for development in China's eleventh five-year plan for 2005 to 2010, it is likely that China's TRB industry has grown much more.

Furthermore, the twelfth five-year development plan projects that Chinese production of

bearings will increase an additional 87 percent from 2011 to 2015. The International Monetary Fund has predicted that in 2012 China's gross domestic product will fall to 8.23 percent, China's lowest growth rate since 1999.

Chinese producers will undoubtedly be more dependent on U.S. export markets to offload their low-priced bearings. I am told that the first quarter export data for TRBs from China confirm this in this direction even with the order maintaining in place. Thus, it is a certainty that if the order is revoked there will be a large surge of imports into the United States of tapered roller bearings from China. This will devastate our domestic industry.

In conclusion, revocation of this antidumping duty order will expose the domestic bearings industry to large volumes of unfairly priced imports. I respectfully request that the Commission vote to maintain a level playing field for the domestic bearings industry by maintaining the antidumping order on tapered roller bearings from China, and I'd be happy to answer any questions.

CHAIRMAN ARANOFF: Thank you. Any other questions?

(No response.)

MR. GIBBS: Thank you.

CHAIRMAN ARANOFF: Thank you for your testimony today.

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

CHAIRMAN ARANOFF: Thank you, Mr. Secretary. Then I guess we are ready to proceed to opening remarks.

MR. BISHOP: Opening remarks on behalf of those in support of continuation of the order will be by Terence P. Stewart, Stewart & Stewart.

CHAIRMAN ARANOFF: Good morning, Mr Stewart.

MR. STEWART: Good morning. Madam Chairman and Commissioners, the record before you in this review has many similarities to the records in the first and second sunset reviews on the same order in which the Commission made affirmative determinations. It also has one important dissimilarity: The absence of growth in demand during the current period of review.

Similarities include reasonable interchangeability of product, importance of price and purchasing decisions, the presence of ongoing significant underselling of subject merchandise and, of course, Commerce's determination that dumping will

continue or recur if the order is revoked.

There are also reasons why continuation of the order is even more important today than it has been previously. First, the Chinese bearing industry's production increased 150 percent between 2005 and 2010 and is projected to expand an additional 87 percent by 2015. Tapered roller bearings likely increased even faster because of the priority placed on TRB expansion in China during this time period.

Second, China's export orientation has also increased or maintained itself as total exports of TRBs to the world grew some 200 percent between 2006 and 2011 as shown in the public staff report.

Third, while there were at least 63 identified Chinese tapered roller bearing producers in the second review, Timken has documented more than 200 Chinese tapered roller bearing producers in this review, many of whom produce a large portion of the high volume part numbers that are critical for a number of U.S. tapered roller bearing facilities.

Fourth, there has been substantial increased investment by multinational bearing producers in their Chinese tapered roller bearing facilities. These companies' Chinese operations pose an especially great challenge to the domestic industry across the full

spectrum of the TRB product line.

Fifth, nearly all major U.S. OEM purchasers have operations in China. They are able to work with Chinese tapered roller bearing producers, both multinationals and Chinese owned, to meet their needs in China and should the order be revoked in the United States. With large existing unused capacity in China and more likely in the coming years, such familiarity with Chinese suppliers poses increased challenges to U.S. tapered roller bearing producers if the order is revoked.

Finally, both the Chinese economy and key Chinese export markets such as the EU are experiencing slowdowns in 2012 which will continue at least through next year. The U.S. market will see a surge in imports from China if the order is revoked as exports are diverted from other markets based on both a declining global and EU demand and the existence of higher prices on many products in the U.S.

A surge in imports and material injury to the domestic industry from revocation of the order can be seen from the facts compiled by the ITC staff. First, the Chinese producers' track record of rapidly growing exports even during periods of strong domestic growth. Second, willingness of Chinese producers to

engage in aggressive underselling even with the order in place.

Third, the actions of three Chinese producers revoked from the order in earlier periods whose exports to the U.S. then soared. Thus, a large surge in imports from China if there is a revocation is a certainty. Not a probability, not a likelihood, but a certainty.

But the U.S. market is in no position to absorb such a surge of imports from China without the domestic industry suffering material injury. Weak demand and, at best, slow growth characterizes the U.S. tapered roller bearing industry at the present time.

In a slow growth market, surging imports will take substantial volume from domestic producers, put enormous pressure on domestic prices, cost hundreds or thousands of workers their jobs and force the closure of plants in the United States. In short, the record shows that revocation of the order will likely lead to continuation or recurrence of material injury to the domestic industry within the reasonably foreseeable future.

As for the issue of like product, the Commission got it right in the original investigation

in this case and in the first two sunset reviews. TRBs are a continuum and constitute a single like product. The arguments by those in opposition are quite similar to arguments raised in the original investigations of the Ball Bearing orders and in the first Ball Bearing sunset reviews. They are no more meritorious in this case and should be rejected again. Thank you.

MR. BISHOP: Opening remarks on behalf of those in support of revocation of the order will be by Lyle B. Vander Schaaf, Brink, Hofer, Gilson & Lione.

MR. VANDER SCHAAF: Good morning. First let me say thank you for deciding to go to a full review. I know that those are always difficult decisions and the question is always raised whether parties will show up during a full review. We think we've done the best that we can to try to get as many foreign producers who make wheel hub assemblies to participate in this proceeding as possible.

I learned just the other day that we will have another party that wants to participate, a foreign producer who will be submitting a foreign producer questionnaire. Previously they hadn't shown an interest in the proceeding, but you're going to be getting another foreign producer questionnaire, and

we're also going to try to work with the Government of China to get to you any information about wheel hub assembly production in China that you don't already have through the foreign producer questionnaires.

So I want to at least send a message that I encourage you in cases where it's a close call whether to go to an expedited or a full review to continue to go to full reviews, and I hope that you'll get the same example where parties will continue to participate in the full review to give you at least merit to your decisions.

The original decision in this case, as you know, was issued in 1987. That was a long time ago. Commissioner Liebler, Brunsdale, Ekkes, Ladork and Rohr were Commissioners at that time. At the time, Commissioners, at least three of them, followed the bifurcated approach of injury analysis where the Commissioners first made a decision about injury and then made a second decision about causation. That of course was disallowed in statutory changes since then.

This 1987 decision came even before the world trade agreements existed and the antidumping agreements existed that require a sunset review. That decision came eight years before the world trade agreements and antidumping agreement was ever penned

and 13 years before the Commission even instituted its first sunset review, so it's been around for a while, and we think 25 years is long enough.

But we also want to recognize and have you guys understand that many of the wheel hub assembly producers didn't even know that their product was subject to the tapered roller bearing antidumping duty order. A number of them sought scope clarifications with Commerce to clarify that their products, wheel hub assemblies, were not covered by the tapered roller bearing antidumping duty order.

Of course, we all know now that Commerce decided that these products were covered by the scope, so many of them had to scramble to pay retroactively their antidumping duties, to re-report their entries as subject merchandise and to file prior disclosures with Customs.

But the Commission often times looks at what is the restraining effect of an order. Well, in this case you have a perfect example of what the restraining effect of the order is. It's what occurred prior to Commerce's decision on the scope rulings because people weren't importing these as tapered roller bearings. They were importing them as wheel hub assemblies.

So I would put to you that if you want to know about the restraining effects look at that time period because they simply didn't know. No one would have conceived that wheel hub assemblies are tapered roller bearings. So of course we argue that wheel hub assemblies are a separate like product. Our producers do not think of their product as a tapered roller bearings. Their customers and distributors in the U.S. don't think of their product as a tapered roller bearing.

We presented a number of arguments in our prehearing briefs for why we think wheel hub assemblies should be defined as a separate like product in this investigation from tapered roller bearings, and we think the Commission should find two like products, wheel hub assemblies with tapers and tapered roller bearings.

Bringing this back to the original investigation, in 1987 there were no imports from China of wheel hub assemblies. We're not aware of any of our coalition members producing wheel hub assemblies in China in 1987. Certainly the Gen III product, which is the most recent generation of wheel hub assemblies, was not produced in 1987. ABS, antilock braking systems, were not part of wheel hub

assembly products in 1987.

So much has changed, and we do believe that now for the first time the Commission should take a close look at whether or not wheel hub assemblies should be in the same like product as tapered roller bearings. And if you look at the evidence that the Commission has gathered in terms of information from the questionnaire responses and other information that we've presented, we think it makes very clear that when the Commission looks at this clearly for the first time it will decide that wheel hub assemblies are a separate like product.

Now, there's not much I can say about the condition of the domestic industry with respect to wheel hub assemblies that isn't confidential, but I think if you look at the producers of these products, if you look at their pricing practices, you will see that they are not in a vulnerable state; that if the order is revoked with respect to wheel hub assemblies injury will not recur or continue to them.

And so we think that the Commission should find two like products, one for wheel hub assemblies, one for tapered roller bearings, and issue a negative determination with respect to the U.S. producers producing wheel hub assemblies. Thank you very much.

MR. BISHOP: Would the first panel, those in support of continuation of the antidumping duty order, please come forward and be seated?

Madam Chairman, all witnesses have been sworn.

(Witnesses sworn.)

CHAIRMAN ARANOFF: Please proceed whenever you're ready.

MR. STEWART: Thank you, Madam Chairman. We're going to go quickly through a PowerPoint presentation.

The first slide, Benefits of the Order, shows that since the order has been in effect the share of exports from China that have come to the United States have declined from close to two-thirds to only 18 percent in 2010.

While there is no public data that splits out subject and nonsubject Chinese imports, if you take a look at total imports from China viewed as Chinese exports to the U.S. the rate of growth has been much slower than to the rest of the world -- in fact, roughly one half -- again showing the restraining effect that the order has had.

As the Commission found in the second review, absent the order imports from Chinese

producers who have been revoked have soared and -- a matter of great concern to us -- when other orders on TRBs have been revoked there also have been massive increases, much larger increases than we have seen from subject to nonsubject under the Chinese order, Japan being the classic example.

Looking at likely volume, you'll see that, as the staff report notes, TRB exports from China nearly tripled to close to $600 million and a figure of 226 million units. If you look at that in comparison to U.S. consumption, you will see that their exports are a very, very, significant number.

Second, on likely volume, the number of TRB producers has grown and is very large, more than 200 confirmed produced TRBs, and in fact there is at least 10 facilities for the major multinationals that have received hundreds of millions of dollars of investment during the recent POR.

If you look at it from a percentage point of view, you see 150 percent reported by the industry itself for all bearings between 2005-2010, a further 87 percent increase, and these are absolutely enormous increases based on the size of the industry, and TRBs again identified as a key product for development in the 2005-2010 timeframe, meaning that imports likely

have increased much more rapidly or production has increased much more rapidly.

Then if you look at the EU, China's largest export market, collectively it is contracting. While your staff report shows the top four EU countries, if you look at the total EU, 27, you see that in 2011 they accounted for 31.3 percent of the Chinese exports, and the Euro Zone GDP growth for 2012 is now in negative territory for the EU as a whole. What we are seeing through the first four months is that Chinese exports to the EU have started to contract. They're down by 4.1 percent.

When you look at conditions of competition, this is not really much different from earlier reviews. You have the vast majority of purchasers who find that Chinese and domestic product is either always or frequently interchangeable. When you look at price, and as you will hear later, price is clearly an important factor. While it may not be the only factor that gets looked at, more than 80 percent of purchasers view it as being one of the most important factors.

Then the fact that I started with this morning in terms of dissimilarities. This is the first review period where U.S. demand, according to

your staff, has gone down. We know that there continues to be massive underselling. Ninety-five percent of the comparisons show underselling with an average margin of more than 50 percent.

Now, if you look at Timken's experience during the period of review you will find that virtually every factor that you look at has gone down -- production, capacity utilization, commercial shipments, employment, hours worked, wages paid, R&D, capital expenditures. So this is the condition of the major domestic producer as you look at the issue of revocation.

And there are many sectors within the TRB product line that are clearly at risk should the order be revoked starting with high volume TRBs. We note that all or nearly all high volume part numbers sold in the U.S. are produced by Chinese producers. There is significant excess capacity, likelihood of substantial underselling, export orientation and higher prices in the U.S. than in China.

The analysis that we did and presented in the questionnaire response that the company did showed that for 70 percent of the volume they produce at their four high volume part numbers there are identical part numbers from many, many Chinese

producers that are out on the internet in terms of product listings.

What all this means is that many of the U.S. plants for Timken and others that are currently operating at low capacity utilization rates are clearly in the bulls-eye and would be highly at risk should this order be revoked.

If you look at railway TRBs, there are three multinationals that have large facilities in China that produce TRB railway bearings -- SKF, Schaeffler and NTN. At least two of those are already certified by the Association of American Railroad, which means that if the order goes off there is a very quick access to the U.S. marketplace.

Third, on large bore TRBs, including wind, we know that there is a lot of capacity in China that has been added by multinational producers to deal with that very rapid growth that occurred in the Chinese market. The Chinese market has now cooled off dramatically, and we are aware that there is large unused capacity in those large bore bearings, and these are from multinationals where there would be easy access to the U.S. market.

Finally, if you take a look at wheel hub solutions, which include both wheel hub assemblies and

the traditional wheel hub end product, which is two single row tapered roller bearings, all of these products are produced in China. Pricing levels from the Chinese are currently very low. Chinese producers are currently competing very strongly in the aftermarket.

That segment as well would be at risk, and if you look at Timken's questionnaire response, which is incorporated into the confidential staff report, you will find that that part of the Timken business is in serious difficulty or has been in serious difficulty over the period of review.

Multinational bearing companies have long and well-established relationships with U.S. purchasers from their U.S. and foreign operations. Nearly all major U.S. OEM purchasers have manufacturing operations in China. In our prehearing brief we identify from some of the purchasers whose questionnaire responses are listed on EDIS all of the investments that they've made in China. What that means is they've got an existing working relationship with Chinese and multinational TRB vendors.

So the consequence of revocation of the order is pretty straightforward as we look at it. You have both multinationals and the very large number of

Chines TRB producers who are not in the market coming in, price underselling intensifying, domestic volume being lost, factories closing, workers being laid off, the potential of a significant part of the industry collapsing.

On like product, three times you have looked at and decided that the like product is that which was originally found, which include housed and packaged bearings such as wheel hub units. The cites to the various decisions and pages are exactly there. You viewed TRBs in terms of a continuum. The definition of a continuum from a dictionary is what you typically call it, which is no clear dividing lines.

If you ask why is it a continuum, it's pretty clear. There's 26,000 part numbers, both housed and nonhoused. The size range goes from an inch to more than six feet. The price range goes from a few dollars to more than $100,000. There are no clear dividing lines -- never have been, never will be -- in terms of the product line.

And finally, you have twice before rejected the exact same arguments that are being made, albeit in Ball Bearings, but in the Ball Bearing cases you refer back to the Tapered Roller Bearing case for the inclusion of wheel hub units as the basis for why they

should be kept in the ball bearing thing. TRBs are a class continuum. This drawing kind of illustrates the overlap.

And with that, Madam Chairman, I will turn it over to our first witness, Jim Griffith.

MR. GRIFFITH: Good morning. My name is Jim Griffith. I am President and Chief Executive Officer of the Timken Company. In 2006, I told you that the revocation of the antidumping order on the imports of tapered roller bearings from China was the most serious challenge to the survival of the U.S. tapered bearing industry. That is even more the case today.

As the Commission is aware, Timken is a major producer of tapered roller bearings in the United States. Our company's founder, Henry Timken, invented the tapered roller bearing in 1898 as a solution to a critical problem -- reducing friction in order to improve productivity. Indeed, the specific problem was the ability of heavy freight wagons to make sharp turns.

Tapered roller bearings were able to handle both radial -- that is the weight -- and thrust or cornering force loads, allowing the wagon to move more smoothly, corner better and require reduced repair and replacement. The same can be said of tapered roller

bearings, including TRB wheel hub assemblies, which are used in hundreds of different applications for many industries today.

Demand for tapered roller bearings is derived from demand in the end use markets into which they're sold. The public prehearing report, page 2-5, depicts a huge dip in GDP growth in 2009 from the deep recession of late 2008-2009. While the recovery started in 2010, in many sectors of our economy recovery continues to be slow.

As our producer questionnaire shows, Timken experienced sharp declines in production, shipments and sales of tapered roller bearings in 2009. While things have improved since then, several important factors such as production, shipments and employment have yet to return to prerecession levels. As the public prehearing report notes on page 2-5, U.S. demand for tapered roller bearings apparently decreased between 2006 and 2011.

We have had serious problems with aggressive pricing and large imports from Japan following the revocation of the TRB Japan order in 2000. In fact, exports from Japan have increased 400 percent since the order was revoked. Timken's decision to avoid the losses associated with matching those prices led to a

direct reduction in our sales and production of over $600 million in the U.S. market in the past three years. The potential problems from China absent the existing order dwarf our concern for Japan.

As the Commission has often recognized, ours is a capital intensive industry. That means our competitors are willing to sell their product at dumped prices to maintain high levels of capacity utilization. That is precisely why efforts to ensure fair trade have been so important to our company for so many years.

Depressed prices that flow from dumped import competition forced us to choose between cutting prices to meet that competition or ceding market share because in the end price is what drives our customers' buying decision. According to the public prehearing report, page 2-8, all but two purchasers indicated that price was a very important factor in making their purchases.

Even with the order on tapered roller bearings in place, the lack of an import order on imports from Japan in the last dozen years, coupled with very aggressive pricing by Japanese competitors in the U.S. tapered roller bearing market, has impacted Timken severely. This is particularly true

in the automotive sector as pricing levels on many products, including wheel hub units, have for years been below levels at which our company and we believe any company can make an adequate return on invested capital.

Our experience in the TRB wheel hub portion of the TRB market, which is reflected in our questionnaire, reflects unsustainable pricing by our competitors in that segment. Timken has closed plants, laid off workers, reduced capital expenditures and reduced investments in R&D in the past dozen years, just as we predicted would occur.

With the huge capacity in China and the export orientation of their producers and multinational companies with facilities in China, I can tell you with certainty that the revocation of the order on tapered roller bearings from China will create an even greater contraction of the U.S. tapered bearing manufacturing base.

Let me explain to you why Chinese imports are such a dire threat to the well-being of the domestic industry. First, as reflected in the public prehearing report, page 4-14 and 15, exports from China to all markets are up more than 200 percent by value since 2006. The volume of tapered bearings

exported by Chinese companies to the world in 2011 is a multiple of Timken's total U.S. tapered roller bearing production in 2011.

Let me repeat that. The volume of total tapered roller bearings exported from China is many times larger than the total U.S. production of tapered roller bearings by the Timken Company. In the last review, Chinese Respondents confirmed that there were at least 63 Chinese producers of tapered roller bearings. Today there are more than 200 as we show with a list of Chinese tapered roller bearing producers, including pages from their websites, in our questionnaire response.

The Chinese bearing industry itself has confirmed that the industry experienced substantial growth during the period of review. Specifically, that industry's twelfth five-year plan reported that overall Chinese bearing production increased 150 percent between 2006 and 2010, and we know that tapered roller bearings have been singled out as one of the country's key products for development in the prior plan.

The public prehearing report, page 2-3, also confirms that capacity and production in China increased between 2006 and 2011. Second, the quality

of Chinese tapered roller bearings has also improved significantly. We know that from our operations in China where we compete directly with these producers and have seen the improvements in the performance of their product.

There are numerous Chinese producers that have been and are increasingly supplying OEM purchasers, as well as aftermarket distributors, here in the United States. For example, Chinese tapered roller bearings have already captured a significant part of the market for truck/trailer wheel bearings.

Finally, nearly every major U.S. purchaser of tapered roller bearings has facilities in China and can work with the Chinese operations of multinationals and with Chinese tapered roller bearing companies to qualify their products.

This leads me to my third point. The Chinese tapered roller bearing industry consists of several types of producers. The first are companies that are operated by multinational bearing companies. They are all world class producers of tapered roller bearings with technology, know-how and the resources needed to meet the exacting demands of customers in all end use markets in which tapered roller bearings are used.

These companies have invested hundreds of millions of dollars in their Chinese tapered roller bearing operations during the period of review, many of which are detailed in our questionnaire response. We know from our sales activities in third markets that these companies' Chinese operations are underselling us in those markets.

Removal of the order would bring the same problem of underselling by our competitors' Chinese operations to the U.S. market. These companies all have long-established relationships with distributors and OEM purchasers in the U.S. and with their foreign operations in China.

The other type of Chinese producer is a company that is either owned by or benefits from the Chinese Government. Their primary incentive for doing business is and I believe will continue to be keeping Chinese workers employed. Indeed, these companies are an excellent example of what the *Economist* magazine earlier this year covered in a report called The Visible Hand, which dealt with a rise of state capitalism in countries such as China.

That report states, and I quote, "State capitalism is the most formidable foe that liberal capitalism has faced so far. How can you assure a

fair trading system if some companies enjoy the support, either overt or covert, of a national government?"

While there are also independent companies in China, the heavy governmental involvement in major inputs and various sectors of the market create artificial distortions in their cost structure and perceived competitiveness.

Fourth, China's tapered roller bearing industry is slated to expand very substantially in the foreseeable future, by 87 percent by 2015. But Chinese producers face a serious problem: Slowing demand in their home market and key export markets, including particularly in Europe.

Absent the order, Chinese producers would quickly shift their production to the U.S. market with its large customer base, well established channels of distribution and open access. Even with the order in place, we are seeing a shift in volume to the U.S. from the EU in the first few months of 2012 as can be seen from Chinese export statistics.

Such a surge in imports would jeopardize Timken's U.S. tapered roller bearing operations across the board. In particular, our facilities producing high volume, smaller sized bearings would be among the

first to be impacted by those dumped imports. In our questionnaire response, we identified and analyzed the catalogs and product offerings of 54 Chinese producers subject to the order.

The part numbers listed in those catalogs amounted to 70 percent -- 70 percent -- of the volume of the production at Timken's four high volume facilities in the United States, potentially putting at risk several hundred million dollars of U.S. production and the closure of several plants and the loss of thousands of jobs.

Nor would the harm be limited to those particular facilities. It would also impact our facilities producing rail bearings. At least three multinational bearing producers have facilities in China producing railroad bearings, and at least two of them have received the quality assurance certification from the Association of American Railroads, which means their railroad bearings meet the quality standards for the U.S. railroad bearing market.

Indeed, given the multinationals' operations in China and their well-established presence in the U.S., there is no product that Timken produces that would be safe from harm caused by dumped import competition. We know some of the multinationals have

Chinese facilities producing larger sized tapered roller bearings aimed at what we call our process industries, including wind energy. With a slowdown in demand in China for wind energy, there is substantial excess capacity in facilities in China.

In closing, I would like to make it very clear that the order has had significant beneficial effects for Timken and we believe the rest of the industry. Absent the order, there can be little doubt that Chinese imports would be much, much larger today.

Timken also believes that although there has been continuous dumping throughout the period of review, the order has imposed some discipline on prices, making it possible for us to operate in a market that has at least some semblance of fair pricing.

Revocation of the order would lead to a significant increase in imports from China at prices significantly below prevailing U.S. prices with a catastrophic result for the U.S. tapered roller bearing industry. Plants will close. Thousands of jobs will be lost. U.S. producers will have a much smaller share of the domestic market as market prices will be unsustainable for market economy producers like Timken. For the sake of our industry and our

workers, we ask that the Commission make an affirmative determination and keep the order in effect. Thank you.

MR. FRACASSA: Good morning. My name is Phil Fracassa. I'm the Senior Vice President and Controller of the Bearings & Power Transmission Group at the Timken Company. In this role, I serve as the lead financial executive overseeing Timken's global bearings and power transmission business, which includes the companies mobile industries, process industries and aerospace and defense reporting segments. My team includes the segment controllers as well as regional controllers around the world, each of whom manages their segment or region's financial affairs. My testimony this morning will address several aspects of the current condition of the domestic industry using our company as a surrogate and will amplify several of the points Jim Griffith has already made.

As the Commission is aware, demand for tapered roller bearings is based on the underlying demand in the end market industries were TRBs are used. As such, TRB demand is generally tied to the overall economy. The U.S. economy in 2008 and 2009 went through the worst recession since the great

depression. The recovery has been slow and remains slow today. If you look at the numbers we provided in our producer questionnaire, you will see that our production capacity for TRBs in the U.S. has remained fairly flat from 2006 to 2011. During this time we converted one of our facilities to produce tapered roller bearings and all of our facilities engaged in continuous improvement activities intended to increase productivity and capacity and reduce costs over time.

However, also during this time we closed two facilities and operated many of our plants far below their capacity, leaving portions of the plants idle has our shipments significantly contracted.

As Jim Griffith testified, the contraction in volume was due in large part to the continued price aggressions of our Japanese competitors and our inability to match such depressed prices and still earn our cost of capital. Thus, during the period under review we have lost large volumes of TRB sales including wheel hub assemblies resulting in our production, capacity utilization, shipments, and employment being far below where we would have expected them to be but for that price aggression.

With the order and imports from China in place our company has focused its efforts on securing

new business where pricing supports and adequate return on our investment. Our company has been buffered for years by aggressive dumping in the U.S. market by many of our competitors, resulting in the company not earning its cost of capital on its domestic TRB business over many years.

During the period being reviewed by the Commission in this sunset review following the recession we have begun to see returns on our much smaller volume that, if maintained, should permit us to cover our cost of capital over the business cycle. This is obviously welcome news to our management team, to our workers, and to our investors that will provide a basis for Timken's continued leadership into the design and manufacture of TRB products here in the United States.

Indeed, the poor profitability experienced over much of the last decade has directly resulted in the reduced capital investments that can be seen in our questionnaire response for U.S. operations. If we can obtain sustained returns that permit us to earn our cost of capital, as a company we will continue to do what is needed to ensure our facilities are the best they can be. Without sustained returns our footprint in the U.S. will continue to contract. In

our view, maintain the order of imports from China during this time of slow economic growth is critical to avoid a significant further contraction to our operations.

Timken has historically been an industry leader in innovation, yet long-term inadequate profitability has resulted in some reduction in the R&D expenditures the company makes in its U.S. TRB business as reflected in our questionnaire response. Obviously, a further contraction of our position in the U.S. market will result in a further shrinkage of the R&D effort as well.

As Jim Griffith has reviewed, revocation of the order on imports from China in light of the developments in the last five to 10 years in their TRB manufacturing situation would seriously undermine the company's ability to achieve on an ongoing basis adequate returns on TRBs in the U.S. That, in turn, would result in plant closures, significant layoffs, further reduced R&D and capital expenditures, and, of course, serious erosion of our profitability.

Therefore, we respectfully request that you make an affirmative determination and maintain the order on TRBs from China. Thank you.

MR. RUSSELL: Good morning. My name is

Steve Russell. I'm the manager of Timken's Marketing, North America, Light Vehicle Systems, Heavy Truck and Off-Highway. My responsibilities include the sales of tapered roller bearings to the original equipment market. Such customers include not only vehicle manufacturers themselves but also the TR suppliers.

I understand that some parties participating in this sunset review have argued that wheel hub assemblies incorporating tapered roller bearings are not "like" other tapered roller bearings. I strongly disagree with that contention. A wheel hub assembly is a type of wheel-end system.

On the table in front of us are four types of wheel-end systems. First, we have a pair of single roll tapered roller bearings, each consists of a cup and a cone assembly. Together these two TRBs have served as bearing solutions in rear-end systems for generation and continue to be used by the OEMs today.

Next to that is our Generation One Unipac two roll tapered roller bearing package. When the petition was filed in 1986, pictures of various TRBs, including Unipac, and later Unipac Plus were included as exemplars of the types of products that if imported by any other countries under investigation, including China, were intended to be covered by the

investigation. The staff report accompanying the Commissioner's original determination also mentioned that additional modifications to these package bearings were under development.

Next to that is Timken's Gen 2 TRB product which consists of a tampered roller bearings that are sealed in a housing or a package. This type of product comes with or without a sensor for anti-lock braking systems, and finally we have our Gen 3 TRB wheel hub assembly, which is a self-retained integrated package bearing.

While each of these products offer different features each performs the same basic function of reducing friction and handling axio and thrust loads.

Timken is producing each of these products today for sale to OEM customers. Which particular product is used is decided at the design stage of a new vehicle model. As you can see on the screen, some vehicles, such as the Dodge Ram 2500 truck, are still using single roll TRBs.

I understand the Commission looks at a number of factors in determining various products, whether various products should be considered a single like product or multiple like products. I'd like to comment on several of these factors from both an

engineering and a practical perspective.

From an engineering perspective, every tapered roller bearing is deigned to resolve a particular problem. Therefore TRBs of different sizes and configurations will not share the same exact physical characteristics across the board in the same way that say certain sealed products or commodities such as magnesium do. Thus, TRB of different sizes or different configurations are not interchangeable in a particular application whether one is comparing two single roll TRBs, two house TRBs, two TRB wheel hub assemblies or some mixture. Nonetheless, as the Commission found on the original investigation all TRBs do share the same basic elements -- cups, cones, rolling elements and cages, and perform the same basic function; namely, to reduce friction among moving parts irrespective of the variation in design and configurations.

With respect to interchangeability, these wheel-end systems that you see before you are simply an example of the same type of continuum of product that is the case for TRBs generally. As demonstrated on the table to my back right, as for customer and producer perceptions, although I understand from the public prehearing report that most purchasers,

importers and producer and domestic producers reported that customers perceive TRBs and TRB wheel hub assemblies as different, that is contradicted by the actions of OEMs in making design decisions.

For our OE customers, the particular type of wheel-end system that will be used in a new platform is something that's decided at the design stage and turns on such questions as whether the vehicle has ABS or anti-lock braking system that needs to be integrated with the wheel hub assembly. If so, then our Gen 2 or our Gen 3 model could be designed in with the sensor feature, but every vehicle has wheel applications and many of those applications have been and continue to be served through the use of single roll tapered roller bearings.

Once designed in no other TRB, whether another set of single roll TRBs, another size TRB wheel hub package will work. On the display table to my back right you will see several Gen 2 TRB wheel hub units and several Gen 3 TRB wheel hub units. Gen 2 products are not interchangeable between themselves nor will Gen 3 products nor with a set of single roll TRBs nor are single roll TRBs interchangeable with other single roll TRBs of different sizes, designs and so on. This is as true today as it was when the

petition was originally filed.

With respect to channels of distribution, I understand from the public prehearing report that several producers or several purchasers and importers indicated that TRBs and TRB wheel hub assemblies do not share the same channels of distribution. They claim TRB wheel hub assemblies are only sold in automotive aftermarket whereas "other" TRBs are sold in many other markets.

First, because vehicles often utilize multiple TRBs, not just those that may be used in the wheel ends, many vehicles have a dozen or more TRBs in addition to any that are in the wheel ends. These TRBs are typically some size or configuration of a single roll TRB. Thus both what the parties opposing continuation of the order called "other" TRBs and TRB wheel hub units or assemblies are sold to OEM customers and their TRB suppliers in the automotive sector. Therefore any statement that TRB wheel hub assemblies are only sold to the automotive aftermarket is factually inaccurate.

Similarly, both other TRBs and TRB wheel hub assemblies move through automotive aftermarket channels as Tom Tecklenburg will describe.

Finally, there is nothing about TRB wheel

hub assemblies that limits their use solely to automotive applications. For example, I can say Timken is currently working with certain agricultural customers to use Gen 2 and Gen 3 products in agricultural applications. Thank you.

MR. TECKLENBURG: Good morning. I am Tom Tecklenburg. I am the Director for the Automotive and Heavy Duty Aftermarket into which we sell among other TRBs the same TRB wheel hub assemblies that are sold to OEMs.

At the outset there is no question that the TRB wheel hub assemblies move through the same automotive aftermarket channel of distribution as other TRBs designed for automotive applications such as single roll TRBs. Let me interject here that it is also the case that some TRB wheel hub units, such as the Unipac, are sold into the industrial aftermarket for use in industrial and other applications apart from automotive, and are also bought for some non-automotive OE applications.

For example, the Unipac is sold to wholesale distributors of power transmission products, to OEM customers who produce off-road construction and agricultural equipment, and even aerospace components. Indeed, many of our Gen 2, Gen 3 TRB wheel hub

assemblies are sold in the industrial aftermarket as well as the automotive aftermarket. So, any notion that there is no overlap among the OE and aftermarket channels of distribution for TRB wheel hub assemblies is simply not correct.

All four of the TRB products that Steve reviewed that are used today by OEMs for wheel-end applications are also used in the aftermarket for the repair needs of vehicles on the road today whether it be from a 2011 or decades earlier as may seem in this slide.

As this chart shows, single roll TRBs have been used in wheel-end applications in vehicles for decades. As recently as 1987, 100 percent of TRB solutions for wheel ends and light vehicles in the United States were a pair of single roll TRBs. Thus, for any 1982 to 1987 vehicle on the road today, which has a TRB in its wheel-end application, the correct replacement bearing will be the single roll TRBs that match what was originally put into the vehicle.

In 2011, the last year for which full year data is available, the number of tapered roller bearings that were used in new vehicles in a new wheel-end location was about 40 percent as seen in this chart in orange. For example, single roll TRBs

are used for some wheel ends on the Dodge Ram 2500 whether they are made today or back in 1994. Thus, in the aftermarket customers looking for an item to repair a damaged rear end or a TRB solution was designed will overwhelmingly be looking for single roll TRBs for both new and older vehicles. So, even if automotive aftermarket distributor, like Pep Boys or Auto Zone, were only carrying stand-alone TRBs for wheel ends, which is, of course, not the case, the distributor would need to carry both other TRBs and the TRB wheel hub assemblies.

I can tell you when I work with automotive distributors to look at inventory needs part of what we review is the registration of vehicles still on the road in their service area, the type of TRBs that were designed into the specific vehicles, and the vehicle population in the service area, and the anticipated inventory levels of the specific TRBs, single roll TRBs, sets, or various TRB wheel hub units, or assemblies to achieve a likely 90 to 95 percent rate based off of vehicle mix, road conditions, and weather.

Our automotive distribution customers are looking to carry inventory that will permit them to service the calls from repair centers dealing with a

vehicle owner with a mechanical problem, including wheel ends. They want and need whatever product will permit end customer's need to be served quickly. If a customer needs a set of single roll TRBs to solve the wheel-end problem on a 2005 vehicle, the automotive distributor is not servicing the customer by only a TRB wheel hub assembly as the package will not be usable by the mechanic to repair the problem. Thus, it cannot be the case that the customer perceptions, at least at the distribution level, can be that their products are any more different or similar than the other sets of single roll TRBs or other TRB wheel hub assemblies. The only item that will solve the customer's need is the exact part number period.

This is another way of saying interchangeability is extremely limited for all TRBs within a group or across. I understand that the public prehearing report indicates that most domestic producers and importers and all purchasers said the TRB wheel hub assemblies were not interchangeable with other TRBs. As just reviewed, the same is the case with respect to TRB wheel hub assemblies themselves.

For example, one Gen 2 is not interchangeable with another Gen 2. It is not the same part number. They are all specifically engineers

for particular vehicles and applications. You can visually see that is true by looking at the samples on the table to my right. The TRB wheel hub assembly shown are different sizes and one wouldn't fit the wheel end that the other is intended for and vice-versa.

I understand another factor you consider in your like product analysis is price. I have been told that the public hearing prestaff report indicates that most purchasers report wheel hub assemblies were priced higher than TRBs of the same size. While certainly you can find situations where the price is lower because it does not have a housing, there are also situations where the TRB price is higher or even without a housing.

For example, some Timken personnel went to an auto parts store and purchased the Chinese TRB wheel hub assembly for $172. It was one of the Gen 2 or Gen 3 TRB wheel hub assemblies from China on a table in front of our panel. Compare that product to Timken's single roll TRB con assembly, part number LM11949, I am told that this product No. 2 from the pricing data in the public prehearing staff report note that this is not a complete TRB set. It is normally matched with a cup.

Timken produces many iterations of this product and the prices for them vary significantly depending on the tolerances and the specifications the product must meet. Timken's price list for this product from its price catalogue, an excerpt which was in the pre-briefing hearing, ranges from a few dollars for TRB cone to nearly $200 per TRB cone. Since the list price of one small cone can be higher than the retail price of a TRB wheel hub assembly, obviously the price of two single roll cups and two single roll cones that is a set can certainly be higher than the TRB wheel hub assembly with the same size TRB. Thank you.

MR. SCHALL: Good morning. My name is Gary Schall. I am the Plant Manger for Timken's Lincolnton, North Carolina, plant. The Lincolnton plant opened in 1979 and 750 associates producing tapered roller bearings or TRBs. The plant produces cup and cone assemblies which are used by end consumers together in sets or can be assembled into multiple roll TRBs. We also produce finished and nonfinished parts which are used either in our plant for further manufacturing or within other Timken TRB facilities, and our plant produces large volumes of TRB wheel hub assemblies, each of which has a double roll TRB configuration.

Thus, we produce a very large array of TRBs to serve the many in-markets for TRBs, whether original equipment market or the aftermarket. Stated differently, the Lincolnton plant is one of the company's largest facilities and one of the higher volume TRB facilities in Timken's U.S. operations. There are several points I would like to make.

First, my understanding is that some parties participating in this sunset review have argued that TRB wheel hub assemblies are not like other tapered roller bearings partly because they are not manufactured using the same manufacturing facilities, production processes and production employees as other tapered roller bearings. Indeed, the public prehearing staff report states that all purchasers that responded to the question agreed that the manufacturing processes used to produce TRBs and wheel hub assemblies are not similar. That is page IA-29.

As the plant manager that produces a wide range of TRB products, including TRB wheel hub assemblies, it is my view the position is simply wrong. As I just reviewed, the Lincolnton plant produces a variety of TRBs including single roll TRB and TRB wheel hub assemblies. All of these products are obviously made in the Lincolnton plant with many

of the components made on the same lines by the same workers. While TRB wheel hub assemblies are high-volume parts that have dedicated cells in the plant for final assembly, substantial assets in Lincolnton and in other Timken plants support the production of the bearing components that go into TRB wheel hub assemblies and many other TRBs.

Again, this is not secret information. Our OEM customers often request plant visits as part of our certification processes, so we know that many OEM customers of ours know exactly the breadth of what we produce and the fact that any types of TRBs, including TRB wheel hub assemblies, are manufactured in our plant using much of the same equipment and many of the same workers. Indeed, a large portion of our workforce who work in the TRB wheel hub cells in our plant have worked in other parts of our facility.

So, let me be clear. The components that make up a stand-alone single roll or double roll TRB can be the same components that make up a TRB wheel hub assemblies. A single roll or double roll TRB and various TRB wheel hub assemblies can have the same rollers, cones, cups, cages and seals. They also have the same functionality which is friction reduction and ability to carry loads. A TRB wheel hub assemblies is

just a TRB put on a hub at the TRB production facility rather than at the OE manufacturer's facility. In that regard, a TRB wheel hub assembly is like other bearings with additional material such as housed bearings. You can see a number of bearings back on the table to my right rear and included in there is to show the scope of TRB rail package bearing. It also will be shown on the screen.

Second, as Mr. Griffith mentioned, 70 percent of the volume at four of Timken's TRB facilities is currently offered by Chinese producers. Blankington is one of those four facilities.

There can be little doubt that if the antidumping duty order were to be revoked our plant and other Timken plants producing TRBs would be subject to significant adverse effects from a large increase in imports based on the large capacity in China, existing underselling by Chinese product and large volumes of exports to the world reported in the public staff report. For Lincolnton, the challenge to our plant would be to all the types of TRBs we produce including the TRB wheel hub assemblies.

It is my understanding that members of The Coalition of Exporters and Importers of Wheel Hub Assemblies from China have represented that they

produce Generation 2 and Generation 3 TRB wheel hub assemblies. Timken produces the same kinds of TRB wheel hub assemblies at Lincolnton for both OEM and aftermarket distribution. These wheel hub assemblies account for a significant share of the sales of the Lincolnton plant. Thank you.

MR. BROMMER: Good morning, Commissioners. I am Dennis Brommer. I am the Subdistrict Director for Subdistrict 2. District 1 of the United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union. The USW represents 850,000 working men and women in a broad array of industries. I work with USW Local 1123 in Canton, Ohio, which represents the workers in Timken's Gambrinus roller plant as well as its steel-producing facilities. I am accompanied today by our local president, Joe Hoagland. Joe, would you please stand for a moment. Joe is also a 39-year employee of the company.

The Gambrinus roller plant produces tapered roller bearings which are shipped to Timken's other TRB plants for using in producing TRBs. The work involved in producing rollers to the exacting specifications demanded by Timken customers requires highly skilled workers if it is to be done right.

For example, a machine's finisher sets up and operates machine tools and performs any dismantling, fitting or assembly work required for plant maintenance or construction. Our members who are machinists and finishers work with all machine and handtools that are common to the trade and such measuring instruments as micrometers, electronic gauges, veneer calipers. This position requires as much as 48 months of employment training and demonstration of continuous improvement. Our USW members in the Gambrinus roller plant work hard to produce the finest quality tapered rollers in the world.

The tapered rollers are of course critical to the performance of TRBs since they are the rolling element. It's hard work, it's demanding work, but our USW members are very proud of the high-quality product they produce. Let me add that our USW members and the company are jointly committed to working together to maintain and improve the Gambrinus roller plant's efficiency and competitiveness.

You have heard testimony about the impact the revocation of the order on U.S. plants. I am here to tell you that our USW members in the Gambrinus roller plants are also very likely to be harmed if the

order is to be revoked. If Timken is forced to shut its plants because of a surge in dumped Chinese TRBs, then the impact of those closures flow right back to Gambrinus in the form of reduced need for tapered rollers. As Timken's overall production declines so does Gambrinus's production of tapered rollers until it reaches a tipping point and Gambrinus is closed as well.

In short, the livelihood of our USW members, their families, and the communities in which they live are in your hands. That is why on behalf of the USW men and women working in the Gambrinus roller plant I respectfully ask you to find that revocation of the order on TRBs from China will likely lead to continuation or recurrence of material injury to the domestic industry and our USW members in Gambrinus in a reasonably foreseeable future. Thank you.

MR. STEWART: That completes our direct testimony, Madam Chairman.

CHAIRMAN ARANOFF: Thank you very much. I want to welcome everyone on this morning's panel and tell you that we appreciate you taking time away from your businesses to come and answer our questions today. By total coincide, I will be starting the questioning today.

I wanted to ask for some clarification on the issue of the extent to which Chinese TRBs are used today in OEM applications in the United States, and obviously that's not limited to the wheel-end issue but for the whole range of products. Are all of the products where Chinese TRBs are currently approved and being used in OEM products that are made in the United States?

MR. GRIFFITH: Yes, Madam Chairman. There are a wide range of applications where the Chinese effectively dominate the market. For example, if you are driving down the road and you see a utility trailer or a boat trailer I can almost guarantee you the bearings in the wheels will be Chinese. In the truck-trailer market, the semi-trailer market, the wheel ends are very likely Chinese, and they also have a very large penetration of the aftermarket, the replacement market for automotive vehicles.

This question of 70 percent of the part numbers from our high volume plants are tooled in Japanese plants. They tend not to at this point in time have penetrated the OEM applications, but they have the vast majority of the aftermarket for those applications.

Tom or Steve, are there any other examples

that come to mind where Chinese bearings are predominantly used in the marketplace?

MR. RUSSELL: No, those are the ones, Jim.

CHAIRMAN ARANOFF: Okay. So, for applications, automotive applications the aftermarket but not the OEM market for made in the U.S.

MR. GRIFFITH: As a general statement. There are some cases outside of the United States where Chinese product is exported, particularly to Europe, but they tend not to be the producers who are outside of the order, so those are specific applications that the order prevents coming into the United States.

MR. STEWART: Madam Chairman, if I could just add to that. Obviously in the APO record and from the questionnaire responses you have additional examples of OE applications where Chinese product is being used.

CHAIRMAN ARANOFF: Okay. I noted in the brief if it were revoked it would be very easy for additional Chinese products to become approved for OE applications, and I think the main basis for that was the familiarity of the U.S. OEMs with these products from using them in China or in other markets.

Typically in cases that involve OEM

certification we're told that even if something is certified in another country or for another products there is still a laborious process that you have to go through in the U.S. Can you give us your best guess on how long does it usually take to get a part approved by a U.S. OEM? You can say in the automotive sector or give me another example of someone who is fairly exacting about the parts they put in their product.

MR. GRIFFITH: When I was here in 2006 we were worried about the growth of the domestically-owned Chinese bearing industry, and that argument at that point would have been a fair argument.

Today, the risk and the direct competition we face around the world is primarily from the multi-national companies who are operating in China. And so, for example, in 2008, as we were wrestling with the extremely low prices being offered by our Japanese competitors and in some markets other than here, for example, in the German market, we raised prices to economic levels and immediately had that business taken away from us by Chinese competitors.

Now, they happened to be Japanese domiciled Chinese factories that took that product, and they were already certified in those applications, and they

are first world automotive OEMs. We would see the same thing if we talked about -- just for example you're going to hear this afternoon from Dana. Dana had a product that we were shipping to them from an Italian bearing plant. They asked us to move it to a lower cost source. We moved it from China and the certification was done. The approval of that was done in a matter of months. So, in fact, as you're dealing with companies like the multi-nationals, the Japanese, the Europeans or the Timken Company, those conversions could be made almost immediately.

The other one that comes to mind is the rail industry where the certification is generally not done by the rail company. Because of the interchange rules, it has to be done by the American Association of Railroads, and the fact that two of our multi-national competitors who have rail bearing facilities in China have already gotten certification means that it would be literally instantaneously their ability to ship that product into the United States.

MR. STEWART: Madam Chairman, it's also the case in our prehearing brief and I believe in one of the statements of one of our other witnesses reviewed that there are OEM customers, medium-size and smaller size who in fact buy from distribution and for whom

certification is not an issue. And again in your APO record you have the report of purchasers in terms of time and there is a range that's provided in your confidential staff report.

CHAIRMAN ARANOFF: Okay. Now, I was gathering from the Dana example you were giving, and normally you would think that any part is approved at the point where its designed in, but the example you're giving me it sounds like this was a part that was already designed and then you moved it to a different production facility at some point. So, is that common in the industry that a supplier is approved for a particular part and it doesn't last for the life of the vehicle?

MR. GRIFFITH: Yes. The nature of the industry is that most of the product -- remember the comment about 70 percent of the volume of our high-volume plants in the United States is already tooled by companies in China -- is made to global bearing specifications, and when you're dealing in most applications with an automotive manufacturer or a small machine manufacturer, agricultural manufacture, they will choose from a catalogue of those products, and then they will approve the source of manufacturing.

The thing that makes us concerned today about a rapid increase is the fact that most of those manufacturers are already operating in China. They have axle factories, they have automotive factories, and so if you're in the streets of Beijing you would see a Buick Minivan that looks very much like the ones that Buick is making in the United States. So those companies already have experience with those companies which then accelerates dramatically the ability to have certification of a particular production line.

CHAIRMAN ARANOFF: Okay, thank you. Let me turn briefly to the like product issue before I let my colleagues ask all those questions.

I guess I must be a visual person but can you give me examples, and maybe there are some on the back table, I haven't been over there yet, of other products that Timken makes that you would include in the same continuum of products with wheel-end units that might have as much different non-TRB parts in them that are used for different end uses other than this automotive end use?

MR. GRIFFITH: Yes, Madam Chairman. There is one specifically back there that is a package bearing that we invented in 1954, which is the dominant product used in the rail industry. We call

it an AP bearing or a Class K bearing, which has seals, hubs, a backing ring, it has a retainer that's actually what holds the axle onto the rail, or the wheel onto the rail car, so it has all of the same basic components as an automotive wheel bearing does here.

I think it's important for you to know that when the sales engineer on an OEM application goes in and sells any of those products they go in with a catalogue that has all of those products. They work with the designer to select which best fits that application, and they with the designer today will select between all of those components.

It's also important for you to know that the only people who take those in and sell them at the OEM basis are people who are in the business of making tapered roller bearings. That is the critical technology that makes it work. Everything else, all of the other components that they either choose to manufacture our out-source on an economic basis, but the only people who sell on an OEM basis are the tapered roller bearing manufacturers.

MR. STEWART: Madam Chairman, if I could just add for your convenience. At the back of the booklet that was distributed at the beginning you will

find photographs of all of the products that are either on the table in front of you or on the table to the side, and the one that is marked the TRB rail bearing is what Mr. Griffith was referring to. It is under the side display and it is under house bearings towards the end of that.

CHAIRMAN ARANOFF: Okay. Well, thank you very much. I'm going to come back to these questions if my colleagues don't get to them, but I am turning next to Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Madam Chairman, and I thank all of you for being here today to help us to understand these issues. I want to begin with a question that's not really about Commerce's scope process.

I understand that Commerce merely clarifies scope. They don't add to or subtract from the scope except in very unusual circumstances, and certainly not pertaining to scope inquiries. But I want to ask a question about the way the marketplace perceives these wheel hub assemblies, and in particular, would the marketplace have been unaware of the coverage of the order to include wheel hub assemblies until Commerce issued its scope clarification?

MR. STEWART: This is Terence Stewart. If I

could answer that, Commissioner Pinkert.

I have the advantage of having brought the case and so I recall the events that surrounded it and things at the Commerce Department.

Early on, if you looked at the petition you would find that there were non-bearing categories that were included. In those days we had the tariff schedule of the U.S. We hadn't yet moved to the HTS system as I recall back in 1986 when we filed it. And because the case was intended to cover all items incorporating tapered roller bearings we had some automotive part categories in there.

Over time we worked to obtain breakout classifications for wheel hub units, double wheel hub units, double tapered roller bearings that Customs had classified as automotive parts. We had many discussions in the late eighties with Customs and Commerce after the order was issued on the fact that we were concerned that there might be circumvention at that time by the Japanese with regard to wheel hub units, and there were port visits and other things where part of what we were going after was this, and that's part of the reason that there are statistical breakouts today in some of those categories to show both tapered and ball bearing wheel hub units or

assemblies.

So, for the last 20 some years while it is possible that somebody who is a new entrant to the market and who did not check with Commerce could be confused. We don't believe that in the main channels there has been any confusion as to what has been covered. The case that was brought in 1986 was intended to be broad. The Japanese had been under -- the Japanese never sought an exclusion, never sought a carve-out for wheel hub bearings even though they were at the time the major producers of those types of products outside of the United States that we were concerned with.

So, we don't believe that there is an issue of, gee, somebody got caught, didn't understand, was confused or was blind-sided by the fact that this could be covered. This has always been covered. It was always intended to be covered. And your decision, initial decision back in 1987 identifies package bearings and identifies other wheel hub units as being within the coverage.

Now, it is true that there are later developments but all the later developments are is the addition of the hub to the unit, and the basic functions and the basic functions that are identified

in all of the Timken literature that's referred to by the other side identifies virtually identical aspects that are claimed and they are the same items that are claimed for the Unipac, which was clearly specified, identified as one of the exemplar of products intended to be covered.

COMMISSIONER PINKERT: What about the development of the wheel hub assembly for use with ABS systems? How does that bear on the question of whether the 1987 decision fully encompasses the wheel hub assemblies that are at issue today?

MR. STEWART: Well, I'll let the business people talk about what the significant is, but as Mr. Griffith said a couple of minutes ago, the presence or lack of presence of the sensor device doesn't have wheel hub assemblies produced by anybody but TRB manufacturers. Okay? It doesn't drive who makes it and both the Gen 2 and the Gen 3 can be bought either with or without a sensor device. So, from that point if view it's an add-on and it doesn't change the basic function. You need to put a device someplace that will record what is happening. Let me turn to the experts who actually can tell you what it's about.

MR. RUSSELL: No, thanks, Terry. I was going to say similar type of comments. You know, when

you think about, you heard in my testimony you think about some of the others that, you know, every TRB is designed to solve a different solution. The ABS function is just one of those different solutions that an OEM or a TR supplier may bring to Timken and ask us to try and integrate.

In a vehicle application, I think we're all aware of kind of the ABS or anti-lock breaking, it helps you out in snow applications and things like that that help out. You need one thing. You need to understand if your wheel is turning or if it's not turning, well, what's turning on in the wheel end, and it's the bearing, so it's a classic thought for an OEM or a TR producer to come to someone like Timken, a bearing producer, to say, hey, can we read off your bearing because we know that the wheel is spinning if our bearing, so it's just a classic evolution of that type of product.

But it gets back to the single function of the TRB that you see in this continuum in front of you. You know, all of these have those two single roller bearings in front of them, and I think some of the earlier comments that I maybe heard in the opening statements is that bearing producers didn't know whether their wheel hub assemblies were under the

order or not. I think the key word there is bearing producers didn't know, and if you look at these products in front of you as we go from the two TS all the way up to our Gen 3, these things just don't stay stationary on the vehicle. The bearing is one of those very important components that one side is stationary and the other side rotates no matter what's attached to it, what it looks like, what it does or anything else.

So, to think that you don't know that your wheel hub assembly is a bearing, one side is stationary and the other side is rotating, it's hard for me to believe, but that's why we would say that all of these things have important features -- cups, cones, rollers, cages, all of them have one side that stays stationary, one side that turns, and whether you start integrating ABS sensors or other features they are just a secondary function from the primary one.

MR. GRIFFITH: Commissioner Pinkert, I'll show my gray hair a little bit because I was involved in actually selling those applications to the North American light truckmakers, and the problem that they were wrestling with when we did that introduction of ABS was exactly the problem Steve was talking about; that every one of those vehicles has a sensor on it

that tries to measure the rotation of the wheel because you have to know that for the ABS thing to work. In the original applications and in some applications today that sensor is outside the bearing independent.

The Gen 3 with the ABS sensor was simply one customer's or several customers' attempt to find a good place to measure the rotation of the wheel, and they chose the geography of the bearing as a place to do that. There are other customers who choose to measure it in other places outside the bearing or completely independent of the bearing. It's just a choice of geography on the part of the OEM manufacturer as they deal with the bearing supplier who is bringing the product.

COMMISSIONER PINKERT: Thank you. This next question is perhaps better for the posthearing submission, but I want to give you a chance to address it here.

Assume just for the sake of argument that we do find two domestic-like products. Would it make sense to say that there is less likelihood of injury with respect to wheel hub assemblies than with respect to the remainder of the tapered roller bearings?

MR. STEWART: From a legal point of view,

Commissioner Pinkert, the answer, we believe you will reach the same answer. On behalf of Timken, we made a couple revisions to the questionnaire responses that have gone in in the last couple of weeks, so there will be some revisions to what you have in the staff report. In my view, there is no way that the Commissioner when it looks at the financial performance of the wheel hub business, at least as reflected by Timken's experience, that you won't make an affirmative determination even if you decide that it is a separate like product.

COMMISSIONER PINKERT: Thank you. Thank you, Madam Chairman.

CHAIRMAN ARANOFF: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Madam Chairman, and I also would like to thank all of you for appearing here today.

The Respondents explain that one cannot determine from an exterior examination whether wheel hub assembly contains a ball bearing as opposed to a tapered roller bearing. Are you all aware if there are other products included in Commerce the scope that are impossible to identify without taking them apart? And could you please describe those products if so?

MR. STEWART: Thank you, Commissioner

Johanson. The reality is if we were to take the single roll tapered roller bearing that is here and we were to put it together, the cup and cone together, and we were to find a similar size ball bearing, similar size needle roller bearings, similar size cylindrical roller bearing and put them there you would not know without taking them apart, and the only one you can take apart easily is the tapered because of the tapered configuration, you would not know.

So, the statement that looking at it from the outside you can't tell other than by part number is true for wheel hub assemblies, and it's true for every other TRB that's manufactured. You can't tell unless you take the cup off and see what the rolling element is and you can't tell on ball bearings or cylindricals or any others.

MR. GRIFFITH: Commissioners, now that Terry has reminded me that we provided you pictures of what's in the display, if you would look in the back of the book under the segments called "Housed TRBs", there are examples of housed TRBs that are used in industrial applications where the actual bearing element is inside of the cast iron housing and it is presealed, pregreased, and it is impossible to tell, and those are sold with spherical rolling bearings in

them. They are sold with ball bearings in them, so everyone of those house units fits that category, and even if you go to the next one, the large bore housed TRB which is the wind one, which is two and three meters in diameter, once that is sealed those are made with both cylindrical roller bearings as well as tapered roller bearings and it would be impossible to tell what it was without understanding what the rolling element inside of it would be.

So, there are just specific examples that you can see very visually from the pictures that we have given you that it is impossible to tell, and even we in the industry have to be very clear when we do our reporting which it is because otherwise you cannot tell other than from the paperwork on an import/export basis.

COMMISSIONER JOHANSON: Thank you, and this question is more or less a follow up on my first question. Do you agree with Respondents' contention that many purchasers do not even know if the TRBs they are purchasing contained ball bearings or tapered roller bearings?

MR. TECKLENBURG: Good morning again. This is Tom Tecklenburg.

From the aftermarket perspective, it can be

challenging for an end user to understand if they are getting a TRB or a ball bearing inside of a housed assembly. Generally we will call it out in a catalogue or the specific vehicle application will call out what type of bearing it is. Many times in our catalogue, retailer's catalogue, or online catalogue systems there will be a picture and specifications calling out what type of bearing is inside of the housed unit.

MR. GRIFFITH: Commissioner, I pointed you to Tom because he represents the automotive aftermarket which is the specific application of the bearing in question.

At an OEM basis they absolutely can tell. They specify because there is a dramatic difference in the load bearing characteristics, and as I discussed before, the cornering characteristics of a tapered bearing, but on an OEM basis absolutely they would know and they would specify it. The one area where it is in question is when you're buying it in the automotive aftermarket. In that case they actually, if they are doing it correctly they specify a part number which would then specify to the person who runs the automotive distribution business whether you supply a tapered bearing or ball bearing, but in that

application most of us when we take our cars to a repair shop they say we have to have the wheel hub replaced, and we leave it to the mechanic and his supplier to decide whether it's the right one or the wrong one, and the part number will specify whether it's in fact a tapered bearing or a non-tapered bearing in that application.

COMMISSIONER JOHANSON: All right. Thank you for your responses.

The domestic industry was able to increase its prices during the period of review despite some underselling by the subject imports. Could you explain how this is the case? Thank you.

MR. GRIFFITH: Commissioner, I very much appreciate you asking that question because it is probably the most difficult part of the performance of the Timken Company to explain.

If you recall in my testimony I said when faced with non-economic competition a domestic manufacturer has a fundamental choice. The choice is to either match that price because ultimately the purchasing decision is made by price or to cede that market share. And as we looked at the company's performance, as Mr. Fracassa indicated, over the period of the 1980s, the 1990s, and much of the last

decade and had not achieved the cost of capital in that time period, and then as we saw the pending recession coming in 2008, when the very survival of the company was at risk, we faced that decision and we faced it head on, and we concluded we could no longer match those dumped prices, non-economic prices in the marketplace.

So, we sat with our customers and we said to them we are prepared to cede that market share unless you're willing to pay us an economic price, and the net result of that is our customers chose to de-source us on over $600 million worth of business. So from my point of view that's why I injected the discussion about the impact of the Japanese bearing industry post the lifting of the dumping order on Japanese tapered roller bearings because it is a direct result of their actions in the marketplace that put us into that decision which resulted in us making a decision to move our pricing to economic levels, ceding the business and literally reducing the employment of the Timken company in the United States by thousands of people.

If in fact the same thing happens with the Chinese, with their much broader manufacturing base and much larger excess capacity, we would be faced

with exactly that decision again, and we would be forced to make the same decision given their pricing around the world because their prices tend to be even lower than those prices that are quoted by the Japanese competitors.

MR. STEWART: Commissioner Johanson, if I could add to that.

At the present time a very large portion of the Chinese manufacturing industry in TRBs is subject to the countrywide rate which is a 92 plus percentage rate, and that includes most of the multi-national operations. And so the products that are in the United States at the present time from China is a small subset of what is being produced, and for the people who are the most advanced, if you will, typically they are not exporting, we don't believe, much, if anything, to the United States from China.

The price differential that exists is an example of selected markets where they are penetrating and at least our client has told us, if you look at the three companies who are outside of the order and for whom they assume some significant part of the overall imports are from, they are not the big producers or the high-quality producers in China, and so they may be selling on price, simply on an

underselling basis to be able to gain market share.

COMMISSIONER JOHANSON: Thank you for your responses.

The Respondents point out that Timken's own website lists wheel hub assemblies under the category if integrated bearing assemblies and not under the headings of roller bearings or Timken house units. Should the Commission attach any significance to these marketing distinctions?

MR. RUSSELL: Thanks for the question, Mr. Commissioner. I'll take a response to that. This is Steve Russell.

I think, in general, and I can speak on an OEM basis both with our vehicle manufactures and our TR suppliers that our customers or, you know, the ones that are called purchasers know that Timken is a tapered roller bearing manufacturing company. We designed the part back in 1899 with Henry Timken, and over the years have even had Timken tapered roller bearing in our name at one time.

So the fact that our website doesn't specifically say that these types of products are tapered roller bearings I don't think there is any confusion to the folks that we are selling on the OEM side of things that they are indeed tapered roller

bearings. If you do look at the website, if you start off a the top of Timken.com and work your way down to that page you do have to get through a section that's called "Bearings" in order to get down there. They don't identify them as roller bearings or tapered roller bearings, but that's why we do provide some of the cross-section pictures and things like that.

You know, ultimately since being so far in this industry and being a leader in this for over 110 years I think it's clear to our customers that they know they are getting a tapered roller bearing from Timken.

MR. TECKLENBURG: Just if I could add to that. From the aftermarket customer perspective or the end user if your vehicle was damaged and you had noise coming out of your wheel end and had to get it repaired, the catalogue in the Timken system or the catalogue in other people's system will generally direct you to the type of vehicle that you're looking for. It would if you had a transmission problem take you to a transmission bearing. If you had a wheel-end problem which we're talking about, it will take you to a wheel end. At that point if you can look online, you can look at Amazon, you can look at Autozone.com, and you will see that it call out a wheel end.

To that point they will call out what kind of vehicle you're driving, what year, what make, what model, and from that it will call out a specific part number.

So to the point we made in testimony the bearing on your right will not fit as the next bearing to it. It just won't fit. We clarify that in our catalogue and in our online system to make sure that the end users, the person who is throwing the box away whether you do it for me or you're a professional mechanic in a garage has the right part and can do the job right the first time and the end user, the consumer, does not have an issue.

COMMISSIONER JOHANSON: All right. Thank you for your responses, and my time has concluded.

CHAIRMAN ARANOFF: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Madam Chairman, and I too want to express my appreciation to the witnesses for coming today. Just to follow up on that last question, is there a difference or what is the difference, if any, between a wheel hub unit and a wheel hub assembly?

MR. RUSSELL: Yes. Thanks for the question. I can take the first stab at that. At least from an OE side of things we would say that there's no

difference between a TRB, which we would call TS, that's kind of on your left all the way up to our Gen III product. We would call all of those wheel end hub assemblies, and they get applied similarly. When we take a product to our OEM customers or our tier customers that are focused on the OE side of the business, Timken doesn't really care which one of those that we provide in the wheel end solutions.

You can start to see that with one of the charts that I believe was in Tom Tecklenburg's testimony where they were breaking out TS, Gen I, Gen II and Gen III and saying hey, there's still 40 percent of the market was purchased by stuff on wheel ends that look like the components that are to your left of the table versus the ones that maybe the opposition is calling wheel hub assemblies and trying to segment the stuff over to the right.

So at least for us we call these all wheel end solutions, and we would take them to the customer together, work with the customer to try to figure out what's the right value for their overall vehicle and then choose that accordingly, and you can still see that all those products are being used today.

COMMISSIONER WILLIAMSON: Thank you.

MR. STEWART: Commissioner Williamson, if I

could just add?

COMMISSIONER WILLIAMSON: Sure.

MR. STEWART: This is Terry Stewart. The way the questionnaires came out in this review, the way you defined wheel hub assembly for purposes of how the questionnaires were put together, it would be everything other than the two single roll TRBs.

When we talk about wheel end solutions, we talk about all four. As your definition in your questionnaire came out it would be everything other than the two single row.

COMMISSIONER WILLIAMSON: Okay. And the unit? Wheel end unit? Is that the same thing as a wheel end assembly?

MR. STEWART: I'm sorry. Your question is?

COMMISSIONER WILLIAMSON: I'm sorry. Wheel hub unit.

MR. GRIFFITH: It's not a defined term in our technology.

COMMISSIONER WILLIAMSON: Okay.

MR. GRIFFITH: The difference between the wheel end solution that Steve talked about and something where we -- the customer actually has to match the bearings and adjust them. A wheel hub assembly is something where we match the bearings and

assemble them.

There's different terminology about how you retain that onto the car that causes people to use different terms, but those aren't defined terms in the industry.

COMMISSIONER WILLIAMSON: Okay. Thank you. Mr. Salonen? Excuse me.

MR. SALONEN: Yes. Eric Salonen.

COMMISSIONER WILLIAMSON: Yes?

MR. SALONEN: Thank you. Thank you, Commissioner. The other thing too is really it's just a question of using different terms to identify the same product.

If you go back and take a look, as Terry was alluding to earlier, at the staff report in 1987, the staff report talked about cartridge bearings, which would be the Unipac, and wheel hub units, which was the Unipac with a flange attached. There's an example of that on the side table. The staff report referred to those as wheel hub units, so it's just a question of you say tomato. I say tomato.

COMMISSIONER WILLIAMSON: Okay. Thank you. Let's turn to Mr. Brommer. Mr. Fracassa, at the end of his testimony, talked about I guess the cost of capital, the concerns about ability to do R&D at the

company if the orders are not extended, and I was also wondering about the competitiveness of the workforce.

You mentioned that your colleague, Mr. Hoaglund, had been with the company 40 years, so I'm wondering. If the orders are not extended, what impact would you say that might have on the competitors of the workforce in this industry?

You know, with all products nowadays it seems like they're getting more and more high tech. There's more and more precision required and things like that. You talk about it takes 48 months for a worker to be trained, so it's not something that happens overnight. So I wonder if you might address that question.

MR. BROMMER: Well, I think simply put if the order is not extended we believe we won't have a presence in the Canton facility. In fact, we'll lose all of those jobs.

COMMISSIONER WILLIAMSON: Okay. And I guess the question is suppose something changes. How quickly could you re-establish that workforce?

What I'm getting at is I'm just trying to find the role of the development of the worker -- the training, the investment that has to be made in them -- and how that relates to the competitiveness in the

U.S. industry. If anybody else wants to join in, we'd welcome that.

MR. GRIFFITH: Commissioner, I think to understand the answer to that you have to understand -- remember, I talked about the four high volume plants that would be most affected by this. Those are not represented by the United Steel Workers, so when Mr. Brommer is responding he's responding on a segment that is in our industrial business.

Those plants today are operating some of them at lower than 50 percent utilization. So the machines are there. The capacity is there. The workers have been laid off. The skills are in the community, and so if we have the ability to recover that business on an economic basis we can ramp up within a matter of months.

Conversely, the specific plant that Mr. Brommer is talking about had two corollary plants that were closed in 2009. If in fact this order is not extended those plants that are already operating at very low levels of capacity utilization could see closures happen in a very short period of time.

COMMISSIONER WILLIAMSON: Okay. Thank you. I just sort of wanted to get that impact on the workers of this order.

I note that there was underselling by subject imports over the period of review, and yet prices for the domestic product rose. Can you explain why we didn't see a price effect from this underselling?

MR. GRIFFITH: If you look at the industry over the last 20 years there has been a continual degradation of prices. It happened in the '90s as the Japanese competitors absorbed the impact of the dumping duties. It accelerated post 2000 as the Japanese competitors increased their exports to the United States despite a 25 percent appreciation of the Japanese yen over that period of time. So it did exist.

What we saw at the Timken Company over that period of time was a continual degrading of our economic performance to the point we concluded it was nonsustainable, and we retreated, ceded market share, retreated to a segment of the market where we had enough differentiation or where the Japanese competitors didn't have the capability of competing directly with us.

And in the process of doing that we discovered there was some cross depression of prices into those segments and so we were able to raise

prices in those segments, improving the economic performance of the company, but don't forget that meant we ceded to them more than $600 million worth of business and literally the thousands of jobs that depended on that business.

MR. STEWART: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Mr. Stewart?

MR. STEWART: If you would take a look at page 41 of our prehearing brief? To kind of follow up on what Mr. Griffith just said, you can obviously meet price aggression by lowering your prices or by losing volume. You may find the confidential page 41 to be of interest as it's taken from information in your staff report.

COMMISSIONER WILLIAMSON: Good. Okay. Thank you. Okay. The domestic industry's condition improved from 2009 to 2011 despite substantial increases in subject and nonsubject imports, including nonsubject imports from China. What conclusion should I draw from this?

MR. STEWART: If I could start? First, we have in our prehearing brief an analysis of the performance of subject versus nonsubject. Because it's a POI, I would simply refer you to the brief because there's also a footnote that talks about

whether the data in 2006 for subject is consistent with other information in the record. That said, I will turn it over to the company to talk about performance.

MR. FRACASSA: Yes. I can comment on that briefly. This is Phil Fracassa. The improvement in our profitability between 2009 and 2011 I would characterize as a consequence of the company's relentless pursuit of increasing the efficiency of our operations and improving the competitiveness of our manufacturing facilities and indeed the entire company.

As we talk about in our submissions and in our reports, we closed two facilities. We consolidated manufacturing. We became much more efficient in our manufacturing operations, indeed probably at levels we hadn't seen prior to that. Those were both very, very big parts of it.

We also took some writedowns and restructuring charges along the way, which were also outlined as well as a consequence of that rationalization, but as we sit today despite the relatively low levels of capacity the plants are running very, very well and that, coupled with the pricing that Mr. Griffith talked about, the improved

mix of end products and end markets that we serve, have all contributed to the improved profitability, at least for Timken, over that time period.

COMMISSIONER WILLIAMSON: Okay. Thank you for those answers. My time has expired. Thank you.

CHAIRMAN ARANOFF: I think this is a question for Mr. Schall, but anyone else feel free to jump in. In your testimony you were talking about how the same production equipment is used to produce tapered roller bearings that go into these wheel hub assemblies and other products, and I just wanted to go back and trace that out with a little bit more specificity.

Were you telling me that the same equipment is used up to the point where you make the bearing and then it takes different equipment to get it to the point of some of these products on the far right on the table? Where does the point of commonality with other products end along that --

MR. SCHALL: Again, it's many of the components and so, for example, the tapered single row bearing on your -- it would be on your right. The rolling element, which is the key component, we make those in our plant, and we will then send them to the single row assembly area where they're assembled with

the cone and the cage.

I will also make those through the same sets of equipment, different size rollers, send those 20 feet across the aisle to our Gen III hub assembly, and we will assemble on that hub a double row with rollers, cones, cages and cups.

So the same components are produced in my plant or our other facilities, and then you assemble. You can assemble single row. I can assemble double row products.

CHAIRMAN ARANOFF: Okay.

MR. SCHALL: Similar like processes.

CHAIRMAN ARANOFF: Let's say for the hub assembly itself. You make those in the same plant?

MR. SCHALL: I make several of the components that go on those. Not all. Some come from some other Timken facilities. The hub itself, the big piece of metal there, is purchased. We buy a forging and then we do machining on it in order to be able to do the double row assembly.

CHAIRMAN ARANOFF: Okay. And so the equipment that you're using to do this machining with this large part that you purchased to put this final thing together. That machining equipment is also used to make other products other than wheel hub

assemblies?

MR. SCHALL: Well, because of the volume it's specific to that product. However, what we are doing is the same types of manufacturers, actually in most cases the same manufacturers of equipment. It's grinding. It's hard turning. It's grinding. It's honing.

We're putting in a race on that large hub just like I put on that little cup, which is the part leaning on the right there. The interior race on both those products are made the same way. Obviously different size equipment and different volumes between the one on the right and the one on the left. I don't know if I answered that or --

CHAIRMAN ARANOFF: Well, we're getting closer.

MR. SCHALL: Okay.

CHAIRMAN ARANOFF: Thanks.

MR. GRIFFITH: Commissioner, if I perhaps could clarify a little bit? If you look at it from a point of view of manufacturing value add, what Mr. Schall is explaining is about 60 percent of the value add that we do to the product is in manufacturing the bearing surfaces, which is the core technology that we bring to that.

The difference between a single row tapered roller bearing and the hub assembly is that we buy a much larger set of outside components that get assembled into and around that, but in terms of the real value add that goes on in his plant 60 percent of it is common regardless of whether it's a single row bearing that we're producing or whether it's an integrated hub assembly.

In some cases the machines are different because the actual size of the race that goes into one of the larger assemblies is larger, but we would sell bearings of the same size for other larger applications that would go across very similar machine tools.

CHAIRMAN ARANOFF: Okay. All right. Thank you.

Mr. Stewart, can you talk to me about why the Commission should not consider applying the semi-finished product analysis in looking at the like product issue that's been raised in this review?

MR. STEWART: I suppose first and foremost because we don't view the alternative products as semi-finished or being further processed. All these items that are here are just like other items that the company produces where a housing of some sort is

needed by a customer.

You move it to a bearing factory to either improve the tolerances, and if you look at these generations as I understand them where there are advances it's advances in terms of the rigidity or the limitation of movement once it's actually assembled into the car. Otherwise it's a question simply of reducing the overall cost of assembly from the auto manufacturer's point of view, so you pick Option A or Option B based on what you think will give your car a better performance.

That's no different than the other types of house bearings or the wind energy types of issues or the rail issues. Where there's a need you put together a package. The package usually is because it is a simpler assembly tool at the next stage, whether for repair or for OEM.

In fact, if you look at the Timken automotive catalog what they show is they show -- they have two pages in terms of for the mechanic how do you replace a wheel hub unit or assembly, however you call it, and how do you replace single row bearings, right. It's a more complicated process for the mechanic to get right the replacement of the single row bearings because the manufacturer has done all the hard work.

Timken has done all the hard work in terms of the assembly.

So how you do it really is a question of how easy or hard you want it to be in terms of installation, accuracy of installation and accuracy of replacement should you need to replace it.

CHAIRMAN ARANOFF: Is there anyone in the market? If someone needs to assemble one of these wheel hub solutions, one of these more complicated products, it's either done by the bearing manufacturer or it's done by the OEM who's installing the product, or are there companies in between those two levels who might do the assembly portion?

MR. RUSSELL: Yes. I can answer that question. This is Steve Russell. There are intermediate companies that do the assembly portion of it. However, that is with very close supervision and even some cases with Timken assets in some of those facilities to help that assembly process

As you assemble a bearing onto the outer flange or hub or housing or whatever you want to call it, things change inside the bearing whenever you do that, and it's critical that the bearing supplier is integral into that development of that manufacturing and that assembly because it will affect the end item

of the bearing.

So there are cases to where it's done individually, but it does impact the bearing performance and the bearing specification, so it is a joint effort in our experience.

CHAIRMAN ARANOFF: Okay. If there's anything that you can add to the record on how widespread that practice is I think that would be a helpful thing for the Commission to know.

MR. STEWART: We'd be pleased to. I did want to make one comment about the "Gen III" since the opposition spends a lot of time on that. What really distinguishes a Generation III wheel hub unit from a Generation II or Generation I is the incorporation of the cup into the hub assembly itself, which is what Mr. Schall was talking about machining.

In that type of a situation I don't believe that you can actually have an outside intermediary, so the Gen III, the most recent one, is one that really has got to come out of a bearing factory or you don't have a true Generation III. You may have a knockoff product that pretends to be a Gen III, but a Gen III has the cup incorporated, and the cup can't be incorporated if it hasn't gone through the extensive machining, et cetera, that Mr. Schall discussed.

MR. GRIFFITH: The confusing thing about the answer to your question is it depends dramatically which one of those elements that you choose.

If you chose the two single row bearings then there are axle manufacturers, there are wheel manufacturers that all assemble it, but they assemble it to our specification, and we monitor that and train them in how to do that assembly. If it is the Unipac or the Gen II then we have some cases where we have provided equipment to our customers to be able to install it and retain it again to our specifications and monitored by us.

You get all the way to a Gen III, which is a completely self-retained, compacted that can only be assembled in a bearing factory because you're actually assembling the bearing races when you're putting it together, and whatever you call it it has to be in the antiseptic conditions that are characteristic of an actual bearing factory. Again, we can provide more information, but I hope that's helpful.

CHAIRMAN ARANOFF: Okay. That's very helpful. I appreciate those answers. Mr. Stewart, I would just invite you in the posthearing if you want to address the semi-finished product issue further please do so. And I'll turn to Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Madam Chairman. I know that the Vice Chairman had asked you about the underselling, and I just want to ask a followup question about that.

Do you have any understanding of what the reason for the underselling is, even under the circumstances of the order that we continue to see this underselling? Does it indicate some difference in the product being sold by the Chinese?

MR. GRIFFITH: We talked about two versions of underselling, just so that we keep them straight. Most of my response to the Vice Chairman had to do with a question about pricing in the market and the underselling that's going on from the Japanese.

And in those cases the product is effectively the same, the customers would tell you it's the same, and the Japanese have persistently over the last 30 years sold at noneconomic basis, absorbing dumping duties when necessary and now freed of the need to do that are continuing, and it's my judgment, based on looking at the economic performance of those companies, they are continuing to sell at noneconomically viable prices.

Why they choose to do that I can't answer. I can simply tell you we concluded we couldn't do that

or that we would eventually go out of business if in fact we did that.

In the case of the Chinese manufacturers, they tend to be in very limited segments of the market, and the product as we compare it into the places they're selling today -- in a truck wheel hub, in a boat trailer, in the automotive aftermarket -- they're dealing with customers who have generally low performance aspirations in the application, and even with that they find that in order to get those customers to purchase from them they have to offer very, very, very low prices in the marketplace.

MR. STEWART: The other aspect, Commissioner Pinkert, is if you look at your appeal record you will see that there is, as you would expect, a range of underselling that occurs, and if you look at the product descriptions the product descriptions themselves usually are of a part that may have many iterations, and there may be more iterations that are sold in the U.S. by U.S. producers that may be higher priced.

I believe you heard Mr. Tecklenburg refer to the example of one high volume TRB cone, the LM-11949, where prices could be from a couple dollars to a couple hundred dollars in terms of a list pricing type

of situation.

So questionnaires by definition are limited. You pick products. The products may have multiple variations that may explain some of the size of the underselling that you see because you obviously have some products where the public staff report indicates lower margins of underselling, so a combination of factors.

COMMISSIONER PINKERT: Thank you. I need to correct myself. That was Commissioner Williamson, recently our vice chairman, but as of a day or two ago Commissioner Williamson.

So in any event, you talked about the domestic industry sort of ceding market share and covering a portion of the market where Timken is very strong, and I'm wondering. Given where the market share of the company is so strong now, is it naturally protected from the impact of Chinese subject imports?

MR. GRIFFITH: If you recall, I talked about the fact that there were various categories of Chinese manufacturers. Some of them, significant ones, have headquarters domiciled in Japan, in Germany, in Sweden, and those are the competitors we deal with across the world, and they are capable of producing literally anything that the Timken Company is capable

of producing.

They have a range of products in China that is very different from the range of products that are produced in Japan and therefore have been brought in to the United States. If you look at the aggressive prices that have come from the Japanese, they tend to be automotive focused up through the heavy truck market, and that is where most of the ceding of market share like construction equipment, most of the ceding of market share would be.

If in fact the order on China were lifted there would be two impacts. First of all, China has far more excess capacity than the Japanese do and so there are segments of the market where I believe we are protected simply because there isn't enough capacity in the world to take the business, and therefore because their exports are already many times our production that would disappear.

And secondly, they have the technical qualification. Remember the discussion about the railroad bearings which today are not exported from Japan, but there would be two -- that today are not exported from Japan to the United States, but there are two qualified producers in China who have the qualification on U.S. part numbers to begin to export

them to the U.S. if in fact the order was lifted.

MR. RUSSELL: You know, I can also add another way of thinking about this to go beyond or maybe to add a little bit more color to what Mr. Griffith was talking about.

When I look at this table in front of us here what you see is an exact Chinese replicate of each one of our wheel end solutions. If a certain one of those were missing and saying that the Chinese bearing manufacturers didn't do those today, so if we lifted the order then they would jump into those other product categories. That would be one statement.

But what you see is there's already something waiting behind the scenes for this order to go away so they can come in and play. Take that on top of what Mr. Griffith was talking about is the multinationals that are already participating in some of these markets even from a domestic standpoint, and it's just a matter of time that what you see behind our products on the front table come right into some of those applications.

COMMISSIONER PINKERT: Thank you. Mr. Stewart, did you have something to add?

MR. STEWART: I'm always happy to add something, Commissioner Pinkert. I was simply going

to say that we identified four segments that constituted just about the entire TRB market in the testimony that Mr. Griffith went through that were vulnerable.

He mentioned that there were four plants that are the high volume plants in our system. Those plants account, and we identify in our prehearing brief for what percentage, but for a very large percentage of Timken's overall U.S. TRB production. We identified that those four plants, 70 percent of the volume in those four plants are offered today by 54 companies that are subject to the order, but are presumably not exporting in because of the high cash deposit rates, right?

So, one, the restraining effect of the order is significant, and we identify it both in the public version and our confidential version of the brief. Huge parts of the market are at risk and at risk short-term either because the multinationals are engaged and there's lots of excess capacity in China with them or because they are parts that go through distribution or go through OEMs who buy through distribution, and they're the high volume parts that everybody in China is trying to make and has available to offer for sale.

So right now there may be segments of the market where pricing would be acceptable either because of the technology of the company or because of capacity restraints on some other providers, but that is not true if you take this order away vis-à-vis China.

You know, the number of companies who responded to the Commission questionnaire is a small number. There's 200 that are in the game who have web pages showing TRB production, and every multinational has got major operations. The size of the problem, the size of the excess capacity, is many times what is reported in the staff report simply because of lack of coverage in terms of responses.

COMMISSIONER PINKERT: Thank you. My last question is for the posthearing, and what I'd like you to do is take a look at financial performance in 2011 both for the entire product subject to this inquiry and also for wheel hub assemblies separately. Take a look at that and tell me whether 2011 is anomalous or whether it is indicative of what's likely to happen in the reasonably foreseeable future.

MR. STEWART: We'd be pleased to do that, Mr. Pinkert. Thank you.

COMMISSIONER PINKERT: Thank you. Thank

you, Madam Chairman.

CHAIRMAN ARANOFF: Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Madam Chairman.

The Respondents assert that they are unable to identify any producers in China that produced wheel hub products during the time of the original investigation. Based on your market knowledge, were there Chinese wheel hub producers in the late 1980s?

MR. STEWART: At that time the product, wheel hub product such as is on your left, the single row, of course everybody in China and in the other five countries that were the subject of the investigation produced those, and certainly the Japanese producers who were part of the combined case would have been producing package bearings at that time.

COMMISSIONER JOHANSON: Yes. Mr. Griffith?

MR. GRIFFITH: I'm testing my memory. I do know that in the middle '90s there were producers in China of what we call the Unipac or the two row bearing without the flanges.

I do not believe in 1987 there were any producers or I'm not aware of any producers in China of certainly the Gen II, and frankly the Gen III was

an extension of Gen II that was developed by the Timken Company in the 1990s, so I'm sure there were no producers of Gen III at that point.

COMMISSIONER JOHANSON: Thank you for your responses. Could you all please comment on the Respondent coalition's contention that wheel hub assembly functions are much more encompassing than those of housed TRBs, which are limited to protection and to support according to the Respondents?

MR. RUSSELL: Sure. Thanks. Thanks for the question, Mr. Commissioner. This is Steve Russell. What we can say is that each one of the products that you see before you that we're calling wheel end solutions do solve individual problems, and each one is designed for a certain vehicle and a certain application.

You know, the fact that you see a bunch of extra features on items on your right versus items on your left doesn't mean that those weren't all part of the application at the end user. Looking at your two TS assemblies, those being more of a wheel end solution would ultimately, like I was stating before, with one side being stationary, the vehicle, and then you've got a rotating wheel. That wheel end solution would ultimately have the same features of installing

a wheel or maybe an ABS if it was called for or things like that.

So in the gist of what we're calling wheel end solutions we can say that all of them basically have the same primary function of anti-rotation and supporting axial and radial loads. That's what's similar about them.

Over time, because of the innovation that Timken brings to the markets and the value we add to our customers, they've taken a look at themselves internally and said it costs me a lot of money when I get two TS products from Timken to have to go through and do this myself.

Many times we were a Tier 4 or Tier 5 by the time we got up to the OEM. Can Timken innovate into a lower cost structure for me? That's what you see as part of this continuum is how we got out to the items on the right. The more that they were asking Timken to take on because of the value that we bring is kind of the generations that you see before you.

So the extra features and things like that were always part of the wheel end solution and is something that our customers have asked us to integrate over time.

MR. GRIFFITH: Commissioner Johanson, being

not really an engineer it's perhaps easier for me to see it and put it very simply. That's why I used the reference to Henry Timken's wagon in 1899. Basically since 1899 the function of a wheel bearing hasn't changed. It's to make a vehicle go forward and turn corners effectively, and that's true of any one of those applications.

The differences that exist in them is a different way to attach them to the vehicle or, in the case of the ABS sensor, the customer asks us to hang an extra piece on the outside because it was the right geography to do that. Other than that, as Steve said, the function is basically the same.

COMMISSIONER JOHANSON: Mr. Salonen?

MR. SALONEN: Thank you, Commissioner Johanson. As we've been preparing for the brief and the questionnaires, one of the other people from Timken shared with me the anecdote that when the company was preparing to celebrate its century anniversary they found an old 1904 St. Louis motorcar in a barn someplace that was in very bad repair, and they had the car refurbished for purposes of the celebration.

When they took apart the wheel ends, they actually found something that looked very much like

the Unipac from 1904. So the purpose that it was originally designed for is the same purpose it's serving today.

COMMISSIONER JOHANSON: Thank you. Many purchasers report that the Chinese product is of an inferior quality. Could you all please comment on this claim of some of the purchasers? Thank you.

MR. GRIFFITH: Within the world of Chinese manufacture there are a wide variety of performance levels, which is the translation in our terms to quality. We do regular testing of our competitors' product from all over the world, and we know exactly what that means.

There are categories of tapered bearings that are made in China that are of inferior performance, that are of inferior quality. There are equally a large range -- we think it's about 30 percent -- of the demand in China and therefore the capacity in China that fits a category we use internally called P1, top performance, that serves the same application.

That is the segment of the market in China that is growing as the Chinese standard of living is growing, and the difference in the last five years in the quality of Chinese motor vehicles that are being

made that now allow them to start to export motor vehicles is an indicator that they have now reached the level of performance on car products that are acceptable world level of production.

And so, yes, if a Chinese manufacturer comes in and says we know of Chinese products that are a lower performance than Timken they are exactly right, but I will tell you a very large part of the Chinese market is served by products that compete directly with the Timken Company and are made by the best manufacturers in the world.

MR. STEWART: Six years ago, Commissioner Johanson, Mr. Griffith testified at the time and talked about the increasing quality in the supply chain in China, as well as the multinationals, including Timken were there and needed world class raw materials to be able to produce products that met their specifications.

So over the last 10, 11 years you've had a tremendous upgrade in capabilities not only of the bearing companies themselves, but of their suppliers, and so today it's fair to say there are many, many producers in China who put out high quality products that can compete anywhere in the world and don't need price to be the lever to get into the market.

COMMISSIONER JOHANSON: Thank you for your answers. You all mentioned in your brief barriers to importation into India, and I was wondering whether those barriers affect bearings disproportionately or specifically. Could you please address that, as opposed to a general barrier to trade with China?

MR. STEWART: If we could, Commissioner, perhaps we'll do that in the posthearing brief. I remember that the material that we put in was material that I believe came out of the USTR annual report, and we'll need to check with the client to see whether bearings are more significant or less significant than the average.

COMMISSIONER JOHANSON: Thank you. The unit values for China's home market shipments are higher than those for exports to non Asian markets. Do you all know why that might be the case?

MR. GRIFFITH: I could give you a surmising, but it would only be a surmising. I think if you come back to the comments that were in my testimony that 70 percent of the high volume applications are tooled in Chinese plants there is a subsector of the tapered bearing industry which is used primarily in automotive, agricultural and light trailer applications that is a very, very large component of

the tapered bearing industry, and because they're high volume, because they're smaller, they tend to be at the lower priced end.

The reason the markets that we serve within China tend to be infrastructure applications, applications where the bearing might be a meter to two meters in diameter and therefore a much higher cost simply because of the nature of the application and the performance level of the product, and I would guess -- but I'm just guessing at this point -- what you're seeing is two different segments of the market crossing at the border of China.

COMMISSIONER JOHANSON: Yes, Mr. Stewart? My time has expired, so if you could speak quickly, please? Thank you.

MR. STEWART: We'll try to address it in the posthearing. As you know, there's nothing in the public staff report that provides any indication of the size or the magnitude of the difference, but we'll try to do that under APO in the posthearing.

COMMISSIONER JOHANSON: All right. Thank you. And my time has expired.

CHAIRMAN ARANOFF: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you. What are your projections for demand growth in the United

States over the next few years, and do you have any analysis or projections of future demand from third party sources that you can put on the record?

MR. FRACASSA: Thank you. I can address --

COMMISSIONER WILLIAMSON: Mr. Fracassa? Yes.

MR. FRACASSA: -- the U.S. demand. You know, as we talked about in our remarks earlier today, since the depth of the recession in 2009 the recovery has been slow, remains slow today, and our outlook would be that it would be a continued slow recovery broadly in the U.S. over the next few years. So we would expect the recovery to continue, but continue at a relatively slow pace domestically.

COMMISSIONER WILLIAMSON: Okay. And are you expecting this sort of across the segment of products that you make?

MR. GRIFFITH: That's something we'd have to put together and provide --

COMMISSIONER WILLIAMSON: Sure.

MR. GRIFFITH: -- in a posthearing brief.

COMMISSIONER WILLIAMSON: Okay. Well, if there's anything significant that would be useful, and anything you might have from third party sources you can put on the record later if you have it.

MR. GRIFFITH: Bearing demand as a general basis tends to be GDP related --

COMMISSIONER WILLIAMSON: Okay.

MR. GRIFFITH: -- and so, as Mr. Fracassa says, with the relatively slow GDP growth in the United States we're seeing relatively low growth in the United States. We tend to see much faster growth in the developing markets where the rate of GDP is going up much faster, and that as a general statement --

COMMISSIONER WILLIAMSON: Okay.

MR. GRIFFITH: -- is what you'll see in the economic materials that we can provide for you.

COMMISSIONER WILLIAMSON: Good. Thank you. Mr. Salonen?

MR. SALONEN: Thank you, Commissioner. That's also consistent with information that's in your staff report from the folks who sent in questionnaire responses and addressed the question of do you anticipate increases or decreases or no change in demand, and the majority are not anticipating any increase in the near future.

COMMISSIONER WILLIAMSON: Okay. Also a similar question with respect to global demand. Do you agree with the Fredonia projections cited in the

prehearing report that global demand for all bearings is likely to grow by 8.5 percent a year through 2014?

MR. STEWART: We will address that in the posthearing. I believe the timing of that is before a lot of the turmoil that would characterize the last year.

We did provide in our prehearing brief projections that were made by outside source in terms of China's GDP growth through I think 2014, as well as European growth through at least 2013, and that shows much, much less active growth in China and obviously negative growth in Europe in the immediate future and negligible growth going forward.

COMMISSIONER WILLIAMSON: Thank you. Do you have any data, trade press or articles or independent analysis comparing prices of TRBs in various markets, various national markets? If so, could you provide those posthearing?

MR. STEWART: Yes. We did provide that in our prehearing brief in terms of the company's own experience in several markets and I believe we provided fairly extensive information in our questionnaire response, but we'll take a look and if there's additional information we'd be happy to provide it in a posthearing.

COMMISSIONER WILLIAMSON: Okay. Thank you. And with that I have no further questions, and I want to thank the witnesses for their testimony.

CHAIRMAN ARANOFF: Are there any further questions from Commissioners? Commissioner Pinkert?

COMMISSIONER PINKERT: Yes. This is for the posthearing. I would like you to take a look at the data and tell me what percentage of the U.S. market, of your market share, is at risk to certified Chinese producers of railroad tapered roller bearings.

MR. STEWART: We would be happy to do that.

COMMISSIONER PINKERT: Thank you. Thank you, Madam Chairman.

CHAIRMAN ARANOFF: Is that it? No further Commissioner questions?

(No response.)

CHAIRMAN ARANOFF: Does the staff have any questions for this panel?

MS. HAINES: Elizabeth Haines. Staff has no questions.

CHAIRMAN ARANOFF: Do the parties in opposition to continuation of the order have any questions for this panel?

MR. VANDER SCHAAF: No, Your Honor, we do not have any questions. No, Chairman Aranoff. I'm in

the wrong proceeding today. Thank you.

COMMISSIONER ARANOFF: I'm getting a lot of promotions today. Who knows what might be next.

Okay. Then we are going to proceed to take a lunch break of one hour. We'll return at 1:20. We need to remind everyone that this room is not secure. Please take anything confidential, as well as anything valuable with you, and we will stand in recess until 1:20.

(Whereupon, at 12:21 p.m., the hearing in the above-entitled matter was recessed, to reconvene at 1:20 p.m. this same day, Tuesday, June 19, 2012.)

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

(1:20 p.m.)

CHAIRMAN ARANOFF: This hearing is resumed. Mr. Secretary, are we prepared to proceed with the second panel?

MR. BISHOP: Yes, Madam Chairman. We have one preliminary matter. With your permission, we will add Harry Li, translator for Mr. Kong, to the witness list on page 3.

CHAIRMAN ARANOFF: Okay. Without objection.

MR. BISHOP: The second panel, those in opposition to continuation of the antidumping duty order, have been seated. All witnesses have been sworn.

CHAIRMAN ARANOFF: Please proceed whenever you're ready.

MR. VANDER SCHAAF: Thank you. Good afternoon. My name is Lyle Vander Schaaf. We have to go a little bit out of our order than what we would prefer because we have one witness, Kong Aixiang, who was originally not on our witness list, who, because he couldn't get a flight here from Detroit and then back in time, we fenagled to join our group, and so we asked the day after they were due if we could add him.

We have secured him a flight.

Unfortunately, the flight returns to Detroit at 2:55, so we would like Mr. Kong Aixiang to be able to present his statement, but if it is okay with the Commission, he will then have to run away to catch his flight to Detroit. He was at meetings with us yesterday and he shared some of his thoughts with some of the other witnesses, so they may be able to provide answers with respect to his company, but if it's okay with the Commission, we would like Mr. Kong to be able to have his statement read by his translator, but then he will have to leave for the airport.

CHAIRMAN ARANOFF: Okay. Understood. Please proceed.

MR. VANDER SCHAAF: Very well. Harry, why don't you go ahead and read Mr. Kong's statement, and then I will come back and introduce our panel and provide some introductory remarks.

THE INTERPRETER: So hello. My name is Harry Li. I'll be serving as the translator of Mr. Aixiang Kong and some of the other people on this panel today.

This is the statement of Mr. Aixiang Kong prepared for his hearing. Good afternoon. My name is Aixiang Kong. I'm the General Manager of Zhejiang Zhaofeng Mechanical and Electronic Co. which is

located in Zhejiang, Hangzhou City. Hangzhou City, Zhejiang Province, in China.

My company manufacturers tapered roller bearings and wheel hub assemblies using both tapered roller bearing and ball bearings. We ship the very few wheel hub assemblies with tapered roller bearings to the United States.

Our company supports revocation of the antidumping duty order as it is related to the wheel hub assemblies with tapered roller bearings. We do not consider the wheel hub assembly using tapered roller bearings that we produced to be tapered roller bearing. We also do not consider the wheel hub assembly that Timken produce to be tapered roller bearings.

I'm not familiar with the production process of Timken in the United States; however, I'm very familiar with our production process in China. We produce both tapered roller bearings and also wheel hub assembly with tapered roller bearings. I would be surprised if Timken production process for producing tapered roller bearings and wheel hub assembly is much different than ours.

Tapered roller bearings and wheel hub assemblies with tapered roller bearing are made using

completely different manufacturing process and steps in which a tapered roller bearing is only one of the component used in manufacture the wheel hub, used to manufacture the wheel hub assembly. Wheel hub assembly with tapered roller bearings are manufactured to specifications which make them suitable only for the mounting on a automobile for attaching wheels, which means for the particular makes and models of vehicles for which they are designed.

This is unlike tapered roller bearings that are manufacture for multiple end uses, to serve as an antifriction device designed to handle heavier loads than ball bearings. We also accompany both radial and thrust loads.

Wheel hub assembly with tapered roller bearings involve forging houses, I'm sorry, involve forging housing for attaching to the vehicle wheel. Tapered roller bearings do not involve this process and steps. Wheel hub assembly with tapered roller bearings also include sensors in the wiring for antilock brake system, or ABS, which tapered roller bearings also do not have.

In addition, a wheel hub assembly with tapered roller bearing always include a rim gear, whereas a tapered roller bearing never had such

structure. Moreover, wheel hub assembly with tapered roller bearings differ from tapered roller bearings in their manufacturing facilities and procedures. For example, the heat treatment required by tapered roller bearing is full hardening quenching process, whereas what is required for wheel hub assembly with tapered roller bearings is carburization. They're completely different.

Further, the quality of tapered rolling bearing mainly depends on the precision of its inner and outer diameters, but controlling the quality of a wheel hub assembly with tapered roller bearings require much more than that. The compliance, the complicated contour and its dimensions are all critical in order to match the wheels for specific vehicles. All in all, I would compare production of wheel hub assembly to the production process of other automobile parts and components, such as gear box, or differentials, rotors and a brake drum, and so forth.

Tapered roller bearings are produced using different methods. These manufacturing process differ because the products and different, because of the products and -- these manufacturing process differ because the products have different functions. Wheel hub assembly with tapered roller bearings provide the

necessary support needed to transfer the vehicle load to the tire and also provide a certain capability crucial to the vehicle's operation, including driving torque transmission, braking torque transmission, ABS functionality, alignment, aligning the wheels and ridge rotors and provide a measure, providing a means for attaching a wheel to the vehicle while allowing the wheels to rotate while the axle remains fixed.

These functions need to be taken into account in producing wheel hub assemblies with tapered roller bearings. Tapered roller bearings do not have these functionalities, and therefore, use different production process. Because tapered roller bearing is only one of the components of a wheel hub assembly, the production cost of wheel hub assembly is necessarily far more higher than for the tapered roller bearing, and therefore, a wheel hub assembly also will be priced much higher than the tapered roller bearing inside a wheel hub assembly. In average, I would predict that the tapered roller bearing inside the wheel hub assembly comprises only five to seven percent of overall cost of a wheel hub assembly.

I will also like to discuss a few things about the wheel hub industry in China. Our company

has very little remaining capacity to increase production of wheel hub assembly. In addition, because the production cost has increased significantly in recent years, Zhejiang Zhaofeng does not have any plan to increase its capacity for wheel hub assembly with tapered roller bearings. I believe the other producers in China also have similar constraints on capacity. We are not aware of any producers coming on line in China to significantly increase capacity for subject wheel hub assembly in the future.

Moreover, I would like to emphasize that it is mainly the loading capacity of the vehicle that determines whether the wheel hub assembly in the vehicle use ball bearings or tapered roller bearings. Generally speaking, only heavy-duty vehicles take wheel hub assemblies with the tapered roller bearings. Currently, only about 20 percent of the wheel hub assembly in the market have tapered roller bearings therein. The rest of 80 percent wheel hub assemblies use ball bearings.

I believe both the quantity and the percent of wheel hub assembly that use ball bearings over the all the wheel hub assemblies in the market will further increase in the foreseeable future. This is

because vehicle production in China is increasing. Although some of them are heavy-duty vehicles, most new vehicles are smaller and lighter than previous versions of vehicle produced in China and the smaller and lighter vehicles can readily use wheel hub assemblies with ball bearings inside of the, instead of tapered roller bearings due to the lower lateral thrust and load required.

Especially in China, but also in other part of Asia and also in Europe, new vehicles are smaller and lighter, so a larger percentage of wheel hub assembly production in China will continue to involve productions of wheel hub assembly with ball bearings rather than tapered roller bearings.

I should also note that it is difficult to manufacture in China to shift from production of other products to the production of a subject wheel hub assemblies. Zhejiang Zhaofeng, for example, cannot easily shift from producing tapered roller bearings to producing wheel hub assemblies. Also, as I noted a moment ago, the movement in the vehicle production is towards increasing production of nonsubject wheel hub assembly using ball rather than tapers, so any shifting is likely to be away from wheel hub assembly with tapered roller bearings.

Most wheel hub assembly producers do not produce a large variety of other products from which they can switch to produce in greater quantities of wheel hub assemblies with the tapered roller bearings for export to the United States. This is a limited ability among producers in China, to shift from producing other products to increased production of subject wheel hub assemblies. We also are not aware of any barriers to entry into other countries from our wheel hub assembly with tapered roller bearings.

As the vehicle production in China increases dramatically, the market for wheel hub assemblies in China is strong and the demand is expected to increase in China. Automobile sales in China are increasing rapidly and are expected to continue to increase in the future. Because demand for wheel hub assemblies generally attracts demands for automobiles, we anticipate the increased demand for wheel hub assemblies in China.

Our export to the United States are actually in decline. In 2011 we shipped a smaller quantity of wheel hub assembly to the United States than 2010. Instead, we have been focusing on sale in China where the bulk of our sales occurs. We believe our situation is similar to other producers in China. The

U.S. market is not particularly important to Chinese producers for subject wheel hub assemblies.

Our sales are mainly for aftermarket auto repair in China and in any of our export markets, including when we were selling to the United States, Europe, Middle East and Asia. None of our products is sold to original equipment manufacturers, or OEM market, either in China or in our export market. The United States market is no longer the majority in our overall sale.

I'm not aware of Zhejiang Zhaofeng's wheel hub assemblies with tapered roller bearings competing with Timken either in the United States or in other markets. Timken sells primarily to OEM customers who manufacture automobiles and automobile parts. Because none of our sales are to OEM applications, we simply do not compete against Timken in the OEM segment. We do not believe anyone sells wheel hub assemblies from China to the OEM segment for the market.

Also, because Timken produce a tire one product, we do not compete against in aftermarket for replacement bearings. We also only cover a limited range of different models and part numbers. We do not cover the full range of product Timken offers.

So before I close my statement, I would like

also to answer two of the statement, respond two of the statement that Timken's witness has brought in the previous session. They say that we have about 200 producers in China for tapered roller bearings or related product. To my knowledge, only around 20 manufacturers in China have annual sale over $2 million. We generally order only from three of them.

The second one is that Timken claims some of the multinational manufacturer, like NTN, Koyo, SKF, FAG, NSK, et cetera, et cetera, they produce tapered roller bearings and wheel hub assemblies with tapered roller bearings. I think this is misleading. None of the above-mentioned multinational manufacturer produce the wheel hub assemblies with tapered roller bearings. That's from my knowledge.

So thank you very much. I hope my testimony helps your, in making your final decisions.

MR. VANDER SCHAAF: So I would move on to the other witnesses, unless the Commissioners would like to quickly pose questions. I'll defer to you, but otherwise I would move on to our other witnesses. I'll just take your queue.

CHAIRMAN ARANOFF: Commissioner Pinkert?

COMMISSIONER PINKERT: Just a quick question for this witness. Do you agree with the Petitioner

that there's not --

CHAIRMAN ARANOFF: Madam Secretary, we should stop the clock and start Commissioner Pinkert's clock.

COMMISSIONER PINKERT: Thank you. Do you agree with the Petitioner that there's not a major difference between assemblies for ABS systems and other wheel hub assemblies?

THE INTERPRETER: So the answer is no. Yes. Right. The answer is yes, they are different. So his answer is that this is a different, the wheel hub assembly with ABS and without ABS, that they're substantially different. They have substantially different functionalities. A simple reasoning is if they're not substantially different, why people fabricate different products, one with ABS, one without it?

COMMISSIONER PINKERT: Thank you, Madam Chairman.

CHAIRMAN ARANOFF: Thank you very much to Mr. Kong. We don't want to keep you from catching your flight. Mr. Vander Schaaf, you can proceed.

MR. VANDER SCHAAF: Okay. Thank you. I appreciate the ability to have Mr. Kong present his statement and then move on to the other witnesses. We

have a witness here today, Heidi Day from Dana, and she's accompanied by Joseph Heckendorn of Dana. She will be the one witness on our panel who is really going to be addressing tapered roller bearings. They have a situation that she'll make clear to you about why they support revocation of the order.

The other witnesses will be addressing the issue of the coalition, which is the separate like product for wheel hub assemblies and why the Commission should revoke the order with respect to wheel hub assemblies. Heidi then therefore will be followed by Nancy Xie who is the Chief Executive Officer of Li Li Auto which is a purchaser of wheel hub assemblies from China in the United States.

Then Jeremy Peng, the Overseas Sales Director for Zhejiang Sihe Machine Company, Ltd. He's accompanied by Steven Chang, the Sales Manager for Bosda International USA, which is the import arm for Sihe. Mr. Peng is accompanied by his daughter, Melody, who will be translating for him. Then Steve Bearden is the Chief Executive for H.B. International Marketing Service, Inc. He will be our final witness. So I will turn it over now to Ms. Day.

MS. DAY: Thank you. Good afternoon. My name is Heidi Day. I'm the Global Commodity Manager

for Bearings at Dana Holding Corp.

CHAIRMAN ARANOFF: Ms. Day, could you pull the microphone a little bit closer?

MS. DAY: Absolutely.

CHAIRMAN ARANOFF: Thanks.

MS. DAY: that a little bit better? Perfect. I'm here today with our Senior Counsel for International Trade Compliance, Joe Heckendorn. Unfortunately, my boss, John Roden, our Vice President of Purchasing for Dana Holding Corporation, was unable to participate in the hearing, so I'll be providing Dana's prepared statements.

Dana supports revocation of the antidumping duty order on tapered roller bearings manufactured in China. We have had bad experiences purchasing from Timken related to this antidumping duty order and believe that after 25 years of protection by the order it's finally time to revoke it.

We have purchased from Timken tapered roller bearings that are currently subject to the antidumping duty order. Given the financial impact, it should not be surprising that Dana opposes the order when purchasing from Timken, who is the Petitioner in this investigation.

I understand that other witnesses on this

panel intend to address TRBs related to wheel hub assemblies. In my case, I will be speaking specifically to TRBs as individual parts, not in assemblies.

Prior to joining Dana I worked at Ford Motor Company. Prior to that, at Meritor Corp. I'm also an advanced facilitator at University of Phoenix, specifically focusing on undergraduate business and international business courses. During my time with OEMs, I've gained a great deal of experience with bearings, and, in particular, TRBs. I'm fortunate to have had the opportunity to travel to various continents, visiting numerous bearing companies in North America, China and Europe. During these trips, I was able to visit Timken facilities in each of these regions, including China.

I spend the majority of my day working to coordinate the global bearing purchasing activities, develop global strategies for bearings, including TRBs, and following developments in the industry and market, as a whole.

Joe has a lot of experience on the legal issues related to purchasing and importing TRBs. Unfortunately for him, he's been spending a lot of his time lately on issues related to tapered roller

bearings and this order that we're discussing today.

Before I get too far into my prepared remarks, I'd like to provide a little bit of information about Dana. Dana is headquartered in Maumee, Ohio, and was founded in 1904. It's a leading producer and supplier of driveling products, including axles, drive shafts and transmissions. Dana also produces and supplies power technologies, including sealing and thermal management products. Dana produces and sells genuine service parts for light and heavy vehicles.

Dana's customers are comprised of most major OEMs and supplies manufacturers worldwide. We have production facilities in Illinois, Indiana, Kentucky, Ohio, Michigan, Missouri, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Wisconsin. Our U.S. production operations are comprised of 22 plants and employ approximately 15,000 workers. Our customer base includes virtually every major vehicle manufacturer in the global light, medium and heavy vehicle, as well as the off-highway markets.

I'm here today to tell you mostly about a story that we have with our off-highway products group and its purchase of a Timken TRB. Among the purchases of this group at Dana is a TRB from Timken. The TRB

is specifically Dana Part No. 005104063, which is also known as Timken Part No. NP973170. This was a specialty bearing that was designed specifically for a Dana off-highway application. We worked with Timken to develop a tapered roller bearing that has the exact fit, form and function needed for this product line, which was a complete axle and hub reduction unit that Dana currently manufactures.

Our off-highway products group includes research and development, manufacturing and assembly operations in the U.S. This group designs, manufactures, assembles and markets Spicer axles and transaxles, drive shafts and end fittings, transmissions, torque converters, electronic controls and brakes. The off-highway products group also provides genuine replacement parts and service.

The Timken tapered roller bearing that is the subject of my comments is used in one of our off-highway groups, Spicer axles, which are, again, complete axles and hub reduction units used in large tractor applications. In this particular case, it's a Model 770 which is manufactured in Dana's Fredericktown, Ohio facility, and is sold to Case New Holland for an agricultural tractor called a Magnum.

The TRB product that Timken supplies to our

Fredericktown facility was specifically designed for this Dana application and we are not aware of any other entity in the United States that uses or purchases this TRB. Dana pays a premium for the product due to its unique specifications and design for fit, form and function in Dana's Model 770 complete axles. The tapered roller bearing product in question, again, Dana Part No. 005104063, Timken Part No. NP973170, did not exist at the time of the original antidumping duty investigation.

Previously, Dana produced its Model 770 complete axle for agricultural tractors in one of its foreign locations, specifically, in Italy, so the TRB was not imported into the United States. Prior to 2008, Dana manufactured these Spicer axles and harp reduction units also in Mexico; however, in 2008, Dana transferred production operation to its Fredericktown, Ohio facility. Little did we know at the time by bringing this product back to the U.S., which was a steel worker shop in Ohio, we would be harmed by antidumping duty order designed to protect U.S. production.

Of course, the antidumping duty order doesn't protect U.S. production in this instance because Timken doesn't produce the product in the U.S.

In fact, this is the only bearing that Dana brings into the United States that is manufactured in China by a major manufacturer. So the only TRB of the big, what we would consider to be the big five. Timken does not produce this particular tapered roller bearing in the United States, and therefore, Dana is required to import the product to supply its Model 770 complete axle.

Dana's imports of the TRBs take no sales away from any U.S. production or U.S. operations. In fact, Dana orders the product from Timken, and Timken fulfills Dana's order with product produced in its Yantai facility. Rather than use the tapered roller bearing we purchase from Timken in manufacturing operations in Mexico, our Mexican facility began to simply forward the Timken bearing to our Fredericktown, Ohio factory where we shifted our production. The problem that we soon learned about is that Timken supplies its tapered roller bearings to us from its Yantai Timken factory in China.

To reiterate, Timken sells to us in Fredericktown, Ohio a bearing that is manufactured in China. This is not, and was not, without consequences for Dana. Because our purchasing staff knew we were purchasing the bearing from Timken, they never thought

that the bearing would be subject to an antidumping duty order in the U.S. for which Timken is the Petitioner. Of course, we were mistaken. Consequently, Dana has had to submit a prior disclosure to U.S. Customs and Border Protection correcting our prior entries of the Timken bearing and report the TRB bearing as subject to an antidumping duty order.

Because our legal department was not informed of the purchase of the bearing subject to an antidumping duty order, we never participated in the annual administrative reviews of the Department of Commerce. As a result, Dana owed duties of 92.84 percent on all of its past imports of the Timken tapered roller bearing.

Since our discovery, we've tried to work with Timken to correct the situation. However, since our communication began back in January of this year, we have still not been able to reach an agreeable accommodation with Timken, and so, since January, we have still had to post deposits on continuing imports of 92.84 percent.

As previously stated, Timken does not produce, and will not produce, this TRB for us in the States. Consequently, we have asked Timken to agree

to not oppose a request that we had hoped to file with the Department of Commerce to exclude this particular tapered roller bearing from the scope of this proceeding. After all, we figured if Timken did not produce the product in the United States, had no other U.S. sales of this bearing and no other manufacturers were producing this bearing, it stood to reason that the product should not be covered by an antidumping duty order. Remember, this is an application-specific bearing that was designed by Timken for a Dana application. However, Timken refused our request.

It informed us that if we filed a changed circumstances request with the Department of Commerce to exclude the product from the scope of the antidumping duty order, it would oppose Dana's request. As some of you may know, opposition to a changed circumstances request dooms any such request at the Department of Commerce. So Dana is now faced with the prospect that the TRB we purchase from Timken in the U.S. continues to be subject to an antidumping duty order.

Timken has offered to supply the TRB out of its Italian factory in Brescia; however, Timken will not perform the same heat treatment process on the bearing in Brescia that it performs in China. In

China, Timken performs a through hardened heat treatment process; however, in Italy, Timken performs a much more costly case carburizing heat treatment process. Case carburization is often considered to be a more robust heat treatment process; however, it is also much more costly, and consequently, the offer by Timken significantly increases the cost of the TRB and provides a heat treatment process we simply don't need for this product.

In any event, aside from Timken's counteroffer to supply out of Italy, the fact remains that Timken did not offer to produce the product in the U.S. so we continue to import the Timken bearing into the U.S. After six months of formal discussions, Dana continues to wait for Timken's finalized timeline to move this bearing to their operations in Italy, which will again continue to be an import. Meanwhile, we continue to pay antidumping duties for a product that is not causing harm to Timken or other manufacturers in the United States.

Because the duty essentially doubles the cost of the TRB, Dana considered shifting offshore to Argentina the production of the hub reduction assembly component of the complete axles we produce in Fredericktown.

We don't see how our imports of this Timken bearing could be viewed as injurious to Timken. Timken does not produce the product in the U.S., nor does it wish to, so it can't possibly be losing any sales by our imports. Moreover, because we import the tapered roller bearing from a Timken Company sold to us from Timken, Mexico, we can't see how the imports could be accused of having unfair, of being unfair or dumped.

Surely, Timken would not argue that the bearing we buy from it, that it supplies to us out of its Yantai facility in China as being a dumped product that it sells at an unfair or dumped price; therefore, at least as to the imports Dana purchases, revocation of the antidumping duty order is not likely to lead to continuation or recurrence of material injury.

Although our imports are a small portion of the overall imports, our situation is merely one of the types of situations that go on every day in the U.S. and have been ongoing for the past 25 years as a result of the antidumping duty order on tapered roller bearings from China. These types of unintended consequences have to stop. Twenty-five years is long enough.

Given the limited competition between

domestically-produced and Chinese-produced tapered roller bearings, we do not believe that other imports in the U.S. from China are likely to injure the domestic injury. This provides another reason why we support revocation of the antidumping duty order. After 25 years, we simply do not see the need for antidumping duty orders. It simply is not needed in order to insulate Timken and the other U.S. producers from injury.

Timken produces highly engineered precision bearings. It's typically what we would call a Class 7 or a Timken P900 bearing, or a Class 2 bearing, which is typically used in Dana's differential and pinion applications. These bearings are often design-specific as Timken reviews all applications prior to approval when working direct with OEMs. However, most tapered roller bearings manufactured in China are considered to be a Class 4 or less bearing and are typically much lower in quality.

Knowledgeable tapered roller bearings buyers understand that you would not substitute a Chinese manufactured, off the shelf tapered roller bearing for a TRB manufactured by Timken. The Chinese bearing will likely fail much more quickly in any application in which Dana currently uses a Timken bearing. In

many cases, this comparison is clearly documented by *A* to *B* testing conducted by both OEMs and Timken. This is common industry knowledge. Additionally, Timken acknowledges this fact by providing customers with friendly reminders on a regular basis.

Aside from quality, Timken, and other U.S. producers, vastly outperform imports from China on reliability, consistency of supply, as well as delivery times and terms. Imports cannot compete with Timken and other U.S. producers on these factors. Among the Chinese producers I would trust, Timken's Yantai tapered roller bearings and SKF's Chinese-produced TRBs is a fair substitute for a Timken or SKF-produced bearing.

Almost all of the other TRB manufacturers in China simply do not compete on the same quality level, so the vast qualities of TRBs manufactured in China simply do not compete with the U.S. producers' bearings due to a significant quality difference and lack of engineering expertise. The excess capacity to which Timken's witnesses testified this morning about the lower quality bearings in China that, do not pose a threat of significantly heightened competition in OEM differential and pinion applications with the U.S. producers after the antidumping duty order is revoked.

Moreover, Timken and other U.S. producers insulated, I'm sorry, are insulated from competition in the U.S. market overall because they sell mostly to OEM applications, whereas the subject imports are targeting the aftermarket as replacement products. I would be very surprised if the vast majority of foreign suppliers of TRBs would even qualify for certification to supply the OEM purchasers in the United States, and the OEM market for TRBs is much larger than the aftermarket in terms of volumes.

Because U.S. producers are insulated from competition from subject imports from China for OEM customers, they are not threatened from injury from China imports if the antidumping duty order is revoked. Upon review of Timken's 2011 annual report, I noted that they do not mention a single Chinese bearing supplier when discussing the competition. Timken states, "the company competes with domestic manufacturers and foreign manufacturers of antifriction bearings, including SKF Group, Schaeffler Group, NTN Corporation, JTEKT Corporation, JTEKT, and NSK Limited.

For the sake of clarification, each of these bearing manufacturers is headquartered outside of the United States, but not one of them is headquartered in

China or has significant operations that compete within the U.S. Apparently, Timken does not believe that Chinese bearing manufacturers provide enough competition to warrant making the competition list within their annual report.

I understand that a large quantity of production and imports from China are no longer subject to the antidumping duty order. I've been told that Shanghai General Bearing Corp., Tianshui Hailin Import and Export Corp., Hailin Bearing and Wafangdian are no longer subject to the antidumping duty order. These are some of the very largest producers in China, and if are no longer subject to the antidumping duty order, I cannot see how revocation of the antidumping duty order as to the remaining producers is going to somehow create injury for the U.S. producers.

TRBs from these excluded nonsubject producers are more likely to compete head to head with the U.S. producers' products than the remaining subject imports. Moreover, there's really no chance that Timken's Yantai and Wuxi production facilities in China will ship their TRBs to the United States in such quantities and at such prices as to harm their own production operations after the order is revoked.

For all of these reasons, we support

revocation of the antidumping duty order. We feel that because the antidumping duty order has already been in place for 25 years, it's finally time to revoke it. Thank you. I'd be happy to answer questions.

MS. XIE: Hi, everyone. Good afternoon. My name is Nancy Xie. I am the Chief Executive of Li Li Automotive located in Algonquin, Illinois. My company purchase and sells wheel hub assemblies and other automotive products, including hydraulics, water pumps, chassis, for passenger vehicles.

On behalf of all of my employees in Illinois, our company supports a revocation of the antidumping duty order as it relates to wheel hub assemblies. Like all of the other distributors of wheel hub assemblies in the United States, we were surprised to hear that the Department of Commerce ruled last year that wheel hub assemblies are covered by the tapered roller bearing antidumping duty order. We do not consider wheel hub assemblies to be tapered roller bearings, and we do not think any companies that buy and sell wheel hub assemblies would consider them to be tapered roller bearings.

Instead, wheel hub assemblies are assembly of various components that connect the brakes and the

suspension and perform important safety functions. Wheel hub assemblies are a complete auto part, just has differentials, like brake drums and brake rotors are complete auto parts. This auto parts also contain tapered roller bearings, like a rotor or drum in front of you.

Business in the market considered wheel hub assemblies to be a finished auto part. The two products are not interchangeable. We can't say a wheel hub assembly in an application in which we use a tapered roller bearing and we can't use a tapered roller bearing in an application in which we can use a wheel hub assembly. Wheel hub assembly require more advanced engineering, grinding, machining, case hardening in heat treatment and complete and very strict tests and procedures compared with our single tapered roller bearings.

I also agree with Mr. Kong, who just left, in his testimony on the production process issues about wheel hub assembly, which is far more sophisticated comparing with tapered roller bearings. Wheel hub assemblies and tapered roller bearings also have very different functions.

Wheel hub assemblies provide the necessary support needed to transfer the vehicle load to the

tire and also provide certain capabilities crucial to a vehicle's operation, including drive torque transmission, ABS functionality, aligning with the wheels and the brake rotors, providing a means for attaching a wheel to the vehicle while allowing the wheel to rotate while the axle remains fixed, and braking and ABS functionality.

This function of braking is an important safety feature that clearly distinguish wheel hub assembly from a tapered roller bearing. The ABS system in the wheel hub assembly can fail irrespective of the tapered roller bearing inside of a wheel hub assembly. Tapered roller bearings, on the other hand, merely provide a motion reduction, load bearing and friction reduction. So the application of a wheel hub assembly is limited to the use in a wheel of an automotive. On the other hand, tapered roller bearings have thousand of different applications and end users in agriculture, manufacturing, industrial and other end uses.

Wheel hub assemblies are sold through channels of distribution for auto parts. On the other hand, tapered roller bearings are sold through various channels of distribution for manufacturing, power transmission applications in automotive distributors.

We suspect that other bearing distributors and distributors of power transmission equipment are significant outlets for tapered roller bearings to end users. On the other hand, Auto Zone, Carquest, NAPA and other auto parts retailers are the main outlets for the wheel hub assemblies to the end users.

The price of the two products also differ significantly. The price of a wheel hub assembly is much higher than the tapered roller bearings. The tapered roller bearing in the wheel hub assembly often is a small percentage of the overall cost of the wheel hub assembly price.

We firmly believe that at least as to wheel hubs assembly from China, revocation of the antidumping duty order is not likely to lead to continuation of recurrence of a material injury to any U.S. wheel hub assembly operations. We sell only in the aftermarket for replacement wheel hub assembly. We don't compete against Timken for our sales of wheel hub assemblies from China. Timken sells primary to OEM customers who manufacture automobiles and automotive parts. Because none of our sales are to OEM applications, we simply do not compete against Timken in the OEM segment.

We don't believe anyone else in China sells

wheel hub assemblies to the OEM in U.S. market. Also, because Timken produces a Tier One product, we also don't compete against it in the aftermarket for replacement bearings. We believe Timken would compete in the aftermarket with other Tier One suppliers, like SKF, NTN, Koyo, NSK and Najafla. All of them, they are not had part in China. We also only cover a limited range of different models and part numbers versus Timken's long, wide coverage. We don't cover the full range of the product that Timken offers.

None of this is going to change after revocation of the antidumping duty order. We also sell a lot of wheel hub assemblies in the United States that we have balls as their rolling element rather than tapers. In fact, most wheel hub assemblies, we would say 80 percent of the wheel hub assemblies uses balls as rolling elements versus tapered roller bearings. Only heavy duty vehicles require tapers as the rolling element in their wheel hub assemblies.

We concerted the wheel hub assemblies with the balls to be substitutable with wheel hub assemblies with tapers. Like SKF, they use extra tech knowledge to use a ball bearings to replace Timken's argent design of their tapers, and where SFAG did with

their full roll ball bearings design. We understand that the ball wheel hub assemblies are not subject to the antidumping duty order, yet they are fully compacted with the tapered wheel hub assemblies.

It's really impossible to tell the difference between the two types of wheel hub assemblies by appearance which one has tapers inside, which one has balls inside. For all of these reasons, we support a revocation of the antidumping duty order. We feel that because of the antidumping duty order has already been in the place for 25 years, it's finally time to revocate it. Thank you. I'm very happy to answer any questions, if you have. Thanks.

MR. VANDER SCHAAF: Now, Melody, why don't you go ahead and read Mr. Peng's statement.

MS. PENG: Hello, everyone. My name is Melody Peng. I will be serving as a translator for my father, Zhimin Peng, and some of the other people on this panel today. This is the statement that Zhimin Peng prepared for this hearing.

Good afternoon. My name is Zhimin Peng. I go by Jeremy Peng for my English name. I am the Overseas Sales Director for Zhejiang Sihe Machine Corporation, Ltd., which is located in Hangzhou City, Zhejiang Province, in China. Boston International

USA, LLC is our related company in the United States that imports and sells our product in the United States. I'm accompanied here today by Steven Chang, the Sales Manager for Boston International.

My company manufactures wheel hub assemblies in China. Our company supports revocation of the antidumping duty order as it relates to wheel hub assemblies. We are an auto parts manufacturer. We produce wheel hub assemblies. We don't manufacture tapered roller bearings. We purchase tapered roller bearings for inclusion as a component in the wheel hub assemblies that we produce. Our wheel hub assemblies are a completed auto parts in which we use tapered roller bearings.

We do not consider the wheel hub assemblies that we produce to be tapered roller bearings. We also do not consider the wheel hub assemblies that Timken produces to be tapered roller bearings. Wheel hub assemblies and tapered roller bearings are made using completely different manufacturing process and steps in which a tapered roller bearings is only one of the components used to manufacture the wheel hub assembly.

Wheel hub assemblies are manufactured to specifications which make them suitable for the

mounting on an automobile for attaching wheels for the particular make and models of the vehicles for which they are designed. I will compare production of a wheel hub assembly to the production process of other automotive parts and components, such as gear boxes or differentials, brake rotors, brake drums and so forth.

I agree with Mr. Kong on his comments about the production differences between tapered roller bearings and the wheel hub assemblies. Because the taper is only one of the components of a wheel hub assembly, the production cost for a tapered hub assembly is necessarily higher than for a tapered roller bearings, and therefore, a wheel hub assembly also will be priced much higher than the tapered roller bearings inside a wheel hub assembly. On average, I would predict that a tapered roller bearing inside a wheel hub assembly comprises only six percent of the overall cost of the wheel hub assembly.

I would also like to discuss a few things about the wheel hub industry in China. There's no space for our company to increase its production capacity for, of wheel hub assemblies in China. In addition, because the production cost has increased significantly in recent years, Zhejiang Sihe does not have any plans to increase its capacity. I believe

the other producers in China also have similar constraints on capacity. We're not aware of any producers coming on line in China with significantly increased capacity for subject wheel hub assemblies in the future.

Moreover, the vast majority of all wheel hub assemblies use balls as their rolling elements rather than tapers, so we, and other wheel hub assembly producers in China, mostly produce wheel hub assemblies using balls as their rolling element. We expect, general, 80 percent to 20 percent breakdown, mentioned by Mr. Kong, to continue.

So vehicles being produced today use wheel hub assemblies with ball bearings instead of tapered roller bearings, particularly in China. Most new vehicles are not heavy models of vehicles, and these vehicles can easily use wheel hub assemblies with ball bearings due to the lower lateral thrust and loads. In China, in particular, and also in other parts of Asia and Europe, new vehicles mostly are not heavy vehicles, so we expect a large percentage of wheel hub assembly production in China to continue to be dedicated to the production of wheel hub assemblies with ball bearings rather than tapered roller bearings.

None of the wheel hub assembly manufacturers in China produce roller elements. A few wheel hub assembly manufacturers in China produce tapered roller bearings, but they only assemble tapered roller bearings parts purchased from other manufacturer into final tapered roller bearings. We, and most other wheel hub assembly manufacturers, do not produce any other products. The wheel hub assembly manufacturer that also assemble taper roller bearings generally limited their production to tapered roller bearings for automotive use.

As I just discussed, the production is dedicated to nonsubject wheel hub assemblies using balls rather than tapers, and not the other way around, so we are not aware of any significant ability in China to shift from producing other products to producing greater quantities of subject wheel hub assemblies for export to the United States. We are also not aware of any barriers to entry into other countries for our wheel hub assemblies, so we don't expect any diversion of our wheel hub assemblies from other markets towards the U.S. market so that this situation is similar for other producers in China as well.

Our exports to the United States are

actually in decline. In 2011, we did not ship any subject wheel hub assemblies to the United States. Instead, we have been focusing on markets in Asia, including China, and in Europe. We believe our situation is similar to other producers in China. Our sales are for aftermarket auto repair in China and in any of our export markets, including when we are selling to the United States. None of our product is sold to the original equipment manufacturers, or OEM market, either in China or in our export market. I'm not aware of Sihe's wheel hub assemblies competing with Timken's either in the United States or in other markets.

Timken sells primarily to the OEM customers who manufacture automobiles and automotive parts. Because none of our sales are to OEM applicants, we simply do not compete against Timken's in the OEM segment. We do not believe anyone sells wheel hub assemblies from China to the OEM segment of the market. Also, because Timken produces Tier One product, we also don't compete against it in the aftermarket for replacement bearings. Instead, Timken competes with other Tier One manufacturers in the aftermarket. We also only just cover a limited range of different models and part numbers. We do not cover

the full range of the products that Timken offers.

Thank you. I'm happy to answer any of your questions.

MR. VANDER SCHAAF: Mr. Chang?

MR. CHANG: Hello. My name is Steven Chang. I'm the Sales Manager of Bosda International USA LLC located in Hacienda Heights, California. As Mr. Peng indicated, we are the import arm of Sihe, Zhejiang Sihe Machine Corporation, Ltd. located in Hangzhou City, Zhejiang Province, in China.

Our company imports and sells wheel hub assemblies from China. Our company supports revocation of the antidumping duty order, as is related to wheel hub assemblies. Although we did not import wheel hub assemblies from China in 2011, we have previously been importing and selling wheel hub assemblies in United States for a number of years. Wheel hub assemblies are easy to install, preadjusted and lubricated for live assembly that replaces the old method of fastening a tapered roller bearing to a wheel.

I concur with Mr. Peng's and Mr. Kong's comments that wheel hub assemblies are not tapered roller bearings and have significant difference with tapered roller bearings. We involve the companies

that request a scope ruling from the Department of Commerce requesting confirmation that our imported wheel hub assemblies are not covered by the scope of the investigations.

We were very surprised when the DOC denied our request and the request of a number of other imports, and consequently, we now face the situation in which our imports of the wheel hub assembly from China are considered within the scope of the order. As a result of the DOC's ruling, we went to Customs and filed a prior disclosures to retroactively pay the duties on past imports of our wheel hub assembly from China.

Had we known that our wheel hub assemblies were covered by the antidumping duty order on tapered roller bearings, we could have reported them as subject merchandise and paid the antidumping duty when they were imported rather than having to do so retroactively, long after the products were imported.

We consider our company to be an auto parts importer and a distributor, and we don't consider ourself to be a bearing distributor. We do not view wheel hub assembly and the tapered roller bearing to be interchangeable. As Mr. Kong explained, wheel hub assemblies and the tapered roller bearings have

different functions. A wheel hub assembly is an automotive part that can be used for transmitting power. Another function of the wheel hub assembly is to support the wheel and rotor.

A wheel hub assembly carries most of the vehicle's weight. It is secure the wheel and the rotor to the vehicle's body through various nuts and bolts on the two phalanges of the wheel hub assembly. A wheel hub assembly with a ABS sensor also carries the additional functionality of the antilock brake system. Wheel hub assemblies are sold through channels of distribution for auto parts, like Bosda, Auto Zone, Advanced Auto Parts or Rally, or franchise, such as NAPA and Carquest, and other auto parts retailers. We're main outlet for the wheel hub assembly to end users.

The price of the two products also differs significantly. The price of a wheel hub assembly is much higher than a tapered roller bearing. We sell only in the aftermarket for replacement wheel hub assemblies. We do not compete against Timken for our sales of wheel hub assembly from China. Timken sells primary to OEM customers who manufacture automobile and automotive parts. Because none of our sales are to OEM applications, we simply do not compete against

Timken in the OEM segment. We do not believe anyone sells wheel hub assembly from China to the OEM segment of the market.

Our supply in the United States actually is somewhat limited. We supply subjected wheel hub assembly to heavy duty vehicles that have been on the road for at least six years and older. Our imports of subject wheel hub assembly from China are currently small and we expect this to continue in the future whether or not the antidumping duty order is revoked.

For all of these reasons, we support revocation of the antidumping duty order. Thank you. I'm happy to answer of your questions.

MR. VANDER SCHAAF: Mr. Bearden, go ahead.

MR. BEARDEN: Good afternoon. My name is Steve Bearden. Let me begin by giving you some background on my career in North American automotive aftermarket. My career commenced in 1971 as an employee of Tenneco Automotive as a sales representative in the national account sales division. In 1979, I formed my own company called H.B. International Marketing Services, known in the industry as IMS. IMS is a sales representative agency representing various OEM and aftermarket manufacturers of automotive parts produced in Europe, India, China,

Australia, Thailand, and finally, North America.

I also formed a sister company to IMS called Global Parts Source, known in the industry as GPS. GPS is a parts distribution company specializing in OEM and aftermarket brake parts. GPS suppliers are located in Europe, Australia, Thailand, China, Korea, and finally, North America.

While I'm not here in this position, I am also chairman of the industry association known as Auto International Association, or AIA. AIA is the import parts segment of the largest independent parts association in the United States known as AAIA, or Automotive Aftermarket Industry Association.

My two companies, along with two additional companies, Multi Parts Supply and Vantage Marketing, who are also long-term independent aftermarket marketing and distribution companies, are here to support the revocation of the antidumping duty order as it relates to wheel hub assemblies. Our stated reason for the request to revoke the wheel hub assembly tariff speaks to what we repeatedly state at AIA: We support free and fair trade.

I believe the tariff on the wheel hub assemblies flies in the face of free and fair trade. Further, I do not believe the original intended

purpose of the tapered roller bearing antidumping tariff was to also place the tariff on assemblies that happen to have bearings in the assembly.

If you look at the cost of the average wheel hub assembly, and other people have referred to this today, the tapered roller bearing is at best five to seven percent of the cost of the total assembly. The industry does not consider a wheel hub assembly a bearing product in that, as I stated, the bearing portion of the cost is such a small portion of the total cost. I simply don't see how revoking the antidumping duty will have any effect on the U.S. bearing manufacturers.

Until last year when the DOC ruled, in our view, for the first time ever, that the wheel hub assemblies were covered by the scope of the antidumping duty order, no wheel hub assembly manufacturers or exporters in China and none of the importers here, in the U.S., had any inkling that these products were covered by this antidumping duty order.

Since the DOC ruled in 2011 that wheel hub assemblies are covered by the scope of the antidumping duty order on wheel hub assemblies, numerous importers of wheel hub assemblies have had to go back to Customs

and correct their entries of wheel hub assemblies, much in the same manner as Ms. Day discussed a moment ago for Dana and its imports of tapered roller bearings. This situation of wheel hub assembly importers highlights the reason why revocation of the antidumping duty order is justified on wheel hub assemblies, in my view.

Because wheel hub assembly importers never would have dreamed that their product is subject to an antidumping duty order on tapered roller bearings, they have been caught up in the frenzy to correct their entries with Customs. Because they did not know their imports were subject to the antidumping duty order, they never requested a review of the imports in the annual administrative reviews conducted by the Department of Commerce, of course learning after the fact they missed out on these opportunities to request reviews and try to reduce antidumping duty applied to their imports.

As a consequence, they've had to pay retroactive antidumping duties at a rate we all know, at 92.84 percent. I'm sure that many of the importers will be requesting administrative reviews with the Commerce Department for the most recent imports of 2011 and '12. In any event, the situation of learning

after the fact that their imports were subject to an antidumping duty highlights one of the reasons why we support revocation of the antidumping duty order.

Despite the fact that it's becoming known in the market that the DOC considers these imports to be subject to the antidumping duty order, I'm sure there are still numerous importers that are still unaware of this. Who can blame them for being ignorant of this antidumping duty order? As I said, no one in their wildest imagination would have thought that a wheel hub assembly, which is an automobile component and auto part, would be subject to an antidumping duty order on tapered roller bearings.

As some of the witnesses have already indicated, businesses operating in our market consider wheel hub assemblies to be a finished auto part. We simply do not regard wheel hub assemblies to be tapered roller bearings. Wheel hub assemblies are not viewed by distributors, wholesalers, retailers, purchasers and end users as tapered roller bearings. To us, it's very straightforward. Thank you.

MR. VANDER SCHAAF: That concludes our prepared remarks. We have a couple samples up front. Just briefly, I can't tell from looking at it, I guess that supports our testimony, which is the tapered with

the balls and which is the rollers, but you might see them from that angle. There's a cut away and you can tell from that angle. We also have a brake drum and a brake rotor. Those have tapered roller bearings in them as well. Our position is that if you follow Timken's line of analysis and their approach, those products would fall within their like product.

The rotor's on my left, the drum is on the right. They have a tapered roller bearing as a rolling element. That's an important element of that product. We would argue that just as those are not tapered roller bearings, neither are the wheel hub assemblies. Thank you for your time.

CHAIRMAN ARANOFF: Thank you very much. I want to thank all the witnesses on this afternoon's panel for being with us today. We appreciate those of you who have traveled distances to be with us, and we always appreciate it when businesspeople take time away from your work to answer our questions. It's really the best way to get the most accurate and direct information. We're going to start the questioning this afternoon with Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Madam Chairman. And I join the Chairman in thanking all of you for being here and testifying about some of the

circumstances and conditions within this industry. I want to begin with Ms. Day and ask you a followup on that issue that you raised with Timken about carving out the product, the imported product that you buy from Timken from the scope of the order and just I want to understand a little bit about what happened there. So my question is could they have carved out that product that you buy from Timken, that imported product, without carving out other products from the scope of the order?

MS. DAY: In my opinion, yes. Again, this is a bearing that was designed specifically for a Dana Application, so if you look at the part number, so the Timken part number which starts with an NP -- NP to Timken means new product, so it wasn't something that they were using.

So, absolutely. They could have without question given us an exclusion on that bearing without harm, obviously, to itself simply because it's not manufacturing that part in the U.S., nor is anyone else.

COMMISSIONER PINKERT: Mr. Vander Schaaf.

MR. VANDER SCHAAF: Well, and this can be done. I've done it before. I've done it with stainless steel wire. It's been done with stainless

steel bar, maybe stainless steel rod, but there are -- a product KM35FL and some other products that are specific, and they can be carved out from a specific order especially when that producer does not produce them, and that's commonly a situation.

And when we come into these anti-dumping proceedings, we often hear Petitioners -- you know, Respondents come in and say, oh, the domestic producers don't make this and they don't make that. And then the Petitioners come up and say, look, if there's a product we don't make, we'll exclude it. And they often times do.

This order has been in place for 25 years, and the number of exclusions is less than one, okay? Twenty-five years this order's been in place, and they haven't excluded a single product.

At the very beginning, commerce excluded pillow blocks over Timken's objection, but it's amazing to me that, you know, a lot of Petitioners are willing to exclude products especially for important customers when they don't make it in the United States, and it's done, so.

COMMISSIONER PINKERT: Thank you. Now, another factual background question. When were wheel-hub assemblies for use with ABS systems first imported

into the United States? And I have a follow-up question on that one, but I just want to get the factual background.

MS. XIE: In my opinion, I want to say since 2003. Did I answer you question?

COMMISSIONER PINKERT: I think that there might be somebody else in the panel who wants to address this question as well.

MS. XIE: Yes. Yeah because I'm the first one to start this wheel hub bearing -- wheel hub assembly program in China, so before me, basically before 2003, they might start to have 11 numbers in China. Those are first generation wheel-hub assembly without ABS sensors. I think it might be a little bit earlier with Zhejiang's case, but I think 2003 we start to bring certain volume into U.S.A market.

COMMISSIONER PINKERT: Thank you. Mr. Chang?

MR. CHANG: We started our business in 2007, so I don't know. In 2003 at that time I'm an IT technician. I'm not in this industry.

COMMISSIONER PINKERT: Okay. Thank you. So this goes back more than a few years. When those items were imported into the United States, were they treated as merchandise that potentially would be

within the scope of this order?

MS. XIE: No. From 2003, we start to import it from China and distribute in U.S.A. like Advance Auto and Auto Zone. By that time, all of the wheel-hub assembly we were -- they are imported as, like, a complete auto parts. We never been questioned by any customers. They never question us this is a wheel-hub -- or like as a wheel bearing or as a type of bearings.

So we're definitely -- we actually never aware until last year, 2011, there was order, rulings about they're going to put all of the wheel-hub assemblies with tapers into the taper roller bearings. Before that, we have no idea. We never considered that is a bearing.

COMMISSIONER PINKERT: Thank you. I also want to give the panel the opportunity to comment on that question that I raised earlier during the panel presentation, and that is whether or not the wheel-hub assembly for use with the ABA system is significantly different from other wheel-hub assemblies.

MS. XIE: Basically, ABS is kind of a function quality and tie block system. So any vehicles, if they -- you know, especially for recently model -- new models, they are very fully equipped

with, like, electronic equipments, right?

So when most of the vehicles right now, they have ABS system that was connected with like brake ABS systems.

What we say, like, especially for bad weather, let's say snowing weather or like with ice on ground, right, when you start to break and the ABS will -- the system is going to send a signal to stop the brakes supposed immediately.

But if the signals, you know, if the ABS system, ABS failed so the signal is not going to go as fast as manufacture designed, so will be very much delayed.

And what happens and -- eventually you'll probably able to, you should be able to stop your car, but there will be much delay so the car, you know, we could imagine in our ice ground in snowing weather what's going to happen if you can't stop a car as you expect or what's going to happen, right. It could cause, like, fatal crash or rollover, you know, that kind of fatal failure could cause.

MR. VANDER SCHAAF: So to respond to some of the things the panel said this morning, the real function of a -- their claim is that the real function of a wheel-hub assembly is reducing frictions and

handling lateral thrusts.

Well, the question from you is is it significant, the other functions? I guess it depends on whether or not you think braking is a significant function of an automobile.

And it's a safety feature that's required, and they have to test for it. So we think that the braking system is an important function, and we think that having ABS is a significant feature.

MS. XIE: Yes. And also, you know, ABS sensors before we ship, send every single piece of wheel-hub assembly out of the factory, if it has ABS sensor, we have to attach every single ABS sensor signals if they are -- whether they are passive ABS sensor or active ABS sensor because every single of active ABS sensor it comes with our computer chip inside.

So it's like this wheel-hub assembly, it's like there's a CPU inside of this thing. It's not just like a tapered roller bearing. You will see it's very clear. It's just a cup and a comb. It's material without anything like a brain inside, but wheel-hub assembly is. It has kind of a CPU inside. Thank you.

COMMISSIONER PINKERT: Thank you. My last

question this round is just an attempt to clarify some of the testimony we've already heard from this panel. You talked about Chinese producers to your knowledge not selling the wheel-hub assemblies to U.S. original equipment manufacturers.

Are you saying that there's been no attempt to do that or merely that it has not been accomplished as of yet?

MS. XIE: I'm going to say, first in U.S. say all of those equipment are original OEM requirements, the raw material from raw material specification, they require like 1065 steel, carbon steel, and we use 1055 from raw material, we are one level lower.

And secondly, in production process in China facility the 1065 actually -- when we go to heat treatment because wheel-hub assembly, every single piece, we need case hardening instant not like majority of the taper roller bearings inside there goes to thorough hardening.

So when we go case hardening, it's a very high tack processing in China facility. When you go to 1065, after you heat treat it, it goes to be hard. So when we machining and grinding, it's actually not that easy to control well, as good as 1055.

1055, we still need to heat treat it, the same case hardening, but it's, comparing with 1065, it's a little softer so easy to machinery and to grind. Am I missing a part of your question? Thank you.

MR. VANDER SCHAAF: I think I can say for the coalition, none of the coalition members -- well, we're not aware of any wheel-hub assembly manufacturers in China seeking or trying to be certified or really having the capability.

In addition to the qualification requirements that are sort of on a quality basis, there's usually a capacity element as well, and I don't think any of the wheel-hub assembly manufacturers can produce the volume that an OE manufacture would demand that producer to guarantee that quantity.

COMMISSIONER PINKERT: Thank you very much.

Mr. Peng, did you have a quick additional comment?

MS. PENG: Hi. Mr. Peng replies that it's actually the same as Ms. Nancy had described. Their production, like, first of all, they have not attempted to enter the OEM market, and second of all, even if they successfully entered the market, we would

not have the capability of supplying such mass amount of supplies.

MR. VANDER SCHAAF: I should also add that there was talk this morning in the panel about the, I think they called them the multi-nationals in China, NKK, NTN, SKF, and so forth. We're not aware of any of them producing the wheel-hub assemblies with tapered roller bearings inside.

We're not aware of any production by those multinationals in China of the subject wheel-hub assemblies.

COMMISSIONER PINKERT: Thank you. Thank you, Madam Chairman.

CHAIRMAN ARANOFF: Commissioner Johanson.

COMMISSIONER JOHANSON: Yes. Thank you, Madam Chairman.

I would also like to thank all of you for appearing here today, in particular, those of you who had to travel a long distance to be here.

I'm interested in hearing your responses to the domestic industry interested party's argument at footnote 223 on page 70 of their prehearing brief that wind turbine and railroad type of roller bearings have exclusive dedicated uses similar to wheel-hub assemblies for automotive applications. Thank you.

MR. VANDER SCHAAF: I'll get to that page, but I think that in every situation, and this is probably no exception, there are going to be exceptions. I don't know if anybody else on the panel can -- they don't have it in front of them, but this looks an awful lot like a bearing they had at the back of the room over there, this photograph.

And I don't know what applications they're talking about in this area, but I would imagine it's not unusual for a product that's designed for an automobile to fit something else. So I guess I wouldn't be surprised if there's one or two exceptions to every product whether it's a bearing or something else.

Well, for railway TRB's, I would imagine these are monstrous devices. They're not the same -- I would imagine they're not anything like the wheel-hub assemblies that are used on automobiles. I think they're probably just some kind of railway assembly, and so it may be sort of a mix with the use of terms.

But I would be surprised to see those types and the types they pointed to this morning that they had on the table used in a railway application. I don't think we're talking about the right size of product and so forth.

I think they referred to the railway category, but it was about a foot high and a foot and-a-half wide back there on the table. I think they might have referred to that possibly as a TRB or maybe they were referring to that as wheel-hub. If it was, then we're talking about apples and oranges.

COMMISSIONER JOHANSON: Maybe I'm incorrect here, but I think they were referring to the exclusive dedicated uses for those products which I think would be similar to those for wheel-hub assemblies.

MS. XIE: Actually, in our -- in any of Chinese wheel-hub assembly factory, we don't have any equipment or are able to produce or make this kind of a size of wheel-hub taper roller bearings at all. None of our equipments are able to make this size.

MR. VANDER SCHAAF: Okay. And I understand. I looked a little closer at their footnote, and I think what they're saying is that their bearings used for wind turbines and railway applications are not necessarily dedicated exclusively to that use, or maybe they are.

The question is why wouldn't you consider them a separate like product then as well. And, you know, I think there are lots of factors that you have to apply and we're not in that application, railway

and wind turbine. I guess I'd have to know more about that industry, whether or not producers and consumers consider the product to be a different like product. I'd look at price. I'd look at channels of distribution, and so forth.

You know, we're in the -- our coalition is in the automotive sector, and they consider their wheel-hub assemblies to be an automotive part and I just -- I guess I can't speak to wind, turbine, and railway industries.

COMMISSIONER JOHANSON: All right. Thank you for your answers.

The domestic industry interested parties argue that the Commission has previously found the wheel-hub units are not a separate like product. What weight do you suggest that we give those prior findings?

MR. VANDER SCHAAF: That's probably a legal question, and I've taken a look at the past pronouncements. We have a couple of points that we would make.

One is that there have been changes in the wheel-hub assembly product. You know, the Gen 3 didn't exist at that time. ABS functionality is an important aspect of it, and quite frankly it never

came to a head.

There wasn't a party that argued it. Back in 87, they weren't manufacturing it in China. They weren't shipping it to the United States. It just never came up as a question.

In the second -- or the first and second sunset reviews, you know, I don't really think the Chinese producers participated. Certainly the wheel-hub assembly people didn't participate, and I think it's one of those things that just never got asked and it never came to a head.

So now for the first time, especially because commerce has made clear that these are intended to be covered by the scope, it's raised a bit of a panic situation, really, in the market.

So we think it behooves the Commission to take a look at this to see whether or not this product actually is the same like product as the other tapered roller bearings since commerce has definitively decided that it's covered by the scope.

So probably it never came up because nobody asked and nobody focused in on it. That's our view.

COMMISSIONER JOHANSON: Thank you. Many domestic industry performance indicators are still below where they were at the start of the period.

Does this provide evidence that the domestic industry is in a vulnerable condition?

MR. VANDER SCHAAF: Lyle Vander Schaaf again. We don't think that U.S. producers are in a vulnerable situation. Depending on, you know, who you believe in the press about the presidential election, whether we're coming out of recession or still in a recession, or whether we're creeping out of it or coming out of it slowly, the fact of the matter is a number of companies in the United States still feel that they're in the heart of a recession.

But when you look at the reported data for the U.S. producers, I think that their information is astonishing. They're very successful. Their pricing evidence doesn't suggest vulnerability, and we think that their operating performance suggests a very healthy company.

And whether the U.S. economy is going out of a recession slowly or going out of a recession quickly, it's only going to get better. And we think that the demand for automobiles and the demand for applications for tapered roller bearings, if you want to talk about the product as a whole, are going to increase. So we think the situation for the domestic industry will improve, and we think it's already at a

very healthy position.

SENATOR BROWN: One of the things that's happened in the automotive aftermarket parts business in the last four years is miles driven has dropped every year since 2007, and we as an industry are dealing with less miles driven by the consumer and there's a number of reasons for that, the economy, unemployment, and of course, cost of gasoline.

We see possibly now -- we're waiting to see. Last month was the first month to increase miles driven in many, many months and we're hoping that trend continues.

But the industry overall is dealing with a slowdown in replacement rates. It has nothing to do with offshore manufacturers, or on-shore manufacturers, or efficiency, or anything else. It's just general demand in the given aftermarket.

COMMISSIONER JOHANSON: Thank you. What reasons would you give for underselling by subject wheel-hub assemblies throughout the period of review?

MR. VANDER SCHAAF: I think that to put it in their terms, why is the price of the imports from China lower than the price of the domestic producers product?

MS. XIE: If we talk about a wheel-hub

assemblies, as I just stated before, first, all the raw material is completely different because we're using 1055 raw material as steel and companies like Timken, they're using 1065. So of course, raw materials diff -- different raw material, of course, cost a different price, right, in selling price. That's first thing.

And the second thing, of course, we would say everyone's noticed in China, you know, at certain points we would say the overall cost there is cheaper, you know, in comparing way that we produce in Timken. That's we all know, like, Timken has six or seven different factories in China as well, right.

So I think raw material is the key issues cause the price difference when we compare a product made -- a wheel-hub assembly made in China and versus made in U.S.A. because of the raw material difference.

COMMISSIONER JOHANSON: Yes. Mr. Chang, did you care to say something?

MR. CHANG: Yes, also if you do -- the process making the wheel-hub assembly is different in China than in United States because in China because of Nancy previous stated that the raw material is different, so the heat treatment process is also different. Chinese manufacture tend to using less

process, less quantity process to make it.

Also, I think the Chinese manufacturer, the owner of those factories, may tend to receive less profit margin compared with Timken's.

MR. VANDER SCHAAF: And from an economic standpoint, you know, as we go through these proceedings, we learn that if the U.S. producers consistently maintain their price or increase their price, and you've got consistent underselling by imports, it suggests the products aren't competing because, like I said, the order's been in place for 25 years.

If you're taking a look at the tapered roller bearings, at some point someone has to recognize, okay, for tapered roller bearings 25 years consistent underselling, doesn't that suggest they're not competing?

Don't competitors have to reduce their price if their competitors reduce their price? They haven't had to, and it suggests that there are different tiers.

And we think that especially with respect to the wheel-hub assemblies, the imports from China compete with other imports. They don't compete with Timken.

Timken, first of all, is in OEM. They're not in OEM. And they're at the high end, whether it's the steel or the manufacturing processes or whatever, Timken's recognized as having probably the highest quality tapered roller bearing in the world and everybody else is second. That's the first thing.

And then you go from the third, to the fourth, to the fifth, to the sixth quality supplier, and people like that are just not going to be able to compete with Timken no matter what their price. They can't supply the product Timken supplies, and so they compete in a different segment for a lower quality product.

COMMISSIONER JOHANSON: All right. Thank you for your responses. My time had expired. If any of you have further comments on this question, perhaps you could put those in the posthearing brief. Thank you.

CHAIRMAN ARANOFF: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Madam Chairman. I too want to express my appreciation to the witnesses for coming today and participating in this hearing.

So Commissioner Pinkert addressed the question of Chinese producers serve or did so wheel-

hub assemblies in the OEM market, and you mentioned that that was not the case.

I wasn't sure. Did you say that multinational corporations that may be producing wheel-hub assemblies in China are not seeking certification either, or do you know or not know?

MS. DAY: I don't believe they are. Now, again, my testimony was based strictly on tapered roller bearings, but based on knowledge that I have from previous employers, as best I know those products manufactured in China, they are not seeking approval with OEM's.

COMMISSIONER WILLIAMSON: Is there any reason why they might not at some point in the near future seek it? I'm thinking particularly since manufacturers are talking about trying to, you know, global automobiles, global bases, and global supply chains, so I'm just curious why they would not do that.

MS. DAY: I think part of that goes to what Nancy said a little bit earlier. The manufacturing process is different. Some of the componentry in terms of steel, et cetera, are different.

And candidly, the time that it takes to get these products qualified particularly when you're

talking about dealing with brakes for the ABS systems because they are considered to be safety systems is so long that it becomes very costly and often times for the OEM it becomes too costly to even justify the change in manufacturers.

COMMISSIONER WILLIAMSON: Okay. Yes. Ms. Xie.

MS. XIE: To my knowledge, I don't think any manufacturers, even like the global famous one like SKF, NTN, NSK, Koyo, if they have factories in China, I don't think they are making wheel-hub assemblies with taper inside. Thank you.

COMMISSIONER WILLIAMSON: Okay. What other kind of certification clearance are there for sale of wheel-hub assemblies to the aftermarket in the U.S.?

MS. XIE: Yeah, from my mind, I don't think there's any requirements. Basically, it's each different customers, they will have their spec -- they are, let's see, their requirements are if their factory is RTS-16949 certified factory and/or some of the factory will -- some of the customers will ask for a test report issued by the factory. That's all I know. But I think from the OEM side, and maybe Timken should know much better than I know because we don't sell to any of OEM, or OES.

COMMISSIONER WILLIAMSON: No. I'm thinking about just in the aftermarket.

MS. XIE: Yeah. I don't think there's any specific requirements to my knowledge.

MR. CHANG: Yeah. I'm not aware about that either. I don't believe in the aftermarket -- as far as my awareness, I don't see my customer looking for that. I'm not aware of that, this kind of certificate in aftermarket of wheel-hub assembly. I'm not aware of that.

COMMISSIONER WILLIAMSON: Okay.

MR. VANDER SCHAAF: If there are aftermarket requirements, I don't think that the suppliers from China are selling to any of the aftermarket customers that have certification requirements if there are any.

COMMISSIONER WILLIAMSON: Okay. You talked about how important the safety is, you know, for the ABS systems and things like that, so I'm just --

MS. DAY: Often times what you'll find with the OEM's is they will make multiple offerings. So on tapered roller bearings specifically, you'll have an OE offering.

So for example, Timken would be offered as a replacement part which would hand the customer, so you as your replacement part would offer them a specific

warranty period which is oftentimes very close to what you got with your original equipment purchase.

You'll then have what is often called a price-point bearing, and your customer is told at that point this bearing is not certified. It comes with very little warranty.

Oftentimes and just as an example, you'll get 100,000 mile warranty with an OE bearing. You'll get a 20,000 mile warranty with a non-OE bearing. So the customer is made aware up front what they're purchasing which also in some cases helps the customer determine whether or not they want to pay for -- and I'll pick on Timken because they're here -- a Timken bearing versus a Chinese manufacture bearing. So they're aware of what they're getting at the time.

But from a qualification perspective, the Timken bearing, obviously, has already been qualified because it was put in the original equipment. The price-point bearing, there isn't necessarily any type of qualification required aside from the fact that it fits in the envelope.

MR. BEARDEN: But to add to that --

COMMISSIONER WILLIAMSON: Okay, yes, Mr. Bearden?

MR. BEARDEN: -- the aftermarket is

relatively savvy as well. You'll have retail chains. You'll have expediters that have their own offices in China and in the Far East now, and in those offices, they employ engineers.

Those engineers go in and audit the factories and understand that they have in-process controls. They understand that they have proper design capability, and they understand that, okay, it fits the envelope but what is the performance of that.

And many of the product lines across the spectrum are tested by -- there are independent companies that will do testing for you, so you can take a product and say, all right, test this and see if it does meet the standard that the company says that it does.

And certainly, if a product gets into the aftermarket that's a substandard product, the aftermarket will weed that out fairly quickly because you'll have high warranties and returns, and before you know it, your customers are going to say, look, this is not performing and you either need to resolve it and take these products back or I'm going to change suppliers.

So it's not to say that the independent aftermarket does not have quality standards that we

strive to attain.

COMMISSIONER WILLIAMSON: Okay, but at this point they seem to be almost like somewhat informal system as opposed to anything, as opposed to the association or any kind of industry standard.

MR. BEARDEN: It is. I mean, most of the independent aftermarket has an understanding of what the OE quality is, and some of the aftermarket products actually exceed OE quality. Certainly in bearings they do not. Timken is the standard to be met. There's no question about that.

But in other product lines, there are certain aftermarket products that exceed OE just because of the nature of how the product is made. It is informal, but it's quite effective and the market will weed out defective products very quickly, particularly safety-related product.

COMMISSIONER WILLIAMSON: Okay. Thank you. So, what are your expectations about global demand growth over the next few years and do you agree with the Fredonia projection cited in the prehearing report that global demand for all bearings is likely to grow by 8.5 percent through 2014?

MR. BEARDEN: I can address that.

COMMISSIONER WILLIAMSON: Mr. Bearden?

MR. BEARDEN: Yes, I can. That's certainly reasonable. Obviously, the global demand, the biggest surge, will probably be the Far East. The fastest growing OEM market in the world today is China, and I believe they're going to surpass -- total car sales in China will surpass the United States in a few short years. I used to know the exact year, but I can't remember it. But it's something like 2015 or 14, that soon.

So that market is going to spur an aftermarket very, very quickly. Some of the companies that I represent, much of their focus now for the aftermarket growth is reverting to the Far East.

Europe, because of their economic situation, the United States, we have a flat aftermarket today. But we certainly feel as the economy recovers and miles driven recovers, that aftermarket is going to recover as well.

And we believe that the replacement rates will come back in the United States, and as Europe recovers, they will come back there as well.

COMMISSIONER WILLIAMSON: Okay. And any differences between, say, the rate of growth for wheel-hub assemblies and just the bearings?

MR. BEARDEN: I don't have an answer for

that actually.

MR. VANDER SCHAAF: I don't know that we have much information on tapered roller bearing demand and growth, but in terms of wheel-hub assembly growth, we're seeing that, you know, the demand is going to continue to increase for the vehicles that use wheel-hub assemblies with TRB's inside, and so we would expect the demand to continue to grow for those.

In many cases, you know, the demand can't go down because these are vehicles that have to be used, pickup trucks and so forth, and the heavier duty vehicles, and so there's not really a substitute for those so we expect the demand for that to continue to rise.

COMMISSIONER WILLIAMSON: Okay. Thank you. Thank you for those answers.

CHAIRMAN ARANOFF: I want to clarify the like product argument that's being raised a bit.

Madam Secretary, can we change the time, please? Thanks.

I just want to understand correctly, as I understand the like product argument that you're making it refers specifically to what's being called the Gen 3 wheel-hub assemblies being a separate like product or does your argument extend to what are being

called the sort of Gen 1 and Gen 2 products as well?

MR. VANDER SCHAAF: It would extend to Gen 1 and Gen 2. I had a handout that I was hoping to get to in our prepared remarks, but we were cut off because of timing.

But I went to the website before the hearing to look at some of the Timken sales products, and I think that this probably provides the best visual aid of what we're getting at.

There's a front-wheel bearing on this handout that shows manufacture E series. It's not the Timken's part catalogue which has the orange stripe. It's the other handout, and it shows what you can do with a parts catalogue for suppliers of Timken products.

And the first product on this list is a front wheel bearing. It's for a 92 Ford Taurus, and there's a front-wheel bearing that's called a wheel-bearing set, and if you turn the page, that's the bearing on that page.

It's got two pictures of the same bearing. We agree that's a tapered roller bearing. Now, in some cases, I think maybe Timken calls that a hub, but we call that a tapered roller bearing.

Now, if you turn the page -- if you go one

item down on this order catalogue, it's an item for $77.32. It's a front-hub assembly, and it says, box includes studded spindle, bearing, snap ring, nut, and includes wheel bearing. And if you turn the page, you'll see, the third page, that provides you with the assembly.

It's for lack of a better term, if the bearing is included with a kit, we would include it as an assembly. But as you know, the Gen 2's and the Gen 3's are already assembled with that together, and if the confusion exists with Gen 1 to create the clear line that the Commission needs to break on the like products, we would say it's the assembly.

And if you look at what it's called, it says front-end assembly and it draws a distinction between the wheel bearing which I think Timken refers to as a hub and the assembly.

So we're actually arguing for a like product that would include wheel-hub assemblies. We think most of them are going to be Gen 3 and probably Gen 2, but there are, I imagine, still some Gen 1's being sold. But to create that clear line, we would include only Gen 1 wheel-hub assemblies.

And we know that there are many products -- they had a slide of products that still use tapered

roller bearings. Well, we wouldn't include those. We agree, those are tapered roller bearings. They're not assemblies. That would include the spliced flange and so forth that are incorporated into the assembly.

CHAIRMAN ARANOFF: Ms. Xie.

MS. XIE: I can add a little bit about this third generation. Basically, in wheel-hub assembly, if we talk about a TRB used inside of a wheel-hub assembly, it would only happen in Generation 2 and-a-half and Generation 3 because all of the -- otherwise, this would -- about 20 percent of wheel-hub assemblies, they are used to rollers, taper rollers, inside as a rolling element, right.

Other than that, like 80 percent they used ball bearings as a rolling element. So we talk about Generation 2.5 and Generation 3, they are using the taper rollers inside.

When we talk about, like, first generation, it's very obvious either they are bearing or even they are wheel hub assembly, they could be a ball bearing comes with the kit.

CHAIRMAN ARANOFF: Okay. So as I understand it, the place where you're drawing the clear dividing line is between, say, a housed bearing and a house bearing with other parts?

MR. VANDER SCHAAF: Yes. I guess -- I know that Timken likes to say it's a house bearing, but if it's just -- if we're going to cover tapered roller bearings with housings, then we've got to cover pillow blocks because a pillow block is a tapered roller bearing with a housing, if you put it simply.

And if we're going to cover tapered roller bearings with a housing, a rotor on that front table is a tapered roller bearing with a housing. That drum around it serves as the outer raise.

The rotor, same thing. There's a tapered roller bearing, and the outer raise is going to be that rotor. So we get into situations that are complicated with Timken's approach, and we thing that the wheel-hub assembly which is used for automobiles is a recognized term, and it's clearly definable, and it's got the features that we've identified.

Some have ABS, some don't, but they're more than just a TRB, and we don't think it's just with the housing. We think that that housing has functionality, and so we do distinguish wheel-hub assemblies from other TRB's that have housings.

CHAIRMAN ARANOFF: Okay.

MR. BEARDEN: And importantly, the wheel-hub assembly holds the wheel on the car, so it has a lot

more purposes than this the function of the bearing. You need the hub to keep the wheel on a car to go forward. So it's got multi purposes that the bearing doesn't have.

MS. XIE: Can I?

CHAIRMAN ARANOFF: Okay. I guess I'll sort of stop with a be careful what you wish for when you start pointing to these other parts.

Ms. Xie.

MS. XIE: I want to say about when we talk about the housing of the wheel-hub assembly, like, we talk about this as a top phalange, okay? In Timken, they call it something as a, like, housing.

When we say top phalange, it actually has like critical loading function which I don't know if Timken's housing hold the same function. The reason is when we drive a vehicle, when we're using a wheel-hub assembly installed in a vehicle, we see -- many of time, we don't only drive straight ahead, all right? We turn left and we turn right, right?

When we use a wheel-hub assembly, there is a lot of, we call it, it's like a loading force. When you turn left, of course, certain points of loading force of the whole vehicle is going to one point of the wheel-hub assembly, and when you turn right, it

goes to another point, right?

So when we start to design the wheel hub, we start using definite element analysis so we needed to do, like, now we talk about the case hardening. We need to specifically put different hardened depth in that we call the top phalange which is make sure it's able to hold a whole vehicle weight when you turn left or turn right.

So that is a big difference with a tapered roller bearings or when you talk about with housing only. It's not just a cover. It's a weight technical inside. Thank you.

CHAIRMAN ARANOFF: Okay. Thanks.

Let me turn to a related issue. I believe I understood the domestic industry panel this morning. One of the witnesses testified that the value of the TRB, the value added with the TRB to the completed wheel-housing assembly was about I thought they said 60 percent.

And the testimony that I heard from this panel was six to -- well, five to seven percent. I will certainly ask Timken to comment on that posthearing, and maybe I misunderstood, but can any of you explain to me if the bearing is this very sophisticated engineered product that they have

described that's a solution to a particular problem, and then you add some other parts to it, you know, phalanges, bolts, some sensors, how is the bearing which is this highly-engineered part that's the solution only given six percent of the value of the finished product?

MS. XIE: Okay, let me answer this question. I would -- the bearing inside, we actually only buy this roller, okay. Other than the roller, like the phalange, top phalange or bottom phalange, and everything else we made in-house in our factory.

Okay, so the roller actually, when you talk about about a real generation three using taper roller as a rolling element, and to use the phalange of the bottom -- the neck of the bottom phalange as the out race, so it basically mounts our roller on top of it.

So all those out race actually need a very high precise grinding. So those tech knowledge, and it's not in the -- we don't talk it as the, like, a wheel-hub assembly -- a wheel-hub bear -- taper roller bearings because those taper rollers are not made by us and are not provided by those -- the taper roller bearing factories only provide us those rollers, right?

All of the engineering side, the precise

production and the produce -- it's everything happening in our factory. So what we do is, like, the case hardening, right, it's made inside a factory and the specific attempt on a -- the hardness with a stud.

And also, we talk about an ABS sensor which also cost significant inside of the product. And overall is, a wheel-hub assembly, we need to pass at least 10 to 12 different procedures of tests, completed tests, before it is able to called a finish product to be able to ship to the customer.

And in China factories, if they are making a regular tapered roller bearings, my understanding they don't attach what we have attach, a wheel-hub assembly. They -- most of procedures they do is they just check dimensionally, measure the dimension based on drawings, if they are correct, if they match the drawings, then they pass, they start able to ship out.

But in a wheel-hub assembly, it's not because we need to test, so you know, like a source three test. We need to test run-out attach. We need to test the ABS sensors, and we need to have a test. We have lots and lots different kinds of -- 12 different kinds of tests. That's called a well added service inside of a wheel-hub assembly.

CHAIRMAN ARANOFF: So just so I understand

it, are you saying that you actually perform further testing on the TRB's that you buy, or are you saying you actually perform additional machining and engineering on them?

MS. XIE: The TRB, we actually bought this roller only, the piece of thing -- you see the little thing?

CHAIRMAN ARANOFF: Right. The --

MS. XIE: Roller, yeah. That's the only thing we bought, and everything else we are providing the testing so it's not test the roller, okay, because we still, like, we tested the ABS sensor. We tested the whole bearings.

To make it easy as we would say, if a bearing fail -- if a bearing is still running very well in the wheel-hub assembly but if both failed, the hub failed, okay. If an ABS sensor failed, even though the bearing is still running very well, the hub fail.

CHAIRMAN ARANOFF: Okay. Thank you. My time is up, so I'll have to come back to this. But let me turn to Commissioner Pinkert.

MR. VANDER SCHAAF: We don't really understand. I think there's just a difference of thought on this and maybe there was a

miscommunication, but we do stand behind our conclusion that the bearing inside our wheel-hub assembly is about five to seven percent of -- that was across the board from our coalition. I asked them that, and that's what they all sort of said.

CHAIRMAN ARANOFF: Okay.

Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Madam Chairman. I just have a few follow-up questions.

You talked about how the domestic industry is very strong on the high end of the tapered roller bearing market. Is China or are Chinese producers making a move toward that higher value added end of the market?

MS. DAY: I think what we have to remember with the Chinese is they tend to be followers. Timken -- and several of us have said it without question from an engineering perspective -- is the leader in the market, no doubt.

Timken tends to lead the charge when it comes to new technologies and technologies in terms of tribology, in terms of different finishes, different heat-treat processes, et cetera.

The Chinese tend to copy which is okay, except we have to remember that the validation process

that's associated with these bearings. So Timken tends to come into an OEM, they'll work with engineering to develop a bearing that works with a specific application. It takes several years to launch these applications.

Once we have the opportunity as a buyer, if we decide to go out to market test, we spend, we'll call it, a year looking for a supplier. We then spend somewhere between two to four years validating.

Most of the -- most, not all, but most of the new vehicle programs that we work through are seven-year programs. So from a resourcing perspective, there's really not a whole lot of savings that would be associated with going to a Chinese manufacture. Again, they tend to be followers not necessarily leaders from an engineering perspective.

So we have P900 bearings which are what I would term a class 7 bearing with Timken which is what they tend to present in Dana's case, so their extended life, they tend to have special profiles, special sizing, et cetera.

They're not readily available. I can't go to a Chinese manufacture and tell them that I want this bearing, and it's not an off-the-shelf bearing for them.

If it was an off-the-shelf bearing, it would be more of what we would term to be a class 4 bearing which is actually two, sometimes three steps below a Timken bearing. So it simply doesn't work.

MS. XIE: I would agree with Heidi because basically in China we call -- not from market. We do reverse engineering. That is, we buy a sample, we base -- we design based samples. That's a reverse.

And you know, we don't get -- we are not able to design a product that's based on customer requirements. Then we start to design, make a drawing, no. That's the big difference. They are still -- in Chinese and generally for bearings for wheel hubs, well, they're still at like a reverse engineering stage. Thank you.

COMMISSIONER PINKERT: Mr. Chang?

MR. CHANG: Yeah, please. If a new car, like say, 2012, there's a new car coming to the market and Timken is the first one create this for them and so forth, to design this hub, and so they probably will take three years and even further for the follower to know that this is a new product coming to the market. In our case, we're probably going to take six years to get that sample.

COMMISSIONER PINKERT: Thank you.

Now, you've heard the argument about the major roller bearing purchasers having made investments in China and that arguably makes them more likely to purchase from China because they would get greater knowledge of the products that are being manufactured in China. How do you respond to that argument?

MS. DAY: I think that I would tell you the majority of the manufacturers that are, in fact, investing in China are also continuing to invest in other regions, and I'll use Koyo as a perfect example.

Koyo is a Japanese company or JTEC as we've referred to them in the arguments. They are investing not only -- continuing to invest in Japan. They're investing in China, but they're also investing here in the U.S., in Tennessee specifically.

They're also looking to build another facility in the U.S. So these companies tend to put manufacturing facilities where they can work with domestic markets because it's different.

When you look at a Chinese manufacturer, their warranties are different. Their requirements are different. Again, we've talked about the different classes of bearings.

It's a lot less expensive to manufacture a

class four bearing than it is to manufacture a class two bearing which would be a typical differential or pinion application in some cases.

So it's different. They are not -- don't get me wrong. I'm sure in some cases there will be capacity available in China where they will utilize those facilities, no doubt.

Do I think that they're putting facilities in China to specifically ship into the States if this were to be revoked? Absolutely not because at the end of the day, it harms their own abilities here in the States. They all have manufacturing here in the States, so they would be competing against themselves.

MR. BEARDEN: And to add to that, you know, China is the fastest growing, as we said earlier, the fastest growing new car market in the world, and the Chinese like any other market, Brazil, Australia want the car manufacturers to have as much local content as they can.

So many of these OE manufacturers are putting factories in China to supply the OE car manufacturers in China and bolster the local content. So that adds to some of the reasons they're putting factories in China as well, or Brazil, or Europe, or Australia.

COMMISSIONER PINKERT: Well, as they begin to add to the OE content in China, does that pose a threat in the United States to Timken in terms of being able to supply OE content?

MS. DAY: No, and I want to make sure I understand your question. By putting a -- again, I'll use Koyo because I just used that example. Koyo putting a facility in China, that Chinese Koyo facility would be utilized for the Chinese market because, again, the Chinese like the Argentinians are requiring a specific percentage of local content.

So the answer would be no. So that capacity would be utilized for regional manufacturing, so it would be sold within the Chinese market.

COMMISSIONER PINKERT: Well, my question goes more to the issue of a learning curve. If you can supply OE content to Chinese manufacturers, then does that make it more likely that you would be able to jump over that hurdle and be able to supply OE content in the United States to manufacturers here?

MS. DAY: The standards themselves are different, right, so Chinese manufacturing, again, the warranties are different, et cetera, within the Chinese market.

Now, it goes to stand that Koyo is a

Japanese company. From an engineering perspective, sure, they're going to have the engineering capabilities regardless of where they manufacture. So I think that answers your question?

COMMISSIONER PINKERT: Thank you.

Ms. Xie.

MS. XIE: I can add something about the Chinese standard. Let's see. Like a vehicle, a brand new vehicle, let's say a brand name like a Mercedes or BMW. When we buy any BMW or Mercedes here and we can get, brand new vehicle, we get 36 to 39 months warranty, right?

But if you buy BMW or Mercedes in China, they only get a one-year and two-years respectfully warranty only. So that, because of those cars are made in China, so they -- we would say their national standard of the vehicle components probably should be lower than ours, that's why they never able to provide anything like with our, what do we have, even though with those brand name, Mercedes, you know, BMW, Audi. Nobody provide, like, more than two years. Most of them average is one year. That's it. Thank you.

COMMISSIONER PINKERT: Thank you.

MS. DAY: I think I'd like to clarify too that we're talking specifically about companies

building facilities within the Chinese market not necessarily Chinese manufacturers. So as we're having this discussion and we talk specifically about Chinese manufacturing, the Chinese themselves I would say too don't have the engineering expertise to break into the markets.

And I can also say that from a Dana perspective regardless of where Schaeffler or Koyo, et cetera, put bearing facilities. It doesn't necessarily mean that Dana is going to start to buy from those locations.

Again, there are other factors that have to be taken into consideration, time for me to get bearings. Ultimately at the end of the day, if I buy a Chinese bearing to bring it into Fredericktown, Ohio, I have to warehouse more.

I have to have multiple levels or certified stock, for lack of better words, in case there's an issue, if there's a quality spill somewhere, because I have to make sure my plant continues to run.

So there are so many other factors that we can't just look at -- from a buying perspective, I can't just look at piece price. There's other things that we have to consider when making sourcing decisions.

And oftentimes irregardless of what the price itself is, those decisions force us to use a domestic manufacturer when we're talking about supply coming out of Europe or any other region for that matter, even Canada in some instances.

COMMISSIONER PINKERT: Thank you very much. I have no further questions for the panel. I really appreciate the testimony and look forward to the additional information in the posthearing submission.

CHAIRMAN ARANOFF: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Madam Chairman.

The domestic interested parties have stated that when the orders were lifted from other countries and other Chinese producers that imports from those sources rose sharply, and they contend that the same would happen if the order were lifted on the remaining Chinese producers.

I would like to hear your responses as to this and as to whether we can distinguish those facts from the situation here. Thank you.

MR. VANDER SCHAAF: That's probably directed toward me, unless other people on the panel want to chime in. I would encourage them to do so.

I'll probably have to look at the data and look at their arguments and respond more fully in the posthearing brief, but you know, our position is especially with respect to the wheel-hub assembly, folks, we're here to talk about the Chinese wheel-hub assembly manufacturers and their product, and I think that they mentioned competition with the Japanese more than they mentioned competition with Chinese suppliers this morning.

And with all due respect, I don't know that an indication of what happened with respect to Japan is a good proxy for what would happen with respect to China.

If you look at some of the orders prior to that with respect to tapered roller bearings, Hungary was covered by the order. Yugoslavia was covered by the order. What happened after those orders were revoked? You know, why aren't those the proxies we look at? Why did they pick Japan?

You've got other orders that have been revoked in this sector, and so I know that they like to keep focusing on the Japanese, but I guess, you know, the only merit I would apply to their argument is with respect to the Japanese transplants in China, but none of those transplants or multinationals in

China make wheel-hub assemblies, you know, subject wheel-hub assemblies, with tapered roller bearings.

So, we don't think there's an issue with respect to wheel-hub assemblies, and with respect to tapered roller bearings, I think that, you know, the situation for China is much different. They have a humongous market, home market, for their products.

They are in a different tier. The majority of the manufacturers in China are in a different tier. They're not in that tier with Koyo and NTN, and so forth. So I do think there's a different situation with China, and you know, I don't think that the situation with Japan gives it predictive ability.

I also just received a note that Steve Bearden has to leave shortly to catch a flight, so I just wanted to make that notice in case there are questions directed toward him.

COMMISSIONER JOHANSON: All right. Thank you.

Could you all please comment on the Petitioner's claim at page 65 of their prehearing brief that the primary function of wheel-hub bearings is the reduction of friction and that other features are incidental?

MR. CHANG: Besides the reduced friction,

the wheel hub assemble we believe have another feature that is transmitting the power. See, the energy coming from the engine we need to go through the axle, and the axle need to deliver this force to the wheel in order for the wheel to move. The wheel hub assembly is acting as an agent that one side is supporting the CV joint and mounted to the CV joint, mounted to the suspension system.

On the other side it has to have a bolt that you can see from the, I'll demonstrate on the table. The bolt is connecting, attaching the wheel. We have a bolt outside to mount them. So the power coming from the engine eventually needs to bypass the, needs to borrow the wheel hub assembly and deliver this power to the wheel in order for the wheel to move. That's one main feature.

Another feature is when the vehicle making turn, the wheel hub assembly needs to deliver, first of all we call this deliver power from axle to the wheel, we call this horsepower. We deliver this horsepower which is same as in tapered roller bearing.

We also have another feature that we deliver the torque, when you make a turn the power needs to be transferred and deliver as well.

Another feature is ABS. With that feature

the wheel could be stopped in street. Without it in icy situation when you stop the brake, the wheel can maybe, have a potential risk of running over. With the help of the ABS you can stop straightly.

Probably that's all.

COMMISSIONER JOHANSON: Yes, Ms. Xie?

MS. XIE: Thank you.

I would add answer about -- let me discuss something about torque specifications and seal functions in the wheel hub assembly.

Basically in the tapered roller bearings we don't see any seal, just like one row or double row tapered roller bearings, we don't see any seals, right? But in complete assembled wheel assembly we know seal plays a big function. That is why in SKF, SKF's wheel assembly they use patented seal because the seal is very critical. It's going to prevent contamination. And anything, if the seal is not good any sand, water is going to go into the wheel hub assembly and also going to block ABS sensors and the wheel hub is going to fail.

So we will say seal is a critical issue in the wheel hub assembly. No matter how good you are making the whole complete assembly of a wheel hub, if you are putting inferior seal, the whole wheel hub

assembly could fail immediately or with very short life cycle.

On the other side we know a simple one roll, double row tapered roller bearings, we don't think they have ever made a thing called pre-loaded in factory. In wheel hub assembly we see there is many non-driven wheel hub assembly. They are not able to connect with any CV axles. They are not the sample you see in front of us. Those are non-driven ABS, ABS or without ABS installed wheel hub assembly. Those are pre-loaded in the factory. We call it pre-loaded because when end user get that wheel hub assembly they want to install into their car. They don't need to like put any torque on that.

On the other hand, no matter how good a wheel hub assembly or how good a tapered roller bearings you are using, if people -- A non-pre-loaded wheel hub assembly when are installed or they try to install this wheel hub into a vehicle, if they're using the wrong torque they could kill the bearing immediately. Also they can kill the wheel hub assembly. So from my opinion, I would say wheel hub assembly holds much advanced technology and with much better life cycle durability compared with a tapered roller bearing.

Thank you.

COMMISSIONER JOHANSON: Thank you. I have time for one more question.

The domestic industry parties have stressed that multinational companies are setting up tapered roller bearing operations in China. How does the appearance increase globalization of this industry affect supply and demand and the possibility of a recurrence of injury to the domestic industry?

MS. DAY: As I mentioned before, most of the facilities that are being built in China are being put in there to serve the local market. They have facilities, so again, when you talk about the multinationals, they have facilities here in the U.S.. Certainly they're not going to import into the States to hurt their own business here. They would be injuring themselves.

MR. VANDER SCHAAF: I've said it before. We don't see them producing subject wheel hub assemblies from the wheel hub assembly standpoint. We don't think they're in there in China to produce wheel hub assemblies that are subject to the order.

COMMISSIONER JOHANSON: Thank you. That concludes my time. I would like to -- I'm sorry. Mr. Chang, did you have something to add?

MR. CHANG: I think I agree with our lawyer here because those companies, they don't currently, we are not aware of them that they are making the wheel hub assembly in cooperation with TRB. So I don't see that. I don't see the injury. They simply don't make it right now.

COMMISSIONER JOHANSON: Thank you for your testimony, and once again, that concludes my time and I would like to thank you all for appearing here today.

CHAIRMAN ARANOFF: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you, Madam Chairman.

In 2011 there was a notable increase in the subject wheel hub assembly imports. Can you explain why? Either now or posthearing.

MR. VANDER SCHAAF: We may have to hit that in the posthearing, but I think that was taken from import statistics and we're trying to drill into that. We've asked the Chinese to give us export statistics. We look at the foreign producer questionnaires on exports and we don't see the same numbers, so we are going to try to drill down into that. We tried to get into that before the prehearing brief and we weren't able to figure out why that was. But the import

statistics show what they show and we'll have to see if we can get more information and provide it to you in the posthearing brief. But we do question the accuracy of that volume. But in any event we will drill into that and try to respond in more detail in the posthearing brief.

COMMISSIONER WILLIAMSON: Because you argued that at C-2 HTS numbers used in the prehearing report overstate subject imports, so I was wondering if you could suggest a better source of data for wheel hub assemblies. That may be posthearing too.

There also has been a notable increase in wheel hub assembly imports from Chinese producers that are no longer subject to the order. What should I make of this?

MR. VANDER SCHAAF: I think their imports are tapered roller bearings. I'm not aware of the non-subject producers. I should confirm with our panel, but Wafangdian, GBC and Hailin, I don't believe they produce wheel hub assemblies with tapered roller bearings.

MS. XIE: They only make tapered roller bearings.

COMMISSIONER WILLIAMSON: Take a look at our Table C2, and --

MR. VANDER SCHAAF: I'm sorry. Those are probably from other countries, or --

COMMISSIONER WILLIAMSON: Just take a look at it and tell me what I should make of that.

MR. VANDER SCHAAF: Okay.

COMMISSIONER WILLIAMSON: If we're going to find a single like product, do you have any arguments for revocation or what would your arguments be?

MR. VANDER SCHAAF: We would argue, and we'll probably get into more detail on this in the posthearing brief as well, but we would argue that the domestic industry for wheel hub assemblies is doing quite well. It's not vulnerable. The quantity of imports, subject imports, is quite small. The capacity is quite small. We don't see capacity increasing noticeably in the future whether or not the order is revoked. The producers primarily focus on production of wheel hub assemblies with ball bearings as opposed to tapered roller bearings, and we see that condition continuing as they've testified.

We don't see the prices from the imports having an adverse effect on Timken. There has been under-selling. They recognize their product is sold for lower than Timken's, but Timken is in a different tier than they are. They don't sell in the OEM.

Timken is big in the OEM. They only sell in the after-market for replacement parts. They don't sell every part that Timken sells. They have a limited quantity of part numbers that they supply. So whether the order is revoked or stays in place they're not going to be able to meet all the demand in the after-market, they simply don't make many of the products in the after-market.

And wheel hub assemblies are a smaller part of Timken's operations as they testified. I think they purchase the flange components and make only the tapered roller bearings and obtain the other parts from third parties. So we do think there will be limited impact on Timken from imports from China if the order is revoked, if any impact at all.

So for a number of these reasons we think that revocation is not likely to lead to continuation or recurrence of material injury to the wheel hub assembly operations.

COMMISSIONER WILLIAMSON: The next question, I think you've really answered that, was what, if we were to find wheel hub assemblies were a separate like product, what are the arguments you would make for revocation? But I think you've already made those.

MR. VANDER SCHAAF: The first question was

if you don't. Oh, I misunderstood.

COMMISSIONER WILLIAMSON: So you've already answered my second question. Now you can answer my first one.

MR. VANDER SCHAAF: I do think there is evidence that there won't be a revocation of return of material injury for the TRBs single like product if there is one. The numbers don't lie. Timken is doing -- You can look at the operating results for the domestic industry. Those are pretty good results and this is for, as Steve said, an industry that's coming out of a recession.

I think that it bodes pretty well for them and the rest of the U.S. producers. If you look at the pricing information, I'm not going to go into a lot of details, but if you look at their pricing information it's pretty astonishing what they've been able to accomplish. If you look at their revenues, it's pretty incredible, remarkable, what the domestic industry as a whole has been able to do.

When you look at those numbers, usually in these sunset reviews for some reason magically every five years the domestic producers' operations tank or whatever, and we're seeing some pretty good operations by the U.S. producers. When you consider the fact

that the U.S. producers are in one tier and the imports are in another, I think that you're going to see, you could definitely make a case that revocation of the order is not going to cause or result in a return of material injury.

The industry's not vulnerable. We talked about pricing before. Consistent underselling, year after year. After 25 years you would think you know, maybe they don't compete. Maybe those subject imports don't compete with the domestic product in such a way that the underselling is going to cause significant price depression or suppression.

So when you look at that you certainly can make out that kind of a case for the tapered roller bearings industry as a whole.

I'm somewhat disappointed that we're sort of left holding the bag on the tapered roller bearing issue but the fact that the tapered roller bearing producers aren't lined up here to get back into this market suggests to me that they're not that interested in the U.S. market, so this may be a good case for the Commission to look at objectively and say we don't think it's likely that injury will recur after revocation.

COMMISSIONER WILLIAMSON: Either now or in

posthearing address the domestic industry's arguments about having to basically cede market share given the competition.

I had one other additional question. A number of you have mentioned that for lighter vehicles you can use regular bearings, round bearings as opposed to tapered bearings. But no one ever said what was a lighter vehicle. Are we talking about a sub-compact car? An off-the-road vehicle?

MS. DAY: Light vehicle tends to be a passenger car. So anything up to and including something like an F-150 truck would be considered light vehicle. It's an industry term. When you start getting into medium vehicles you start talking about small school buses, et cetera. A heavy vehicle would be considered a Class 8 truck or a semi-truck.

COMMISSIONER WILLIAMSON: So you're saying at the speed people drive these light vehicles that you don't need the tapered bearings for performance?

MS. DAY: In some cases, yes.

MR. CHANG: Correct.

We have a pickup truck. Chrysler, GM, they all have pickup truck. With pickup truck you need a TRB. Anything heavier, bigger than those pickup trucks, including those pickup trucks, they need a

TRB. Other than that, smaller car like sedan, any sedan, or even mini-van, we consider those as smaller car. They don't need TRB. We use ball bearings because they are light.

MS. XIE: I'd like to add that both Heidi and Steven are saying are very correct. And I'd like to add some sub-points.

Whether we need to use taper or ball inside of our wheel hub assembly as a rolling element, it's not like we really, it's about like which vehicles. It all depends on what the loading, how much heavy, the heavy weight of the vehicle is.

So when we decide to use ball bearing or using a tapered roller as a rolling element inside a wheel assembly, we basically, we calculate the loading. How much balls or how much tapers they are able to hold the weight of a vehicle.

So by seeing that point we say I can also apply the questions Mr. Johanson was asking me before. Say in front of you on the left side there are two bearings there. Both of the wheel hub assemblies, they are the same application, but one with tapers, one with ball. But they are working for the same applications, the pickup applications.

COMMISSIONER WILLIAMSON: Excuse me. Would

one be used in a heavier truck and the other in lighter?

MS. XIE: They are both, the two in front of you, they are actually using for the same application as long as when we make wheel hub assembly, either we install a ball or either we install taper, it doesn't matter. As long as the whole wheel hub assembly, they are able to hold enough weight for the whole vehicle weight. If the loading is able to, we are able to support the loading of the vehicle, no matter you are using a taper roller bearing or you are using a ball inside as a roller, it doesn't matter.

That is also, I mentioned in my statement early, I said in SKF's case they using their patent X track technology. They actually changed many of those Timken' original design to use tapered roller bearings, they change it to we call it X track technology. It's a big ball and small balls.

With that technology actually the loading force, even though they are using the ball bearings, but they are able to meet or exceed original Timken design using tapered roller bearings.

So by saying that, their design taper roller bearings, like we say we are not able to see them unless you cut them, right? So you see the same

application made by SKF. They could be ball inside just like in front of you.

In this morning's hearing I heard Timken saying they put, or when Commissioner, one of you guys asked how they're able to distinguish their products inside is tapers or balls. And they said they put some words outside of their package. But I actually go through all of their image of their wheel hub assembly. I don't see anything of these kind of words in their boxes where they say this would include ball inside, this would be tapers inside, no. But they do have a picture for their TRB bearing only. It has like tapered roller bearings on the outside of the box.

COMMISSIONER WILLIAMSON: My time is running gout, but I'd invite either Respondents, Petitioners, if this information or this trend about whether it has any bearing on say future demand or relevance to be taken into account, please let us know posthearing.

With that I want to thank all the witnesses for their testimony. Thank you.

MR. VANDER SCHAAF: I should clarify as well that the two samples up there are both the same part number. They are ball or taper. Both of them can use a ball or a taper. It's Part No. 515003, and that's

for a Ford Explorer and a Mercury Mountaineer, a 1995 to 2002. Those vehicles, that part, can use ball or taper and it uses it interchangeably.

Now most of the time you're designing a ball or a taper wheel hub assembly, but there are examples where you design in both or either, and that's one.

COMMISSIONER WILLIAMSON: I guess the question is how significant is this in terms of our consideration, relevant or not. Thank you.

CHAIRMAN ARANOFF: Just a few more questions.

This afternoon we've heard a lot of discussion both with respect to tapered roller bearings and also specifically with respect to wheel hub assemblies, references to suppliers in tiers or classes. To my recollection there's absolutely nothing in the staff report that discusses tiers or classes of producers for either the broader TRB product or the specific wheel hub assembly product.

So I wanted to ask both the Respondent parties that are here and also Timken to provide the Commission with any documentation that you might have that such tier exist and that their definitions and who's in them are well understood in the industry.

We've had this issue come up with other

auto-related products and in some cases parties have been able to demonstrate to us that there really is a clear industry understanding of what the tiers mean and who's in them, and in other cases not so much. It does matter for our assessment of competition in the market.

Ms. Day, maybe I could just ask you to comment on that.

MS. DAY: Sure. The classes, depending on whether or not you're talking about ball bearings, tapered roller bearings, there is an industry standard that is published and ABMA, which is the Bearing Association, recognizes it. So it's something that we can very easily get to you.

The only thing I would caution, I've referenced a Class 7. A Class 7 isn't referenced, but it would be the equivalent of what we would call a Timken P-900 bearing, so we can make note of that. And Timken I think would readily agree that a P-900 bearing would fall outside of a standard bearing class.

CHAIRMAN ARANOFF: So when you're referring to classes, are you referring to just different types of products like custom versus less custom? Or are you referring to particular producers' quality levels?

MS. DAY: It's actually quality level. It tends to reference the tolerance to which a bearing can be held.

So the tighter tolerance you have, the higher quality bearing that you will have. And it's actually very strange because a Class 7 bearing we consider to be the highest quality. A Class 2 bearing would be, I'll call it a standard pinion application. A Class 4 would be something that would be closer to a wheel end or one of the trailer applications that we had talked about earlier.

CHAIRMAN ARANOFF: So the same manufacturer is going to make products that are going to fall into multiple classes.

MS. DAY: Typically, yes. If we talk about a General Bearing, for example, General Bearing is one of the leading producers in terms of trailer bearings and it's a market that Timken today does not compete in for the most part. They typically make what would be termed a Class 4 bearing because they don't have the equipment that would allow them to manufacture tight enough tolerances. Timken does not manufacture what we would term to be a Class 4 bearing. Their quality is much higher than that.

So from an industry perspective as a buyer

of bearings in an OEM environment, I could look Typically at the name of a bearing company, a well-known bearing company and tell you what their manufacturing capabilities would be.

CHAIRMAN ARANOFF: Thank you. That's helpful.

Now when some of the other witnesses who are talking specifically about wheel hub assemblies are referring ,rather than to classes, they're referring to tiers. My understanding is that they're referring to specific suppliers and their ability to supply certain qualities or how the market accepts them.

Is that a correct understanding? That's what I'm more familiar with with some of the other auto parts that we've looked at.

MR. CHANG: I'll say in auto parts in the auto parts industry there is OE market that the parts are delivered to the big three directly, and those parts are mounted to the new card. We also have the OEM parts. Those parts are delivered to the car dealers that if you buy a car within four years you probably have a warranty and any parts broken you go to the dealership. Dealership going to change the parts. Those parts we call OE suppliers.

We have another tier called off market,

which is the market that we serve. Those is stuff like garage, they go to the Auto Zone, O'Reilly, those kind of parts store and they buy the parts. We call that another tier, like lower. Much much lower than OE quality. Parts we deliver to those kind of companies seem to have internal quality is lower so we call it lower tier.

CHAIRMAN ARANOFF: For purposes of the posthearing, I certainly invite all the parties to address this issue further and the extent to which it should affect the Commission's analysis of the prospect for competition between subject imports and the domestic product if the order were revoked.

Another one for posthearing. Mr. Vander Schaaf, you conceded in your brief I think that you thought the semi-finished product analysis for the like product issue would not be applicable here. I'm not sure why you conceded that point, because I'm not sure it isn't applicable, but I would invite you to expand upon what you put in your rather brief footnote on the subject.

MR. VANDER SCHAAF: I probably will elaborate in the posthearing brief, but we do considered a tapered roller bearing to be a finished product, but we also consider -- and it's a component

used in another down stream product, the wheel hub assembly. That's really the main justification, but I'll elaborate in the posthearing brief.

CHAIRMAN ARANOFF: I appreciate that.

I think with that I don't have any further questions, so I do want to thank the panel for all your answers.

Are there any other questions from Commissioners for this panel?

No? Okay.

Are there any questions from staff?

MR. FISHBERG: David Fishberg, Office of the General Counsel. Good afternoon to the panel. I just have two quick questions.

I think Ms. Xie, I think you dealt with this from the other side of the equation, but I was just wondering if the TRB itself wears out does the entire wheel hub assembly need to be replaced?

MS. XIE: Can you repeat your question again? I'm sorry. I think I lost --

MR. FISHBERG: Sure. If the TRB wears out, does the entire wheel hub assembly need to be replaced?

MR. CHANG: We believe you should change because it making noise. However if the bearings is

good but ABS sensor broken, you also need to change. Same thing for the bolt. If bolt broken, and everything else is working fine, you should change.

MR. FISHBERG: So it's basically one component, I think Ms. Xie explained before that if the ABS sensor part of it's broken you need to replace the entire wheel hub assembly, even if the bearing is good. If the bearing is worn out but everything else is working, you still need to replace the entire wheel hub assembly. Is that correct?

MS. XIE: Yes.

MR. CHANG: Yeah, we believe so. Equally.

MS. XIE: If seals is affected, then the whole wheel hub assembly will be bad too. The same with ABS sensor. Of course same with the bolts. If the bolts is not same size or is broken, the whole hub is going to be replaced.

MR. FISHBERG: Thank you. I just have one more quick question on --

MS. DAY: Can I address that question very quickly as well? I'm sorry.

MR. FISHBERG: Sure. No problem.

MS. DAY: From an axle perspective, so if you're talking about particularly with heavy vehicle axles so the entire axle, if you have a differential

or a pinion bearing that goes bad, in those cases you would also have to replace the entire axle.

So the bearings do play a detrimental role in the functionality, however it's a very small component in a very large system.

MR. FISHBERG: Thank you. I appreciate those answers.

Just one final question. On pages 61 and 62 of Timken's prehearing brief they discuss the Commission's 1989 decision in ball bearings, and that decision, I know it was a long time ago and a very different Commission, but the Commission dealt with the wheel hub unit issue and they noted the Respondents' arguments about the primary functions of a wheel hub unit being to attach a wheel to the vehicle, to link the wheel to the steering mechanism, and to aid in the braking process. The Commission went on to reject that argument. I was just wondering in your posthearing brief if you could sort of address that decision and I guess distinguish the factors that the Commission was looking at in 1989 from what the Commission should be looking at in 2012, that would be very helpful.

Thank you.

MR. VANDER SCHAAF: Thank you.

MS. HAINES: Elizabeth Haines. Staff has no further questions.

CHAIRMAN ARANOFF: Thank you.

Do domestic producers have any questions for this panel?

MR. SALONEN: No questions. Thank you.

CHAIRMAN ARANOFF: At this point those in support of continuation have eight minutes remaining from their direct testimony plus five minutes for closing for a total of 13 minutes. Those in opposition to continuation have no time left from their direct presentation but they do have five minutes for closing.

If there's no objection we will follow our ordinary practice of combining the time and give domestic producers a moment to come forward and the current panel a moment to reseat themselves in the rear.

(Pause.)

CHAIRMAN ARANOFF: Whenever you're ready, Mr. Stewart.

MR. STEWART: We have a rebuttal presentation. We just need to get it distributed.

Perhaps while that's being distributed I'll go over a few points.

First, Commissioner Pinkert inquired when sensors started, and in the United States it goes back to 1992.

There was also a question repeated several times about what Customs does or doesn't do and whether these kinds of issues could have been anticipated by exporters out of China. We will submit in our posthearing brief materials from a 1989 Customs bearings book that looks at the issue of wheel hub units which were a topic in both the Tapered case and the Ball Bearing case. I can tell you it was a major issue at the Customs Service and enforcement in the early years of these orders. So it is hard to imagine that there would be any confusion in the marketplace as to coverage or lack of coverage.

Are we ready to go?

We wanted to take a couple of minutes before I start on this to simply go through a few points that the representative from Dana made.

First, as her testimony correctly interpreted would make clear, Dana asked the Timken company to move product from their European operation where it was being used to supply Dana Europe to Yantai (ph) for the purpose of attaining a lower price. You heard the Timken witnesses earlier today

talking about the fact that the multinational companies would be under pressure from purchasers and that that pressure could be in the form of moving product into the United States.

There was also a statement by Dana's representative that they seemed to be unaware of the fact that if they imported the product which was not shipped to the United States into the United States, that there would be dumping duties. In fact it is on every invoice from Timken to Dana that if the product comes into the United States they would be subject for antidumping duties. We will supply that information in a posthearing submission. While it's not really relevant to the case, there were some what at least from our perspective were misstatements as to the situation.

With regard to rebuttal, let me just quickly go through what we consider to be some factual errors the coalition has made.

The claim that this was first decided in 2011 in terms of scope is contradicted both by what was in the orders in 1987. The staff report that talks about cartridge bearings and wheel hub units as pre-lubricated and pre-set. What you will find is that every one of the wheel hub assemblies from Gen I

to Gen III are pre-lubricated, pre-set, and those are two of the key features that are identified in every Timken brochure and every foreign producer brochure.

Timken literature from the coalition's brief identifies these same features in all generations of wheel hub units and the 2011 scope ruling simply confirms that which is there.

This was from the prehearing brief of the opposition. It's a Timken document. If you take a look you will see pre-set, pre-lube. Those were selling features as to why you would combine two single row TRBs, because it permits greater accuracy in terms of the use of the item by mechanics or by OEMs in putting it in.

The second factual error goes to the separate like product being the same as other bearings or different than other bearings. Again we go back to the ball bearing case of '89 and the first sunset review on ball bearings. The issue was litigated in both of those and of course it was raised by NTN in the first sunset review on tapered roller bearings and not resolved in their favor there.

A third factual error goes to distinguishing TRBs from wheel hub assemblies in terms of technology. They cite Timken's catalog as supporting their

position. In fact that's not correct. Here's the catalog that they identified or that we use which is for the automotive and light truck field. It deals with 1990 and newer cars. It came out in 2010. You'll see on the front cover that you have both a wheel hub assembly and single row TRBs just like we had on the table this morning in front of you.

If you turn to the next page, this is a typical page out of a catalog that shows all of the bearings, all of the seals that gets used, front wheel, rear wheel, and shows the years exactly because for a mechanic they want to know if they're getting the car in if it's a 2010 what part would be needed, if it's a front wheel or a rear wheel. In this particular situation you're looking at a Dodge truck. It's a 2500 series. And you'll see that at that time the current configuration was a cone cup and set. Those were the two single tapered roller bearings that we had on the right side of our presentation.

So the catalog, while it also shows wheel hub assemblies, later generations for some positions, is a catalog that deals with bearings and seals. That's what the title of the catalog is. Everything that's in the catalog is one of those things and it pertains to particular application.

The next factual error of the coalition goes to the definition of wheel hub assemblies. The Commission has an interesting issue in front of it because as I heard the coalition this afternoon, they're looking at possibly Gen III, maybe Gen II. I couldn't really figure out what they were saying about Gen I because one time they said that was a TRB, another time they said no, that would be included. You need to be clear that the way the questionnaires went out, people were asked to identify all three as wheel hub assemblies, and those are in the database certainly that the Timken company provided and we assume other people provided if they read the questionnaire and provided it. So you've got a difference between what they would like it to be and what you have defined it to be for purposes of the questionnaire.

Interchangeability. Their position on interchangeability is contradicted by the testimony you heard this morning. I'm contradicted by the fact that all of these items are used by OEMs on vehicles today for the same application. If that is not interchangeability then it is hard to know what interchangeability one is talking about. There is no interchangeability within the TRB business for

different parts. That's true whether you're within Gen III, Gen II, Gen I, single row tapered roller bearings. But all of those can and are used in wheel ends which is the position that we've taken.

The same thing is true in the aftermarket. We show that through the photographs that we have included that show different applications or different products being used for the same application on different vehicles in production in the last couple of years.

Channels of distribution. The contradiction between what they have in their prehearing brief and what the facts are were laid out by our witnesses today. In fact both "other" TRBs and wheel hub assemblies are sold to automotive OEMs, automotive aftermarket, industrial aftermarket, and as indicated by Mr. Tecklenburg, they're working with industrial OEMs, some industrial OEMs on the Unipac one are already using wheel hub assemblies in those other products. So there's no difference in channels of distribution and the information from the questionnaire responses is inaccurate to that extent.

The next factual error deals with the manufacturing facilities and processes, et cetera. It couldn't have been any clearer today from Mr. Schall

that the normal way you think about are you making the products in the same manufacturing facility with the same workers on the same lines, the answer for Timken is a resounding yes. We're not the entire industry, but we're a big piece of the industry.

On price. We don't disagree that in general you would find a difference in price and that's obvious from the fact that there's extra material. However, it is not the case that either the price of wheel hub assemblies are somehow abnormal and that you can't find TRBs that are bigger, that cost more than wheel hub assemblies, and it's also the case that you can find identical size TRBs that cost more than wheel hub assemblies even though they don't have the rest of the materials that are on it.

So this is a continuum of price, it's a continuum of product, it's a continuum of size and from that point of view we believe that the normal consideration that the Commission has given for a single like product should be found to be met and that you should so find.

Let me just conclude by saying that we appreciate the time and attention of the Commissioners and the staff on this matter. While there haven't been as many people here as maybe there were the last

time we met on tapered roller bearings, it's a very important matter to our client. We will be pleased to respond to the questions that were raised in terms of quality and those sorts of things.

What was missing from the responses this afternoon is any recognition of what has happened vis-a-vis China when companies have gotten out of the orders.

The Commission described it as soaring. In our prehearing brief we have a comparison, subject, non-subject, second review period, this review period. I encourage you to look at that as we believe that that says volumes about what the likely effect will be.

Five years ago, six years ago when the answer was what will happen if the order gets revoked? The Chinese, a much larger group of Chinese companies came in and said big home market, growing fast, no opportunity to ship anywhere else. Exports went up 200 percent in the time when there was tremendous growth in China. Growth in China is predicted to slow down -- relative for them, still fast for us -- over the next few years and Europe is already facing a negative growth. The reality is there is existing unused capacity. This is historically the largest

market for TRBs. And you take the order off, you will grow imports and you will grow them by a very large amount.

There are many segments of the market where we are vulnerable and those segments constitute hundreds of millions of dollars for our client and we know for other domestic companies.

We heard this afternoon a statement that the Japanese and other multinationals would not ship from China because they wouldn't want to hurt their domestic production here in the United States. SKF got out of the business here in the United States, so presumably that doesn't apply to them. And for our friends from Japan, as Mr. Griffith indicated in his testimony, imports have only gone up 400 percent since the order went away. Presumably they didn't get the message from our friends in China that that's not supposed to happen if you have facilities in the United States.

We are facing grave problems. The industry needs a continuation of relief. And if we don't get continuation of relief there will be serious consequences for the domestic industry, for our workers, for our communities, and for our plants.

Thank you very much.

MR. VANDER SCHAAF: Thank you. I'm Lyle Vander Schaaf again, for the Coalition of Exporters and Importers of Wheel Hub Assemblies and on behalf of Dana.

The first thing I'd like to indicate is to make clear that we know Commerce made its decision on what's in the scope and our coalition didn't mean to point any fingers toward anybody. Everybody knows that it's the importer of record that has the responsibility to pay antidumping duties and to know the scope. They were, no doubt, as we have said, very surprised by the scope of this ruling and they're doing what they can and they're doing what they have to under the law. Nevertheless, they were still surprised that their product was covered by the scope of this order.

The same is true with respect to Dana. Dana knows that it's responsible for paying antidumping duties. It doesn't dispute that Timken may have put information on invoices suggesting that the product is subject to an antidumping duty order. But that's not the point Dana was here trying to make. The point is, they reached out to Timken to try to do something about this and Timken doesn't make this product in the United States. Dana's imports of this product isn't

going to cause any injury to Timken whatsoever, it doesn't have any effect on their pricing, and they didn't reach out and work with Dana to exclude the product like they ought to have, and that's the point that Dana was here trying to make. Not the fact that they didn't know it was subject to an antidumping duty order or that they didn't have any reason to know that.

One of the things it seems to me that when we run through Timken's arguments, it seems as though they're arguing that because they make something it's covered by the like product and should be within the like product.

They argue in their brief that Timken was producing and selling a TS tapered roller bearing, single row TRB such as the one depicted on their picture on page 72. They said, "As in the original petition, as the original petition made clear, this TS tapered roller bearing is used in a number of other applications besides wheel end applications including differentials, pinion applications, conveyor rollers, machine tool spindles and trailer wheels. And they suggest that that supports their like product discussion.

But we would use that to support our

arguments. A tapered roller bearing is used in a differential. Sometimes a number of tapered roller bearings are used in a differential. Does that mean that is a tapered roller bearing or is it a differential? It's a differential, and Timken even recognizes it. Everybody knows what a differential is.

They say they use tapered roller bearings in pinion applications. Pinions use tapered roller bearings. Does that make them tapered roller bearings? No. They're pinions. Everybody knows that and Timken even recognizes that on page 73 of their brief.

Conveyor rolls. They use tapered roller bearings. Are they a tapered roller bearing? No. They're conveyor rolls. Everybody knows that. Timken recognizes that on page 73 of their brief.

Machine tool spindles, trailer wheels, the drum on the table ahead of me, the rotor on the table ahead of me. They use tapered roller bearings. Are they tapered roller bearings? No. They're conveyor rolls, machine tool spindles, trailer wheels, drums and rotors.

Wheel hub assemblies. They use tapered roller bearings. Does that mean they are tapered

roller bearings? No. They're wheel hub assemblies and everybody knows that. That's our position for the coalition.

Thank you very much.

CHAIRMAN ARANOFF: Let me take one last opportunity to thank everyone who has participated in today's hearing. We look forward to your posthearing submissions.

Posthearing briefs, statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by July 2, 2012. Closing of the record and final release of data to the parties will take place on July 24, 2012. Final comments are due July 26, 2012.

With no further business before the Commission, this hearing is adjourned.

(Whereupon, at 4:15 p.m., the hearing in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Tapered Roller Bearings from China

INVESTIGATION NO.: 731-TA-344

HEARING DATE: June 19, 2012

LOCATION: Washington, D.C.

NATURE OF HEARING:Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: June 19, 2012

SIGNED: LaShonne Robinson
Signature of the Contractor or the Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Rebecca McCrary
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: David Jones
Signature of Court Reporter