

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
CERTAIN STEEL WHEELS FROM ) Investigation Nos.:  
CHINA ) 701-TA-478 and  
 ) 731-TA-1182 (Preliminary)

REVISED AND CORRECTED COPY

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## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of: )  
 CERTAIN STEEL WHEELS FROM ) Investigation Nos.:  
 CHINA ) 701-TA-478 and  
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Wednesday,  
 April 20, 2011

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

The hearing commenced, pursuant to notice, at  
 8:46 a.m., before the United States International Trade  
 Commission.

## APPEARANCES:

Staff Present:

CATHERINE DEFILIPPO, DIRECTOR OF INVESTIGATIONS  
 MARY MESSER, INVESTIGATOR  
 DAVID COFFIN, INTERNATIONAL TRADE ANALYST  
 CRAIG THOMSEN, ECONOMIST  
 DAVID BOYLAND, ACCOUNTANT/AUDITOR  
 DAVID GOLDFINE, ATTORNEY  
 DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR  
 WILLIAM R. BISHOP, HEARINGS AND MEETINGS  
 COORDINATOR  
 SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT

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

On behalf of Accuride Corporation:

RICK SCHOMER, Senior Vice President of  
 Marketing and Sales, Accuride Corporation  
 WILLIAM NOLL, Corporate Director of Quality,  
 Accuride Corporation

APPEARANCES: (Cont'd)

On behalf of Hayes Lemmerz International, Inc.:

DONNY HAMPTON, Vice President and General  
Manager for the Americas, Hayes Lemmerz  
International, Inc.  
DENNY WEISEND, Director of Commercial Wheel  
Sales, Hayes Lemmerz International, Inc.  
MATT KATO, Director of Sales for the Americas,  
Hayes Lemmerz International, Inc.

ROGER B. SCHAGRIN, Esquire  
JOHN W. BOHN, Esquire  
Schagrín & Associates  
Washington, D.C.

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

On behalf of The China Chamber of Commerce for Import  
and Export of Machinery and Electronic Products  
("CCCME") :

FENGFENG SUN, General Manager, Zhejiang Jingu  
Company, Ltd.  
JESSE WU, Sales Director, Zhejiang Jingu  
Company, Ltd.  
GWYNN ORR, Managing Partner, Marco Wheel Group  
LLC; and President, Orrco International, Inc.  
WILL ORR, Partner, Marco Wheel Group LLC; and  
Sales and Marketing, Orrco International, Inc.  
CUTTER ORR, Partner, Marco Wheel Group LLC; and  
Sales and Marketing, Orrco International, Inc.  
THOMAS MURRAH CUNNINGHAM, President, The  
Cunningham Company, LLC  
THOMAS F. CUNNINGHAM, Vice President of Sales,  
The Cunningham Company, LLC  
THOMAS ROGERS, Economic Consultant, Capital  
Trade, Inc.

JEFFREY C. LOWE, Esquire  
Mayer Brown LLP  
Washington, D.C.

APPEARANCES: (Cont'd)

On behalf of Trans-Texas Tire:

AMANDA WALKER, Executive Vice President, OEM  
Supply Chain

MAX F. SCHUTZMAN, Esquire  
PATRICK J. CAULFIELD, Esquire  
Grunfield, Desiderio, Lebowitz, Silverman  
& Klestadt LLP  
Washington, D.C.

On behalf of Advanced Wheel Sales LLC ("AWS"):

DAVID M. SPOONER, Esquire  
IAIN R. MCPHIE, Esquire  
Squire, Sanders & Dempsey (US) LLP  
Washington, D.C.

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P R O C E E D I N G S

(8:46 a.m.)

1  
2  
3 MS. DEFILIPPO: Good morning, everyone.  
4 Welcome to the U.S. International Trade Commission's  
5 conference in connection with the preliminary phase of  
6 countervailing duty and antidumping duty Investigation  
7 Nos. 701-TA-478 and 731-TA-1182 (Preliminary),  
8 concerning imports of Certain Steel Wheels from China.  
9 My name is Catherine DeFilippo, and I am the  
10 Commission's Director of the Office of Investigations  
11 and I will preside at today's conference. Among those  
12 present from the Commission staff are from my far  
13 right, Douglas Corkran, the Supervisory Investigator;  
14 Mary Messer, the Investigator; David Goldfine, the  
15 Attorney; Craig Thomsen, the Economist; David Boyland,  
16 the Auditor; and David Coffin, the Industry Analyst.  
17 I understand that parties are aware of their time  
18 allocations. I would remind speakers not to refer in  
19 your remarks to business proprietary information and  
20 to speak directly into the microphones. We also ask  
21 that you state your name and affiliation for the  
22 record before beginning your presentations. Are there  
23 any questions? Hearing none, we will proceed with the  
24 opening statements. Welcome, Mr. Schagrin. Please  
25 begin when you are ready.

1           MR. SCHAGRIN: Good morning, Ms. DeFilippo,  
2           and members of the Commission staff. For the record,  
3           I am Roger Schagrin, counsel to Petitioners. The  
4           steel wheel industry in the United States is suffering  
5           injury. On that issue, there can be no doubt or  
6           debate. Over the POI, every indicator that the  
7           Commission statutorily reviews has fallen. This  
8           includes production, shipments, capacity utilization,  
9           the number of employees in the industry, hours worked,  
10          total wages paid, capital expenditures and R&D  
11          expenditures. Prices have fallen, even while costs  
12          have increased. Not surprisingly, the industry has  
13          gone from profitability to losses. Therefore, the  
14          principal issue for the Commission to address today is  
15          causation.

16                 Have the woes of the industry been related  
17          entirely to a decline in demand, notwithstanding some  
18          improvement since the economic recovery began, or have  
19          large volumes of low priced, dumped and subsidized  
20          imports of steel wheels from China contributed in any  
21          material way to that injury? The answer is clearly  
22          the latter. Imports from China were large at the  
23          beginning of the POI and grew their market share over  
24          the POI. You will hear this morning from the  
25          principal salespeople for the domestic industry.

1 They've been shocked to learn that there could be any  
2 serious discussion of the issue of whether imports  
3 from China are priced lower than the domestic  
4 industry's products at any point in the channels of  
5 distribution in which Chinese wheels compete with the  
6 domestic industry, be it with certain OEMs, including  
7 trailer manufacturers, with buying groups or with  
8 master distributors. I will be happy to explore what  
9 I perceive as level of trade issues that might affect  
10 price underselling analysis during the hearing.

11 If the Commission decides to consider threat  
12 issues, then the evidence supporting threat is both  
13 real and imminent. First, steel wheels, like  
14 virtually every steel product in China, suffers from  
15 what I call the Chinese disease of overcapacity.  
16 Aggressive lending by Chinese state-owned banks,  
17 combined with the support of massive overcapacity in  
18 the steel industry, have led to massive overcapacity  
19 to produce every single type of steel product in  
20 China. Steel wheels fit into this pattern. While  
21 demand in China certainly is greater than demand in  
22 the United States, there are approximately 50 steel  
23 wheel producers in China compared to two in the United  
24 States. A dozen or more of these producers are as  
25 large as each of the two U.S. producers.



1 Chinese steel wheels are already subject to  
2 dumping views in India, another very large market.  
3 Having already taken much of the U.S. aftermarket, the  
4 Chinese are now poised to begin taking over major U.S.  
5 OEM contracts. However, no one can better summarize  
6 the Chinese threat than the chief operating officer of  
7 one of the major Chinese steel wheel producers, Ms.  
8 Yang of Centurion Wheel Manufacturing Company. Ms.  
9 Yang sent a letter on April 5, 2011 to all U.S.  
10 customers of the company in which she admitted that  
11 Chinese steel wheel producers dump and have caused  
12 injury. I quote from that letter. "Since 2004,  
13 buyers' pricing pressure from U.S. OEM and aftermarket  
14 customers forced the Chinese producers to reduce  
15 margin. Many manufacturers are selling at what we  
16 believe is below production cost. We have voiced  
17 privately to many of you the danger of buying such in  
18 'momentary great deals' both in terms of long-term  
19 quality and for the consequence of dumping duties that  
20 would eventually drive up the cost of your purchase  
21 for many years to come."

22 As to the obvious pricing pressures and  
23 price depression caused by unfairly traded Chinese  
24 products on the domestic wheel industry, Ms. Yang  
25 says, and again I quote, "The future is quite clear.

1 Accuride and Hayes Lemmerz will have the legal  
2 protection to raise your price, and unless you can  
3 find alternative suppliers from other countries, your  
4 wheel purchasing price will shoot up." As I'm sure  
5 Ms. Yang found out from Mr. Lowe at a meeting  
6 organized in Beijing by Mr. Lowe's client, and I quote  
7 again, "As early as June 1, the ITC can impose  
8 emergency duty on products entering the United States  
9 to help reduce costs of importation. Depending on  
10 your current order status, Centurion will either have  
11 to charge you with a duty rate to be determined, or  
12 probably between 20 to 38 percent, have you take the  
13 products early or cancel your order. If you elect to  
14 speed up your order, the container must clear Customs  
15 before June 1, 2011." We will submit this letter with  
16 our postconference brief.

17 It's a pity that under the U.S. system,  
18 unlike the Canadian trade tribunal system, we do not  
19 have the opportunity to subpoena witnesses because I  
20 believe Ms. Yang would make an excellent witness for  
21 the Commission to hear from. Finally, as to immediate  
22 threat, the cost of steel for steel wheel producers  
23 has been increasing in 2011 and these producers are  
24 facing a cost price squeeze as they are unable to pass  
25 along those increased raw material costs while imports

1 from China are surging. We'll submit data with our  
2 postconference brief which shows that in just the  
3 first two months of 2011 imports from China have  
4 already doubled compared to the first two months of  
5 2010, and you now know that U.S. importers are likely  
6 to speed up their imports to try to beat the  
7 imposition of duties. If anyone had faith that the  
8 critical circumstances provisions of the statutes  
9 actually worked, then we could solve that problem. In  
10 conclusion, I urge you to make an affirmative  
11 preliminary determination. Thank you.

12 MS. DEFILIPPO: Thank you, Mr. Schagrin. We  
13 will now have opening remarks on behalf of  
14 Respondents, and I believe Mr. Jeffrey Lowe will make  
15 those. Welcome, Mr. Lowe. Please proceed when you're  
16 ready. Thank you.

17 MR. LOWE: Good morning. My name is Jeffrey  
18 Lowe. I'm with the law firm of Mayer Brown LLP. I'm  
19 here today with Tom Rogers of Capital Trade, as well  
20 as a number of representatives of the steel wheels  
21 industry, including both exporters and importers of  
22 the subject merchandise. We are all grateful for the  
23 opportunity to appear at today's conference and to  
24 demonstrate why the antidumping and countervailing  
25 duty petitions filed in this case and the other

1 evidence do not provide a reasonable basis for finding  
2 injury or threat of injury by reason of steel wheel  
3 imports from China. I'm sure you have all had an  
4 opportunity to look over the petition, the  
5 questionnaire responses and other information, and we  
6 have already heard Mr. Schagrín describe his views as  
7 far as the impact of imports on the domestic industry.

8           Our industry representatives will describe  
9 the steel wheels industry in the United States,  
10 including their reasons for importing the product from  
11 China. They know a lot more about the subject than I  
12 do, and I think you will find that testimony of great  
13 interest. But as you evaluate the evidence and  
14 prepare to make a recommendation to the Commission, I  
15 wish to highlight several facts that should strike you  
16 as particularly compelling for why Petitioners claims  
17 in this case should be rejected. First, I'm sure  
18 you've heard a lot of respondents over the last  
19 several years contend that to the extent a particular  
20 domestic industry has been injured, it was because of  
21 the recent economic crisis and not imports.

22           Well, in this case, we don't need to  
23 speculate about the impact of the economic downturn  
24 and other factors having nothing to do with imports  
25 from China on the domestic industry and any injury

1 that the industry may have suffered. In this case,  
2 the two domestic producers of steel wheel, Accuride  
3 and Hayes Lemmerz, both declared Chapter 11 bankruptcy  
4 in 2009 during the POI. In that year, steel wheel  
5 imports from China declined substantially, even  
6 according to the import statistics relied upon by the  
7 Petitioners which we challenge, as you will hear  
8 later, as being grossly inflated by nonsubject  
9 products.

10 For its part, Accuride is by far the  
11 dominant supplier of steel wheels in the United  
12 States. Accuride's shipments dwarf Chinese imports.  
13 Because Chinese imports do not threaten Accuride, it  
14 is therefore telling that when Accuride declared  
15 bankruptcy in 2009, Accuride never once mentioned  
16 imports of steel wheels from China. Rather, Accuride  
17 attributed its decline in performance entirely to the  
18 prolonged economic downturn which had, "substantially  
19 and negatively impacted" the company. As a result,  
20 Accuride's stock value fell from \$16.91 per share in  
21 2007 to less than 36 cents per share in 2009. Its  
22 consolidated gross profits fell by 36 percent, from  
23 \$86.5 million in 2007 to \$55.6 million in 2008.

24 Hayes Lemmerz also declared bankruptcy in  
25 2009. Hayes also attributed its dysfunctional

1 condition entirely to the economic downturn and  
2 declining demand for the company's products.  
3 According to Hayes Lemmerz' bankruptcy filings, "the  
4 declines in fiscal 2008 and expected declines in  
5 fiscal 2009 are substantial and have reduced, and will  
6 continue to reduce, Hayes' sales and profits". As a  
7 result, Hayes' stock value fell from \$4.05 per share  
8 in 2008 to less than 23 cents per share in 2009. It  
9 is against this backdrop that both Petitioners are  
10 here today seeking relief from Chinese steel wheel  
11 imports. If you don't mind me saying, to paraphrase  
12 an old song from the 1960s, Petitioners have a lot of  
13 darn gall.

14           Several other facts bear emphasizing.  
15 Imports of steel wheels from Mexico during the POI,  
16 again, based on the import statistics used by  
17 Petitioners, also dwarfed Chinese imports. What is  
18 unique about this case is that according to our  
19 information, 100 percent of those steel wheel imports  
20 from Mexico originate at Accuride's 225,000 acre  
21 manufacturing facility in Monterey, Mexico. I'm not  
22 qualified to comment on whether this was a good or bad  
23 decision from a business standpoint on Accuride's  
24 part, but to a degree that I haven't seen in any other  
25 case, it is clear that Accuride is competing against

1       itself and blaming the Chinese for its own business  
2       decisions.

3               There are other compelling facts in this  
4       case, including the highly segmented nature of the  
5       market of which around 80 percent goes to large OEM  
6       truck producers who buy exclusively from Accuride and  
7       Hayes Lemmerz. Moreover, to a large extent, the  
8       domestic producers do not compete in the other 20  
9       percent or so of the market which consists of after  
10      market sales. In addition, aluminum wheels, which  
11      Accuride produces and promotes to its customer, are  
12      making substantial inroads into the steel wheels  
13      market. Year by year, aluminum wheels are also  
14      dramatically cutting domestic producers' steel wheel  
15      market share. We will highlight the additional facts  
16      that demand a finding of no reasonable basis to  
17      conclude that the domestic industry is being injured  
18      or threatened with injury in our further remarks later  
19      on. That is all I have for now. Thank you.

20             MS. DEFILIPPO: Thank you, Mr. Lowe. We  
21      will now proceed to the testimony for those in support  
22      of imposition of antidumping and countervailing duty  
23      orders. Mr. Schagrin, if you and your panel could  
24      come on up and start when you're ready. Thank you.

25             MR. SCHAGRIN: Good morning again, Ms.

1 DeFilippo. The Petitioners will begin this morning  
2 with the testimony of Rick Schomer, the Senior Vice  
3 President of Marketing and Sales of Accuride  
4 Corporation. Mr. Schomer?

5 MR. SCHOMER: Thank you. Good morning, Ms.  
6 DeFilippo, and members of the staff. My name is Rick  
7 Schomer and I am the Senior Vice President of  
8 Marketing and Sales at Accuride Corporation. I've  
9 been with Accuride since July of 2007, and I've spent  
10 the last 30 years of my life in the automotive and  
11 truck industry. Accuride is headquartered in  
12 Evansville, Indiana. We produce the subject steel  
13 wheels in a plant in Henderson, Kentucky. We also  
14 have facilities in London, Canada, and Monterrey,  
15 Mexico because many of our North American customers  
16 have facilities in all three NAFTA countries.  
17 Accuride sells into two basic marketing channels, the  
18 OEM market and the after market.

19 Within the OEM market there's also an  
20 original equipment service business where the truck  
21 producers buy for the after market in order to service  
22 the truck companies at the truck manufacturers'  
23 dealerships. The rest of the after market business is  
24 primarily a distributor warehouse business. There are  
25 several large buying groups, principally Heavy Duty



1 America, known as HDA, VIPAR, NAPA Traction Group and  
2 FleetPride. There are also a number of other  
3 independent truck parts companies that make up the  
4 remainder of the after market business. The OEM  
5 business, there are four primary truck companies with  
6 manufacturing facilities in North America. They  
7 include Navistar, PACCAR, Freightliner, which is a  
8 division of Daimler, and Volvo Mack.

9           With these truck companies, we typically  
10 enter into two and three contracts with raw material  
11 pass-through provisions that allow for price increases  
12 and decreases to account for the fluctuations in raw  
13 materials. There are also trailer companies that  
14 produce the truck trailers which actually carry the  
15 freight. Once again, there are three primary  
16 companies, Utility, Great Dane and Wabash. Our  
17 contracts to supply the trailer manufacturer is  
18 generally not as long as the truck companies. There's  
19 also more competition for the trailer after market  
20 sales. This is because while the truck companies  
21 often own their own dealerships, many of the truck  
22 trailer dealers are independent and these independent  
23 trailer dealers would buy their after market  
24 independently of the trailer manufacturers and have  
25 often shifted to buying the lower price on fairly

1 traded Chinese wheels.

2           Unlike our contract agreements with the  
3 OEMs, the terms of sales in the after market are  
4 mostly spot sales. In terms of establishing prices in  
5 the after market, our company works off a system of  
6 price lists and discounts. The large buying groups  
7 benefit from getting an end of the year rebate based  
8 on the quantities of purchases during that year, and  
9 then these rebates are passed through to their buying  
10 group members. There's no question that Accuride's  
11 pricing in the after market has been consistently  
12 challenged by after market customers to give greater  
13 discounts in order to meet the lower priced Chinese  
14 product. The truck parts retail service business is  
15 based on very slim margins and the after market retail  
16 sellers will switch suppliers based on as little as  
17 the difference of one to two percent in price.

18           It is important for the Commission to  
19 understand that unlike passenger cars, it's not  
20 uncommon for trucks in the fleets to run anywhere from  
21 500,000 to a million miles before being replaced by  
22 new trucks. Trailers last even longer. Therefore,  
23 the after market for steel wheels is very large. I  
24 would estimate that over the past three years, total  
25 after market demand has averaged 30 to 40 percent of

1 the entire market. However, because of the tremendous  
2 Chinese share of this market, it occupies a much  
3 smaller share of Accuride space. Imports of steel  
4 wheels coming from China began in significant  
5 quantities in 2006 and 2007. They focused on the  
6 after market.

7 In response to the first Chinese  
8 infiltration of the United States in 2006 and 2007,  
9 and as a direct answer to our customers, Accuride  
10 worked hard to develop a new steel wheel just to  
11 compete with the Chinese in the after market. We  
12 introduced this steel wheel to the market in 2008. We  
13 call it the Statesman. We sell the Statesman brand  
14 only in the after market. We do not offer it to the  
15 OEMs. Given our pricing required to compete on the  
16 Statesman wheel, our margins are horrible. However,  
17 our development of this wheel to compete with the  
18 Chinese in the after market has given Accuride an  
19 opportunity to maintain economies of scale that we  
20 needed in our Henderson, Kentucky facility to try and  
21 remain viable.

22 I also think it's important for the  
23 Commission to understand that the Chinese steel wheels  
24 compete with us in the after market in the same manner  
25 which we go to market. For Accuride, we have a

1 distribution warehouse in Indianapolis, Indiana, and  
2 we ship mixed truckloads of steel wheels that can be  
3 dispatched in a matter of days to after market  
4 customers. Similarly, there are Chinese wheel  
5 producers, like Centurion which was mentioned earlier,  
6 who have established supply depots in the United  
7 States and those others who gained large regional or  
8 national master distributors who can furnish these  
9 Chinese steel wheels to the after market with quick  
10 delivery times. These Chinese wheels also go to  
11 market generally using Accuride part numbers, so it is  
12 very, very easy for them to penetrate the market  
13 through lower price.

14           The number of steel wheel producers in China  
15 has grown over the past decade from several to more  
16 than 50 today. We are now seeing fiercer Chinese  
17 competition than ever as new Chinese steel wheel  
18 producers are battling through extremely aggressive  
19 pricing to enter the U.S. market. There is no doubt  
20 in my mind that the Chinese prices have been pushing  
21 down our prices over the past several years. The  
22 Chinese have gobbled up a gigantic share of the after  
23 market business and are now starting to penetrate  
24 original equipment service business. We know this  
25 from our contract OEM customers, that they're already

1 in discussion with Chinese competition. In my view,  
2 it's only a matter of a short period of time until we  
3 face Chinese competition in our OEM contract business.

4 Like everyone else, our steel costs have  
5 increased and are increasing in 2011 and we are not  
6 coming close to passing along those cost increases to  
7 our after market sales customers. Without relief from  
8 unfairly traded Chinese import competition, we will  
9 face further cost price squeeze in the future. Our  
10 company went through bankruptcy reorganization in 2009  
11 and 2010, and as I have said, the Chinese have a  
12 lion's share of the after market today. If we cannot  
13 get relief until they take a lion's share of the OEM  
14 market, it will be too late. Therefore, I, along with  
15 my colleagues from Accuride, ask you on behalf of our  
16 valued employees to make an affirmative injury  
17 determination. Thank you.

18 MR. SCHAGRIN: Thank you, Rick. Our next  
19 witness will be Bill Noll, the Corporate Director of  
20 Quality for Accuride Corporation.

21 MR. NOLL: Good morning, Ms. DeFilippo, and  
22 members of the Commission staff. My name is Bill  
23 Noll. I'm the Corporate Director of Quality for  
24 Accuride Corporation. I have been in the industry for  
25 over 40 years. Initially, I was with Firestone Steel

1 Products which used the Accuride name as a trademark  
2 for our steel wheels. Accuride Corporation then took  
3 the trademark as our corporate name to show  
4 continuity. At Henderson, Kentucky, we have a plant  
5 that produces steel wheels by making discs on a disc  
6 line, rims on a rim line, and then assembles and welds  
7 them on the assembly line. We then paint these steel  
8 wheels using electrodeposition paint commonly called  
9 E-coat paint. We can also add powder coating to that  
10 initial paint for added protection or additional  
11 colors.

12 The Henderson, Kentucky plant was started in  
13 1974. Many changes have occurred in this plant,  
14 mostly involving automation and use of robotics.  
15 Today, the plant is highly automated and focused  
16 solely on heavy truck steel wheel production. All the  
17 steel wheels made in that plant are in the size range  
18 subject to this investigation. We also have a heavy  
19 truck aluminum plant in Erie, Pennsylvania. This is a  
20 completely different type of plant using a completely  
21 different type of manufacturing process to manufacture  
22 these aluminum wheels. Instead of steel coil input,  
23 our aluminum input is cast aluminum logs. The  
24 material is forged from cut billets and spun into the  
25 general shape of the rim and disc as a cohesive unit.

1 That is, the rim and disc are made from the same piece  
2 of metal and are not separate pieces welded together,  
3 as in the case of steel wheels.

4 This single piece forging is 100 percent  
5 machined to the final contour. Aluminum is a much  
6 more expensive metal than steel, and even at three-  
7 quarters of the weight of a steel wheel, aluminum  
8 wheels are about three times as expensive as the  
9 comparable size steel wheel. Because they involve  
10 different processes using different equipment, we  
11 cannot make steel wheels in Erie, and we cannot make  
12 aluminum wheels in Henderson. All steel truck wheels  
13 sold in the United States, to the best of my  
14 knowledge, meet the SAE, which stands for the Society  
15 of Automotive Engineers, recommended practice J267. I  
16 spent approximately 20 years on the SAE committee that  
17 wrote and revised these recommended practices;  
18 therefore, both U.S. producers and Chinese producers  
19 should meet the same SAE J267 recommended practice.  
20 In the parlance that I understand you utilize here at  
21 the International Trade Commission, these SAE-  
22 recommended practices are what make Chinese wheels and  
23 U.S. made steel wheels fungible products. I will be  
24 happy to answer any of your technical questions later  
25 in the conference. Thank you.

1                   MR. SCHAGRIN: Thank you, Mr. Noll. Our  
2 next witness is Don Hampton, the Vice President and  
3 General Manager for the Americas, Hayes Lemmerz  
4 International. Mr. Hampton?

5                   MR. HAMPTON: Thank you. Good morning, Ms.  
6 DeFilippo, and members of the Commission staff. For  
7 the record, my name is Donald Hampton, Jr., and I am  
8 the Vice President and General Manager for the  
9 Americas of Hayes Lemmerz International. I have been  
10 with Hayes for nine years and have a total of 23 years  
11 of experience in the automotive and truck parts  
12 businesses. I'm responsible for the operation of five  
13 Hayes facilities, two of which are in Brazil, two in  
14 the United States and one in Mexico. Both of our  
15 plants in the United States produce steel wheels. Our  
16 plant in Sedalia, Missouri produces 14 to 18 inch  
17 steel wheels for passenger cars and light trucks. Our  
18 facility in Akron, Ohio manufactures primarily 22 1/2  
19 and 24 1/2 inch steel wheels for heavy-duty truck  
20 applications and wheels for various military vehicles.

21                   Earlier in my Hayes career we operated five  
22 aluminum wheel facilities in the United States, but we  
23 closed all of these facilities in the last decade,  
24 with the last plant closed in 2008. That was because  
25 of Chinese competition driving us out of that product



1 line. Our European affiliates are involved in a case  
2 on aluminum passenger car wheels from China. It is  
3 clear to me that if we are not successful in these  
4 unfair trade cases against steel wheel importations  
5 from China, our steel wheel business will go the way  
6 of our U.S. aluminum wheel businesses. The Akron  
7 facility was started in 1927, but virtually all of the  
8 equipment is much newer than that. However, as the  
9 Hayes Lemmerz executive in charge of taking potential  
10 capital expenditures to our senior leadership team, I  
11 can tell you that due to unfair Chinese competition,  
12 that we have had to forego many major capital  
13 expenditures in the Akron facility.

14           Given the Chinese pricing in the  
15 marketplace, it's just not possible to justify a  
16 return on these capital expenditures. One of the  
17 prime examples of foregoing capital investment is the  
18 fact that in July 2009 we shut down our paint lines in  
19 Akron. Instead of investing in new paint lines, an  
20 approximate \$5 million expenditure, we decided to  
21 outsource the painting of our wheels. We buy steel  
22 for the Akron paint on an annual contract basis  
23 through a processor that pickles, oils and slits the  
24 steel for us. We have been subjected to surcharges by  
25 the steel industry which has increased our cost of raw

1 materials. My colleagues from the marketing arm will  
2 tell you about the difficulties in passing along these  
3 steel cost increases.

4 Hayes has been, and continues to be, the  
5 world leader in steel wheel production. Besides our  
6 operations in the Americas, we have affiliated  
7 companies in Europe, Turkey and India. Our Indian  
8 affiliate has already brought a case against dumped  
9 steel wheels from China. The case was successful in  
10 proving both dumping and injury, and antidumping  
11 duties have been assessed. This will at least allow  
12 our Indian affiliate to survive, but also means  
13 Chinese exports that previously went to India will be  
14 heading to the U.S. I join with my colleagues here  
15 today and ask on behalf of all of our Hayes employees  
16 in the United States that this Commission make an  
17 affirmative injury determination. Thank you.

18 MR. SCHAGRIN: Thank you, Mr. Hampton. Our  
19 next witness is Matt Kato, the Director of Sales for  
20 the Americas, Hayes Lemmerz International. Mr. Kato?

21 MR. KATO: Good morning, Ms. DeFilippo, and  
22 the members of the Commission staff. For the record,  
23 my name is Matt Kato and I'm the Director of Sales for  
24 the Americas for Hayes Lemmerz International. I have  
25 been in the industry for 15 years, nine of those years

1 with Hayes and six years with TRW Automotive. I am  
2 responsible for sales of aluminum and steel wheels for  
3 passenger car applications and steel wheels for heavy  
4 truck applications throughout North and South America.  
5 As you have heard from my colleague Donny Hampton, we  
6 no longer produce aluminum wheels in the United  
7 States. For our truck and trailer sales, we have some  
8 contracts that span North America, but most of our  
9 contracts are country-specific in that we have  
10 different contracts for supply to customers in the  
11 U.S., Mexico and Canada.

12 Our truck contracts tend to be multiyear  
13 contracts of either two or three years in duration for  
14 OEM sales. These contracts fix the price at which we  
15 sell, and our customers would buy, steel wheels.  
16 However, there is nothing in these contracts that sets  
17 a quantity requirement for purchase, nor is there any  
18 contractual obligation by our customers to only  
19 purchase our wheels. Thus, in spite of these  
20 contracts, and with no violation of the contracts, OEM  
21 contract purchasers have begun buying Chinese wheels  
22 for their OES service businesses. By that, I mean the  
23 original equipment service business where steel wheels  
24 are sold through the parts departments of truck  
25 dealerships.

1           In late 2010 we were notified by one truck  
2 OEM customer with whom we've had a contract that  
3 expired at the end of 2010 that they would not renew  
4 their contract with us unless we significantly dropped  
5 our prices to compete with Chinese prices. I prefer  
6 not to name the OEM publicly here, but we will submit  
7 in the postconference brief information on that OEM  
8 and our failed contract renewal negotiations. That  
9 OEM was one of Hayes' largest U.S. customers, and when  
10 this business transitions out of our Akron, Ohio  
11 facility, it will have a significantly negative impact  
12 on the plant. Several trailer manufacturers with whom  
13 we have had annual contracts for years have switched  
14 to Chinese suppliers during the period of your  
15 investigation and we have reported these lost sales to  
16 the trailer producers in the information provided for  
17 in the petition.

18           The Chinese have had very significant and  
19 severe impact on U.S. pricing and our ability to pass  
20 through actual cost increases. For example, when the  
21 Chinese first started coming to the U.S. market in  
22 2005 and 2006, they offered a powder coated wheel  
23 without additional charges. At that time, U.S. wheel  
24 producers charged an average of \$5 to \$7 as an extra  
25 charge for powder coated wheels versus wheels with E-

1 coat or a standard paint finish. Over the past few  
2 years we have had to adapt to the Chinese competition  
3 by offering powder coated product without receiving  
4 adequate compensation for the additional cost. My  
5 competitors from Accuride have already described the  
6 make up of the after market in the U.S.

7           While many of the larger independent  
8 distributors of steel wheels in the U.S. do purchase  
9 wheels from Hayes, and we presume from Accuride, they  
10 maintain their market position in the U.S. by being an  
11 aggressive buyer of low priced Chinese steel wheels.  
12 We cannot compete with Chinese wheels at those prices.  
13 Until unfairly traded imports from China showed up in  
14 the U.S. marketplace, the after market provided solid  
15 margins for Hayes. The standard business model was  
16 that you would make large volume contracts with OEMs  
17 that reflected the type of quantity discount that  
18 large OEM purchasers could command. These large  
19 volume sales were necessary for a base load that  
20 enabled us to cover much of our fixed cost.

21           We then made sales in smaller quantities to  
22 the after market customers at more profitable prices.  
23 Unfortunately, the entire marketplace for steel wheels  
24 has been flipped on its head by our Chinese  
25 competitors. Now smaller quantity after market spot

1 purchases are made at lower prices than OEM business.  
2 Now the parts departments of OEM truck and trailer  
3 company dealerships can buy replacement wheels at  
4 lower costs from distributors than they can buy from  
5 their affiliated OEM supplier. As I stated earlier,  
6 unfairly traded imports of aluminum wheels from China  
7 drove us out of the aluminum wheel business in the  
8 United States. Before unfairly traded steel wheel  
9 imports drive us out of the steel wheel business, we  
10 need to make a stand. We ask that you give us relief  
11 from these unfairly traded imports before they drive  
12 us out of the heavy truck steel wheel business. Thank  
13 you.

14 MR. SCHAGRIN: Thank you, Mr. Kato. Our  
15 next witness is Denny Weisend, the Director of  
16 Commercial Wheel Sales for Hayes Lemmerz  
17 International.

18 MR. WEISEND: Good morning, Ms. DeFilippo,  
19 and members of the Commission staff. My name is Denny  
20 Weisend and I'm the Director of Commercial Wheel  
21 Sales. I've spent my whole career in the steel wheel  
22 business and I'm now in my 35th year of this business.  
23 Almost all of that time has been spent with  
24 predecessors of the current iteration of Hayes  
25 Lemmerz. I have seen Hayes go through two

1 bankruptcies and shut down plant after plant in the  
2 United States during the course of my career. Despite  
3 inflation, we're selling wheels today for lower prices  
4 than when I started my career. That makes no sense.  
5 The principal cost of a steel wheel is steel. Without  
6 adjusting for inflation, I can tell you that we pay  
7 much more for steel today than we did for steel in the  
8 1970s.

9 Trucks and trailers sell for much more today  
10 than they did in the 1970s. Hayes, like a myriad of  
11 other producers of auto and truck parts, has gotten  
12 squeezed in the middle by more powerful raw material  
13 suppliers and by more powerful customers. The result  
14 has been that we have went from a very profitable  
15 company when I joined it in 1970s to a company that  
16 now struggles to break even in its United States  
17 operations. There is no way that one can say the  
18 competition between our company in the United States  
19 and our Chinese competition is fair. Their steel  
20 suppliers are owned by the government of China and  
21 they are not interested in selling at the highest  
22 prices and making the most profits.

23 The steel wheel producers in China are  
24 government supported, and those subsidies to dump  
25 their products in the United States at prices I simply

1 cannot match as a salesperson. The results are clear.  
2 Every year I see the share of our after market and OEM  
3 sales in the U.S. decline. We have lost sales to  
4 trailer companies, and as Matt just mentioned, we're  
5 losing a truck OEM customer as well. I'm at the end  
6 of my career, but for all the fine workers and  
7 factories in Missouri and Ohio that I have come to  
8 know over the years, I ask the Commission to find  
9 these Chinese imports are injuring our company and our  
10 industry and give our company a chance to reinvest and  
11 survive in the United States. Thank you.

12 MR. SCHAGRIN: Thank you. I'm Roger  
13 Schagrin again for the Petitioners. Just a few wrap  
14 up comments after the excellent testimony of these  
15 witnesses who collectively have such significant  
16 experience in the steel wheel industry. Similar to  
17 the comments made by Mr. Lowe earlier, I would note  
18 that neither the petition nor either of these  
19 producers blame the Chinese for their bankruptcy  
20 filings in 2009. Clearly, a two million unit drop in  
21 demand in the marketplace outweighs 600,000 or 700,000  
22 steel wheels from China. The math is fairly simple.  
23 So as has happened in a number of cases before this  
24 Commission, and as a representative of the domestic  
25 industry in cases before this Commission, we did not



1 attempt to assign blame from the decline in demand to  
2 imports. Rather, as the Commission must assess, as  
3 Petitioners will demonstrate, the question is what  
4 happens when demand begins to rebound as it clearly  
5 has in 2010 and will continue to do in 2011.

6           There, the answer is clear. As demand is  
7 rebounding from the extremely low levels of 2009, what  
8 is clearly going on is that imports from China are  
9 increasing their market share. The imports from  
10 China, because of their extremely low prices in the  
11 U.S. market in 2010 and 2011, are increasing their  
12 market share. This is having both a volume and a  
13 price impact on the domestic industry. That, by  
14 definition, is injury. It is injury caused by the  
15 imports. The fact that demand levels are still below  
16 where they had been prior to the recession doesn't,  
17 you know, mean that the lower levels of demand aren't  
18 also a contributing cause of the injury, it means that  
19 imports of dumped and subsidized steel wheels from  
20 China are in and of themselves a contributing material  
21 cause.

22           They don't have to represent the entire  
23 cause of injury to the domestic industry. Clearly,  
24 these two companies, having come out of bankruptcy,  
25 are in a weakened state. It will come as no surprise

1 that I don't agree with the Ford Motor Company or  
2 Hogan Level's view of the world that unfair trade  
3 actually makes domestic industry stronger. If it  
4 doesn't kill you, it will make you stronger. I think  
5 Congress has already spoken to that issue. With as  
6 much power as some of the big law firms have in  
7 Washington on policy, they haven't been able to  
8 reverse the statute in the statutory criteria for  
9 injury before this Commission, and I hope they will  
10 not be able to in the future.

11 As to the impact of aluminum wheels on the  
12 steel wheel industry, I think as you explore this  
13 issue you will hear from these domestic industry  
14 members that never do customers of steel wheels come  
15 to them and say please lower your price of steel  
16 wheels to me because you're competing with aluminum  
17 wheels that are three times more expensive. No, that  
18 doesn't happen. People choose aluminum wheels or  
19 steel wheels independently. It's a choice customers  
20 make. They really don't compete with each other, not  
21 when aluminum wheels are three times more expensive.  
22 The fact that there's gaining preference for aluminum  
23 wheels that may be decreasing the overall size of the  
24 pie once again just makes producers of steel wheels  
25 more vulnerable if the Chinese take a larger share of

1 the smaller pie.

2           What does happen to these producers every  
3 day is that customers come to them and say you must  
4 lower your price of steel wheels to us because we can  
5 buy Chinese wheels at lower prices. That's what's  
6 having the competitive impact on the steel wheel  
7 industry, not the growth of aluminum wheels in the  
8 marketplace. Additionally, it's preposterous to say  
9 that imports from Accuride's plant in Mexico are  
10 injuring the U.S. industry because they may or may ont  
11 be larger than total imports from China. First of  
12 all, because Accuride produces and sells those wheels  
13 in the United States, they sell those Mexican-produced  
14 wheels in the United States just as they sell their  
15 domestically-produced wheels, at the same prices.

16           So those Mexican wheels are higher priced  
17 than the Chinese wheels, so they are not in any way  
18 contributing to the injury, and particularly to the  
19 price pressures on the domestic industry. My final  
20 comment goes to the participation of foreign producers  
21 in this Commission preliminary investigation. I am  
22 overjoyed that at least one of the major Chinese steel  
23 wheel producers will be here later this morning to  
24 present testimony. That's good for the Commission,  
25 it's good for Petitioners, it's good for the process.

1       What troubles me is that I downloaded a news report  
2       from the *China Daily* about a meeting which was held  
3       after the petition was filed in Beijing by Mr. Lowe's  
4       client. It was evidently called by that The China  
5       Chamber of Commerce of Imports and Exports of  
6       Machinery and Electronic Products.

7               According to this news report, which we'll  
8       submit with our postconference brief, when that  
9       meeting was called, 16 Chinese steel makers met in  
10      Beijing, presumably to hire counsel, which is a  
11      wonderful thing, I'm happy for Mr. Lowe to have a  
12      good, extremely wealthy, highly paying client because  
13      The China Chamber of Commerce is part of the Chinese  
14      government and no one's got more money in the world  
15      today than the Government of China, but I have to  
16      wonder if the Government of China can call a meeting  
17      and have 16 out of the 50 Chinese steel wheel  
18      producers attend on a short notice, why can't they  
19      tell the 16 Chinese steel wheel makers that attended  
20      that meeting to file questionnaire responses with the  
21      ITC? Unless I'm wrong, I don't think you've yet  
22      achieved 16 foreign producer responses.

23              So of course I'm sure this Commission will  
24      urge Mr. Lowe to urge the Chinese Association of  
25      Automobile Manufacturers and The China Chamber of

1 Commerce of Imports and Exports of Machinery or  
2 Electronic Products to fully participate in this  
3 process. The other thing that came out of this  
4 article is a note that says China steel wheel  
5 producers have been subject to antidumping  
6 investigations by South Africa, India, Australia and  
7 the European Union. We were not aware of all these.  
8 Sometimes cases get filed, I'm aware of in Australia  
9 cases being filed, and then under tremendous pressure  
10 from the Government of China, cases being withdrawn,  
11 but we will look further into this.

12           However, it's a pretty strong indication  
13 that where a massive industry in China which has  
14 capacity far in excess of their own demand in China is  
15 shipping so many steel wheels to various countries  
16 around the world that they're subject to multiple  
17 antidumping investigations, it's almost preposterous  
18 to say why are people picking on the poor, little  
19 Chinese steel wheel industry? What did we do? We  
20 didn't have any part in these bankruptcies? How could  
21 we, a small industry, damage now, or in the future, a  
22 U.S. industry? No. The Chinese steel wheel industry  
23 shares with many of their brethren industry in China  
24 an overcapacity problem that Ms. Yang in her letter  
25 from Centurion pointed to, and as these gentlemen from

1 the domestic industry can tell you, there are now so  
2 many Chinese steel wheel producers with excess  
3 capacity, they are beating a door to these  
4 distributors that you'll hear from later this morning.  
5 They are clobbering each other on price and clobbering  
6 the domestic industry. They are dying to sell more  
7 and more volume in the United States so that they can  
8 employ and expand more in China. That is a real  
9 threat of continued injury to this industry. With  
10 that, I know that you've got refrigerators coming up  
11 in this room later this morning. We are only going to  
12 have used half of our time, and we are happy to answer  
13 the staff's questions. Thank you very much.

14 MS. DEFILIPPO: Thank you, Mr. Schagrin, and  
15 thank you very much to all the industry witnesses who  
16 are here today. It is always very helpful to have  
17 people from the industry come in and explain to us how  
18 it works. I'm sure we do have some questions, so I'll  
19 start first with our Investigator, Ms. Mary Messer.

20 MS. MESSER: Thank you. Mary Messer, Office  
21 of Investigations. Mr. Noll, you briefly went through  
22 the production process. I appreciate that. Can you  
23 tell me if that process is the same for both  
24 producers, and whether or not that process is the same  
25 in China and other countries throughout the world, or

1 are there any differences?

2 MR. NOLL: Basically, they are exactly the  
3 same. There may be some design variations, but  
4 overall, the process would be the same.

5 MS. MESSER: Okay. And you mentioned also  
6 that there are separate manufacturing lines for the  
7 rims and for the wheels, is that correct?

8 MR. NOLL: Correct.

9 MS. MESSER: And that's the same for Hayes  
10 as well?

11 MR. SCHAGRIN: Mr. Hampton, would you like  
12 to --

13 MR. HAMPTON: That's correct.

14 MR. SCHAGRIN: -- comment on your production  
15 facility?

16 MR. HAMPTON: The processes are basically  
17 the same.

18 MS. MESSER: Okay. So if you have two  
19 separate lines, do they both have the same capacity  
20 rates or is there a bottleneck on one line or the  
21 other? What would determine the capacity?

22 MR. NOLL: Basically, you can offset them  
23 like on the disc line it might be slower, but you have  
24 many more multiple machines. For instance, when you  
25 make the discs you have more machines on that line so

1 you balance them. So you have more pieces of  
2 equipment on the disc line to balance the rim line.

3 MS. MESSER: Okay. So you make sure that  
4 you have the same capacity going at the same time.

5 MR. NOLL: Right.

6 MS. MESSER: Okay. Do either one of those  
7 lines produce a component of a steel wheel that is  
8 larger than the scope, or smaller, I'm sorry, smaller  
9 than the scope of this investigation?

10 MR. NOLL: At Accuride, we do not.

11 MS. MESSER: Can it?

12 MR. NOLL: With adaptation, it could.

13 MS. MESSER: And how long would such change  
14 need to be to change that over?

15 MR. NOLL: Well, it would be a matter of  
16 getting new tooling and, but basically in the heavy  
17 truck industry, because the thickness of the steel is  
18 large, it's a slower rate. When you get into  
19 passenger cars or the smaller sizes, since the steel  
20 is thinner you really want to make the product faster,  
21 and so you kind of would be noncompetitive making  
22 smaller product on a heavy line because it's a slower  
23 rate.

24 MS. MESSER: Okay. Is that the same story  
25 for Hayes?



1           MR. HAMPTON: No. We have two manufacturing  
2 facilities. One manufacturing facility is in Akron,  
3 Ohio. That would be the case. There's no equipment  
4 in Akron, Ohio that would manufacture wheels outside  
5 of the scope what we're talking about. In Sedalia,  
6 Missouri, that facility manufactures wheels from 15  
7 inches in diameter to 18 inches in diameter, so some  
8 of the wheels would fall outside of the scope of what  
9 we're talking about.

10           MS. MESSER: And could either one of those  
11 lines be retooled to produce a different size if  
12 necessary?

13           MR. HAMPTON: No.

14           MS. MESSER: Okay. Since you have two  
15 separate production lines, can rims and wheels, I'm  
16 sorry, rims and discs be sold separately, and are they  
17 being sold separately?

18           MR. NOLL: Yes. We do have some  
19 distributors that make low volume wheels and they  
20 would buy the rim from us and make their own disc or  
21 they might use the components, but we deal in larger  
22 quantities, and so if somebody wants to make specialty  
23 wheels, they may buy the components and then weld them  
24 to the customer's specification.

25           MS. MESSER: And how often does that happen?

1 MR. SCHOMER: That's a very infrequent.  
2 We're talking about fives and 10s, not thousands, and  
3 not even hundreds. It's a very specialized market.

4 MS. MESSER: Okay. Five and 10 units.

5 MR. SCHOMER: Units. That's correct.

6 MS. MESSER: Okay. And how much value added  
7 do you think these companies would --

8 MR. SCHOMER: They may add 30 to 40 percent  
9 value by doing that specialty work.

10 MS. MESSER: Okay. and does that happen  
11 with Hayes Lemmerz or do you always sell it as a unit?

12 MR. WEISEND: In the case of a tubeless  
13 product, we always sell it as a complete wheel. When  
14 you get into tube-type applications which have  
15 diameters such as are included in here, that volume is  
16 so small that, like our friends at Accuride, it's not  
17 cost-effective for us to make. The market demand for  
18 it is so small that we can do it cost efficiently. So  
19 we would supply let's say a rim component for which  
20 the specialty manufacturers would further manufacture  
21 it into a disc wheel, but the unit sales for that  
22 would be less than one-tenth of one percent. Like Mr.  
23 Schomer said, it's 10s and 20s.

24 MS. MESSER: Okay. And are you aware of  
25 whether or not any imports are coming in separately or

1 are the Chinese imports always coming in as a unit?

2 MR. WEISEND: I'm only aware of products  
3 coming in here as complete one piece, tubeless  
4 assemblies. Tubeless disc wheels. It's an assembled  
5 product.

6 MS. MESSER: Okay. You had mentioned, Mr.  
7 Noll, that the disc and the rim are then welded  
8 together or riveted together?

9 MR. NOLL: First pressed together and then  
10 welded to make it a final unit.

11 MS. MESSER: Okay. And it's the same at --

12 MR. HAMPTON: That's correct.

13 MS. MESSER: Are they ever riveted together?

14 MR. NOLL: A long time ago when I first came  
15 in the industry, they actually were riveted together.

16 MS. MESSER: Okay. And the Chinese product  
17 is the same? It's welded, not riveted?

18 MR. NOLL: Is welded. Yes.

19 MS. MESSER: Okay. All right. Okay. Are  
20 there any steel wheels that are more than two pieces?  
21 For instance, a three piece steel wheel.

22 MR. NOLL: There's tube-type product that  
23 have rings that snap into place and so you would have,  
24 the rim itself would be made of multiple components  
25 that you put the tire on the rim and then snap a ring

1 on, so, and those are called two piece and three piece  
2 assemblies, but those are tubed product. There's also  
3 certain wheels that are made in two halves and bolted  
4 together for military applications and things like  
5 that.

6 MS. MESSER: And do both of your companies  
7 make those type?

8 MR. NOLL: We do. Yes.

9 MS. MESSER: And you would consider them  
10 part of the domestic like product and part of the  
11 scope?

12 MR. SCHAGRIN: They would be because they're  
13 defined by size. They're very, very minuscule portion  
14 of the market, but given the need for Commerce  
15 Department purposes to make scope based on physical  
16 characteristics, they would fall within the scope.

17 MS. MESSER: Okay. And are there any  
18 Chinese imports of those three piece and the  
19 riveted --

20 MR. SCHOMER: Yes, there are.

21 MS. MESSER: Okay. And are they sold to the  
22 same type companies that you sell these, the regular  
23 two piece steel wheels?

24 MR. SCHOMER: Yes. They're not in the  
25 military contracting side of the business. When Bill

1 made reference to the military two piece, those are  
2 still domestically probably provided by our two  
3 companies and a third out of New Jersey, but yes, we  
4 compete at the same level, especially in the after  
5 market on the two and three piece.

6 MS. MESSER: Okay. I'm not an automotive  
7 person. You mentioned the tubeless and the tube-type.  
8 Can you explain to me, please, the difference between  
9 the steel wheels between those two?

10 MR. WEISEND: The industry has gravitated to  
11 tubeless over many, many years. One of the primary  
12 reasons for this change is safety. The multipiece  
13 rims that have been referred to here have been used or  
14 been used in the 1970s caused many injuries in and the  
15 handling and the servicing so the industry has gone to  
16 a single piece tubeless wheel that has two components,  
17 and I would clarify that. We look at a tubeless wheel  
18 today as a single piece. It has two components to it,  
19 but it's a single piece. The industry has been  
20 tubeless, I would say 98 percent is tubeless or even  
21 higher, maybe 99 percent, and those applications where  
22 it's not are specialty applications. For the general  
23 over the road industry, it's a tubeless market.

24 MS. MESSER: Okay. But the steel wheels  
25 that we're talking about are not only on road, but

1 they're offroad as well, right? So is there a  
2 difference between the tube and tubeless for the  
3 offroad?

4 MR. WEISEND: The tubeless offroad versus  
5 the tubeless onroad generally have a higher load  
6 carrying capacity for loads and conditions for offroad  
7 service. The basic contour and the manufacturing  
8 process for those are similar, it's just a heavier  
9 steel to handle and designed to handle heavier load  
10 applications.

11 MS. MESSER: Okay. I see my yellow light is  
12 on. Can I continue?

13 MS. DEFILIPPO: Yes.

14 MS. MESSER: Okay. I've heard that aluminum  
15 wheels can be cast into one piece. Are steel wheels  
16 cast into one piece?

17 MR. NOLL: No. There were a couple people  
18 who tried to cast the wheel but it was noncompetitive,  
19 but those were over in Europe. There have not been  
20 any cast steel wheels in the United States. There are  
21 cast aluminum and forged aluminum.

22 MS. MESSER: Okay. Why were they not  
23 competitive? Why not cast a steel wheel?

24 MR. NOLL: Well, the reason you would cast  
25 something is to give it a design feature, highly

1 designed, but they were not competitive weight-wise  
2 and also performance-wise.

3 MS. MESSER: Okay. And that's for the  
4 larger sizes that we're talking about?

5 MR. NOLL: Correct.

6 MS. MESSER: Okay. All right. Are there  
7 any nonsteel components? For instance, can you take a  
8 nonsteel rim and use a steel disc, and is that done?

9 MR. NOLL: It has been tried and has been  
10 done but it's never turned into a practical commercial  
11 application because you have problems with dissimilar  
12 metals and welding them together and the corrosion  
13 aspects between the two. So it has been tried, but  
14 it's never been commercially feasible.

15 MS. MESSER: And it's the same for the  
16 Chinese? There are no imports of that?

17 MR. NOLL: Right.

18 MS. MESSER: And are there any other  
19 nonsteel, nonaluminum versions of these wheels out  
20 there or is this it?

21 MR. NOLL: We have made plastic prototypes  
22 but they've never been commercially available. Yes,  
23 we've tried many different things, but right now the  
24 only ones that we manufacture are steel and then the  
25 forged aluminum wheels.

1 MS. MESSER: The same with Hayes?

2 MR. HAMPTON: It's the same. Yes.

3 MS. MESSER: Okay. And are there any new  
4 manufacturing or material technologies for these  
5 wheels that have contributed to significant cost  
6 savings or product improvements the last several  
7 years?

8 MR. NOLL: Well, there's been design  
9 applications, like using higher strength steel. Also,  
10 and through the manufacturing process, by studying the  
11 way that you impart the loadings to the material you  
12 can strengthen its durability. So in that aspect  
13 there's been many things tried, but basically, if you  
14 would view the wheel you wouldn't see any changes, but  
15 as an engineer, I might see all kinds of changes, but  
16 they're more processing.

17 MS. MESSER: Mr. Kato, you mentioned about a  
18 movement toward the powder coating because the Chinese  
19 were offering it at no additional costs. What portion  
20 of the wheels that are in the scope here are these  
21 power-coated wheels and what have the E-coat or  
22 standard paint finish?

23 MR. KATO: A powder coating, just a bit of  
24 background, is for corrosion, for better corrosion  
25 protection. One hundred percent of what Hayes now



1 produces for the scope of this investigation are  
2 powder-coated wheels.

3 To Donny Hampton's point, we outsourced our  
4 paint operations rather than making the capital  
5 expenditure and we went with the powder coat operation  
6 at that time. We did that in response to, to my  
7 knowledge, all wheels coming in from China have an  
8 enhanced coating, if you will, on it, versus an  
9 E-coat, which we would consider to be more of a  
10 standard coating.

11 MS. MESSER: Okay.

12 MR. KATO: That was one of the moves we had  
13 to make to compete there.

14 MS. MESSER: Is that the same for Accuride?

15 MR. SCHOMER: No, we're not at a 100 percent  
16 yet ourselves at capital expenditures, and we'll share  
17 that in the debrief, too.

18 MS. MESSER: Okay.

19 MR. SCHOMER: And one of the items that I  
20 would add to that is when we made the change we were  
21 not compensated from a price perspective. It clearly  
22 did not cover the cost that we had incurred to make  
23 that change.

24 MS. MESSER: Okay. And are there any other  
25 types of coatings that are put on these wheels?

1           MR. WEISEND: For some military applications  
2 the requirements cover a CARC coating, which is a  
3 different process than the powder coating, but it's  
4 pretty much limited to military trailer applications  
5 and military specifications.

6           MS. MESSER: Do purchasers ever perform the  
7 coating operations or are the coating or painting  
8 always done by the manufacturers?

9           MR. SCHOMER: With the E-coat finish, or  
10 what has been described as E-coat finish that has  
11 served the industry with two dual purposes. It has  
12 been supplied as a finished top coat paint and it also  
13 serves as a primer coat should a given manufacturer  
14 want to paint a wheel a specific color to match the  
15 color of a cab for a truck or a trailer or a specific  
16 customer request.

17           MS. MESSER: And today here we have two use  
18 producers and the petition mentions a third. Are  
19 there any other U.S. producers? That's the only other  
20 known producers of these wheels?

21           MR. SCHOMER: That third producer is  
22 actually an aluminum wheel producer in terms of the  
23 two piece and that would be the only other Petitioner  
24 out there, a company called Alco.

25           MR. SCHAGRIN: The petition mentions Titan,

1 and as the other members of the industry are aware,  
2 Titan, which was the Petitioner in the off-the-road  
3 tires case specializes in much larger tires than the  
4 sizes of wheels for mostly very large, off-the-road  
5 excavation tractors, other types of big, off-the-road  
6 vehicles. And I think because of their specialty in  
7 those tires they also make their own steel wheels to  
8 go with their tires.

9           The very bottom evidently of Titan's  
10 production range, and we're very unsure of whether  
11 they even make any sizes in this size range or whether  
12 they don't. But we know that the very bottom of their  
13 range is the very top of the range for scope. And  
14 then above that they are the major player. These  
15 manufacturers do not make things above 24 1/2. Titan  
16 would make very many wheels as well as tires above  
17 24 1/2. That's really their business. We just don't  
18 know if they do make any steel wheels in the size  
19 range. And if they do, how much. We don't know. And  
20 that's basically the domestic industry.

21           MR. KATO: One comment. I can't think of a  
22 time when we have competed against Titan in my time on  
23 the scope of what we're talking about here.

24           MS. DEFILIPPO: In the interest of keeping  
25 moving, we'll come back to Ms. Messer if the other

1 staff doesn't get through the questions that she may  
2 have. So we'll move now to our attorney advisor,  
3 Mr. Goldfine.

4 MR. GOLDFINE: Good morning. David Goldfine  
5 with the Office of General Counsel.

6 Mr. Schagrin, I think it's pretty clear in  
7 the petition you're arguing for a single-like product,  
8 is that correct?

9 MR. SCHAGRIN: That is correct. I'm in  
10 total agreement with you.

11 MR. GOLDFINE: Just help me understand. I  
12 don't know if the Respondents are going to contest  
13 that or not, but in terms of the dividing line for  
14 size, the 18 to 24 1/2, why is that so clear? Maybe  
15 some of your witnesses could shed some light on it, on  
16 either end. I mean why is that the dividing line?

17 MR. SCHAGRIN: First, like a lot of things  
18 the past is prologue, so we do try to learn from what  
19 this Commission has done in the past, particularly in  
20 an area like this where this is my first case on auto  
21 and truck parts. I hope not my last since we've lost  
22 several hundred thousand jobs in this industry over  
23 the last several years to imports from China. So I  
24 hope that in spite of massive pressures from the big  
25 three, two of which, I guess, I partially own as a

1 taxpayer, that we'll have more.

2           So I've looked at the 1989 case, which  
3 covered essentially 10- to 16-inch steel wheels for  
4 passenger cars. And I talked to the members of the  
5 domestic industry and I said, okay, we're not talking  
6 about passenger car steel wheels here. We're talking  
7 really about steel wheels for commercial trucks.  
8 What's the size range on those? And basically, I  
9 think the industry would say they're 18 to 24 1/2 with  
10 a vast preponderance being the 22 1/2 inch steel  
11 wheel, which I believe most trucks and trailers take  
12 that.

13           So one has to try to look for a clear  
14 dividing line somewhere. And as to Accuride's plant,  
15 everything falls within that. As to one of the two  
16 Hayes plants, everything falls within that. And as to  
17 the other Hayes plant, there is within their size  
18 range there the largest wheel they make in that plant,  
19 which goes for smaller trucks, i.e., Class 3 and  
20 Class 5 rather than Class 8 is made there, whereas the  
21 wheels below that that they're making are primarily  
22 for passenger cars. And clearly, and I'd invite  
23 anybody from Hayes to comment on this, the steel wheel  
24 for a passenger car market is a very, very different  
25 market in all ways besides the size of the wheel, the

1 weight requirements needed for a car versus a truck  
2 than the steel wheel for truck market.

3 So I don't know if, Mr. Kato, you'd like to  
4 add something?

5 MR. KATO: Yes, I'll add a little more to  
6 it. If you look at Sedalia, Missouri plant that plant  
7 services passenger car applications. When I say  
8 passenger car, I'm referring to what you might think  
9 of as light truck, which would be Ford F series  
10 trucks, GM pickup trucks, Silverados, Toyota -- those  
11 type of vehicles. So those are light trucks.

12 If you look at the applications out of that  
13 plant, 14-inch to 18-inch wheels service that market.  
14 Passenger cars, including SUV, pickups and that type  
15 of thing, okay? We don't sell commercial -- what we  
16 would call commercial wheels for purposes of this  
17 scope out of that.

18 MR. GOLDFINE: How much of it is 14-inch  
19 versus 18-inch, in terms of the passenger cars?

20 MR. KATO: The 18-inch piece, if I can, we  
21 have some of this data split for you in the producers  
22 records questionnaire. It's about 15 percent of the  
23 production in that plant would be 18-inch wheels,  
24 okay? When we get below that, 17 and below, we really  
25 are into what you would consider passenger car

1 application.

2 MR. NOLL: Can I add just one comment is the  
3 wheel doesn't go against the road. There's this thing  
4 called a tire in between. And so we're predominately  
5 dominated by what the tire will carry. And so  
6 therefore we design to meet the tire. And so there's  
7 a clear differential in a truck tire versus a light  
8 truck tire versus a passenger tire, the way it's  
9 constructed, the load it carries, and so that defines  
10 the sizes too. So that you have clearly a  
11 heavier-sized product for the heavy truck and then the  
12 passenger car is a very light-duty product. So the  
13 tire dictates to us how we have to design the product.

14 MR. GOLDFINE: And in terms of aluminum, why  
15 isn't that included in the scope?

16 MR. SCHOMER: Well, it's clearly a different  
17 industry. And then, you've heard Chinese already  
18 drove Hayes Lemmerz, which definitely contributed to  
19 their bankruptcy, besides the down turn, out of the  
20 aluminum wheel for passenger car industry. But it's a  
21 completely different product, besides the fact that  
22 aluminum is such a different metal from steel, as I  
23 think you heard Mr. Noll's testimony. They make it in  
24 different plants. They make it in an entirely  
25 different kind of production process from a different

1 type of feed stock.

2 And in terms of price considerations, the  
3 fact that aluminum wheels sell for three times as much  
4 as steel wheels, I think pretty clearly makes them  
5 different products, as this Commission's looked at in  
6 the past, I guess there's the one famous case on  
7 passenger cars. Yes, you know a Rolls Royce and  
8 Volkswagen both have engines and four wheels and  
9 they'll both get you from one place to another. That  
10 doesn't mean they're the same product and the same is  
11 true of aluminum and steel wheels. They both have the  
12 same function, but the fact that one is three times  
13 more expensive. Besides, the materials and the  
14 production processes make them very different  
15 products.

16 MR. GOLDFINE: Do any of the domestic  
17 importers import the scope wheels from China or any  
18 domestic products affiliated with any subject  
19 producers?

20 MR. KATO: Hayes does not. No.

21 MR. GOLDFINE: And are there any related  
22 party issues then that we should be aware of?

23 MR. SCHAGRIN: No. Luckily, there are no  
24 related party issues that I am aware of in this case.  
25 It is so nice, not only to represent U.S. producers



1 who don't have plants in China, but be involved in an  
2 industry that don't have plants in China.

3 MR. GOLDFINE: Okay, I can cross that one  
4 off.

5 MR. SCHAGRIN: You can cross that one off.

6 MR. GOLDFINE: Are any domestic producers  
7 importing from nonsubject countries like Canada or  
8 Mexico? And if so, why weren't the imports from those  
9 countries included in the petition?

10 MR. KATO: From a Hayes perspective, we have  
11 very much a business model that lends itself to  
12 export. That hasn't been our objective. Yes, we do  
13 import some wheels under the scope of this petition  
14 from Turkey and a few from Germany. As a percentage  
15 of what we supply into this market, it's in the 5  
16 percent range. Why do we import those? They are low  
17 volume applications or market needs and we do not have  
18 the capability in Akron to produce the wheels that we  
19 import. Where we have capability in Akron we  
20 manufacturer wheels. If you look at our business as a  
21 whole, whether it be commercial wheels, passenger car  
22 wheels, we service domestic markets. On a  
23 situation-by-situation basis, we might do a bit of  
24 exporting, but it is a fraction of what we do.

25 MR. SCHOMER: And you know we have

1 facilities in London, Ontario, and Monterey, Mexico,  
2 as I stated in my statement. We're there primarily  
3 because of our customers. We sell at the same price  
4 as the product that's manufactured domestically. We  
5 have followed the market for our consuming assemblers.  
6 The truck companies have moved to the southwest, and  
7 so it's been a freight issue because our customers do  
8 pay FOB and they make that choice.

9 MR. SCHAGRIN: And I just add we didn't file  
10 cases against those imports because they're not  
11 unfairly traded.

12 MR. GOLDFINE: Okay. This is for Mr.  
13 Schagrin. This I'm sure will come up in your  
14 post-conference brief, you can just tell me that or if  
15 you want to give me a brief answer. What data source  
16 should the Commission use to measure imports from  
17 China, importer questionnaires or official statistics  
18 from Commerce and why?

19 MR. SCHAGRIN: I think we'll address that in  
20 our post-conference brief after we have a chance to  
21 spend more time with importer responses and be able to  
22 analyze coverage issues. So we will address that in  
23 our post-conference brief.

24 MR. GOLDFINE: Okay.

25 MS. DEFILIPPO: Thank you, Mr. Goldfine.

1                   We'll now move to Mr. Craig Thomsen, our  
2                   economist on the case.

3                   MR. THOMSEN: Good morning and thank you for  
4                   all your testimony.

5                   First, I want to ask a couple of questions  
6                   about demand. Do sales of steel wheels tend to lead  
7                   or lag general economic activity in the United States?

8                   MR. KATO: I think it's a question that's  
9                   been clearly indicated by the last recovery here that  
10                  we've just been experiencing. It's been a lag effect  
11                  because people don't buy a truck like they buy a car  
12                  to put in their driveway and look at. They buy a  
13                  truck and they buy a trailer to haul freight. And  
14                  before that freight is moved, there has to be an  
15                  economic driver and there has to be the economy  
16                  moving. So it really is a lag effect in terms of the  
17                  economy coming back.

18                  MR. THOMSEN: Mr. Weisend?

19                  MR. WEISEND: The transportation industry  
20                  usually is a leading indicator of an economic trend.  
21                  And as inventories start to get depleted from  
22                  warehouses and the movement of freight -- I mean the  
23                  only reason we sell wheels is because there's freight  
24                  movement. And so as the economy picks up and the need  
25                  to move goods and services increases, that, for the

1 most part, drives what we would call  
2 economically-drive demand. And then the fleets that  
3 buy our products also have a replacement demand. And  
4 those are the two factors that really drive the market  
5 in terms of the demand for wheels.

6 MR. THOMSEN: And by how long is this lag,  
7 would it be just a couple months or would it be a  
8 year?

9 MR. WEISEND: It varies, the slope of the  
10 increase and the activity. What we're seeing it's  
11 been kind of a six-month to nine-month type of lag  
12 effect that we've seen coming out of this one. We've  
13 started seeing it very slowly come back.

14 MR. THOMSEN: Okay.

15 MR. WEISEND: Much of that has to do with  
16 fleet utilization. When a fleet has equipment parked,  
17 they're not really going to look to buy new equipment.  
18 So as their demand for equipment and utilization  
19 increases, then the demand follows.

20 MR. THOMSEN: And what would be the best  
21 indicator for downstream demand for steel wheels,  
22 would it be Class 8 truck sales or production or would  
23 it be the same year or following year?

24 MR. SCHOMER: I think you have to go a  
25 little bit broader than just Class 8 because of the

1 number of intercity traffic that's done and as the  
2 building industry comes back. That's one of the  
3 things that's been a drag on the recovery this times  
4 is the lack of building response. So I think you  
5 really have to open it up and look at Class 5 through  
6 8 is generally more indicative of our total recovery.  
7 And we've seen the 5 through 7 be much slower in  
8 recovery than the Class 8.

9 MR. THOMSEN: Mr. Weisend, would you agree  
10 with that?

11 MR. WEISEND: yes.

12 MR. THOMSEN: And is there an economic  
13 indicator for trailer demand, or would that be  
14 included within the Class 5 to 8?

15 MR. SCHOMER: Actually, there is an  
16 indicator out there that we'll include in our debrief  
17 that is a truckload per truck available right now  
18 indicator. And the more truckloads there are out  
19 there that exceed the number of trucks available that  
20 will increase slightly the demand in trailers. So  
21 there's usually a ratio that's slightly higher in  
22 trailers ultimately available. But as we also stated  
23 earlier, trailers tend to last longer than the truck  
24 itself.

25 MR. THOMSEN: And I guess speaking of life

1 spans, is there a difference between the life span of  
2 a steel wheel versus an aluminum wheel?

3 MR. NOLL: No, not really. Theoretically,  
4 they should last forever. If they're maintained  
5 properly, they will. And so there really is not a  
6 difference. There's not a point in time when you  
7 would take it out of service.

8 MR. THOMSEN: And given that aluminum wheels  
9 are lighter than the steel wheels, is there some sort  
10 of formula that can calculate the amount of fuel  
11 savings or the cost savings that would lead someone to  
12 want to buy an aluminum wheel versus a steel wheel?

13 MR. NOLL: Yes. We could supply that. I  
14 don't have it. But really aluminum wheels they're  
15 specific to an application. For instance, if you have  
16 a tank truck, for every pound you take out you can put  
17 a pound more of fuel, milk, et cetera in there. But  
18 the majority of aluminum wheels are just bought  
19 because they look good, really.

20 MR. THOMSEN: And given that they last  
21 forever, is there a used steel wheel market? And if  
22 so, is that market --

23 MR. SCHOMER: There is a refurbish market  
24 where people do go in, and quite often the tire  
25 dealers, which is one of the far downstream, are the

1 ones who usually do that because they're taking the  
2 tires on and off the trucks and they will shot blast  
3 and then repaint.

4 MR. NOLL: For instance, like paint could  
5 get chips with pebbles and so they would take the rust  
6 off and repaint them as part of the maintenance to  
7 continue to make them last longer.

8 MR. THOMSEN: Does anyone on the panel have  
9 any idea how large that market it is, or whether you  
10 may have been affected by the economic down turn and  
11 people are trying to save money, so maybe they're  
12 looking more into the refurbish now than they would  
13 have back in 2005?

14 MR. WEISEND: I think it's fair to say that  
15 when a fleet is faced with a slow movement of freight,  
16 as a factor of saving money they would look to  
17 reconditioned wheels. I don't know that they would  
18 necessarily go out and buy used wheels. But they  
19 would maybe recondition their own wheels that are not  
20 currently in service.

21 MR. THOMSEN: And getting to pricing a  
22 little bit, how does the weight of the wheel affect  
23 the pricing of the wheel? Is there a direct  
24 correlation between that or is there other factors  
25 that come into play?

1                   MR. SCHOMER: It should be a direct  
2 corollary because the price of steel -- the steel is  
3 such a major component of a wheel one would think  
4 there's a direct corollary behind that. We haven't  
5 seen that and that's one of the price cost squeeze  
6 issues that we're seeing. We have wheels that are  
7 coming in from China that are heavier than the wheels  
8 we sell here. However, their price differential is  
9 significantly below, which makes us very concerned  
10 because that squeeze is a long-term catastrophic issue  
11 for us.

12                   MR. THOMSEN: So it directly affects the  
13 cost, but not necessarily the pricing?

14                   MR. SCHOMER: Absolutely.

15                   MR. THOMSEN: And have there been any  
16 changes to the average weight of the wheels that  
17 you've sold over the last three years?

18                   MR. SCHOMER: Over the last three years,  
19 we've slowly but surely worked to get every ounce out.  
20 I mean that's a cost issue on our side. Significant  
21 in terms of pound or two we haven't gotten that kind  
22 of number out of our steel wheels. It's continued to  
23 be a struggle. The wheels have come down where 15  
24 years ago 80, 90 pounds into the 67, 68, 69 category  
25 over a decade.



1           MR. KATO: From our Hayes perspective, yes,  
2 we made some weight reductions to our line up 2009  
3 time frame to bring them into that 67/68-pound range.  
4 From a price perspective, I would concur with  
5 Mr. Schomer that price has not aligned as you would  
6 think that it would.

7           MR. THOMSEN: Do any purchasers have a  
8 country of origin preference for the steel wheels that  
9 they purchase?

10          MR. KATO: Is the question do any of our  
11 purchasers have a county of origin preference?

12          MR. THOMSEN: Yes.

13          MR. KATO: Yes, we have a few. Maybe  
14 post-brief would be a better place to answer. But  
15 yes, there's a small segment that do. I would  
16 characterize it as in the single-digit percent.

17          MR. SCHOMER: I would concur that. And it's  
18 becoming less and less.

19          MR. THOMSEN: If you can provide any data on  
20 the size of that market in your post-conference brief  
21 that would be helpful.

22                 Speaking of aluminum wheels for just a  
23 moment, do you have any data on the size of the  
24 aluminum steel wheel market? I assume Hayes you do  
25 since you are -- you know that you've gotten out that

1 market you may have had data that was from prior, so  
2 you may not have it, but Accuride may have a little  
3 bit of it. Mr. Kato?

4 MR. KATO: I apologize. Your question was  
5 the size of the aluminum market?

6 MR. THOMSEN: Yes.

7 MR. KATO: The market that we were in when  
8 we were producing aluminum wheels in the U.S. was the  
9 passenger car market. We did not supply for  
10 commercial application here. Different process.  
11 Those were cast wheels and we're talking about forged  
12 wheels, so I'll let Accuride speak to that.

13 MR. SCHOMER: And we'll provide that  
14 information in the debrief because that is  
15 confidential. But as I think it was clearly stated,  
16 we've never had a customer come to us and say you need  
17 to bring down the price of your steel wheel because  
18 we're going to replace it with an aluminum wheel that  
19 costs three times as much. I mean they are mutually  
20 exclusive.

21 MR. THOMSEN: Does the cost of production  
22 differ between production in the U.S., Mexico, and  
23 Canada? If you want to give that in a post-conference  
24 brief that I think would be helpful.

25 MR. SCHOMER: I think that's appropriate.

1 We can do that.

2 MR. THOMSEN: I only have a couple more  
3 questions. Have you tried to pass along any  
4 surcharges that you have been faced with from your  
5 steel producers onto the OEM market or to the after  
6 market?

7 MR. SCHOMER: Absolutely. And we have  
8 contracts that state that. What happens, though, is  
9 we take our price up, and I think as very clearly our  
10 contracts are not exclusive contracts. Our price  
11 continues to go up. The Chinese price stays here. We  
12 create a larger wedge for ourselves with every  
13 surcharge we pass through. And that price cost  
14 squeeze is crushing us.

15 MR. THOMSEN: How about for Hayes?

16 MR. KATO: We confirm. And were we can we  
17 certainly try, but we see as spread can we make  
18 ourselves less competitive. In most cases we do that.

19 MR. THOMSEN: And that was my last question.  
20 It was mentioned in the opening remarks about imports  
21 coming from Mexico. Are you aware of any other  
22 importers of steel wheels from Mexico?

23 MR. SCHOMER: I think we are right now the  
24 only one in this market. There are other producers.  
25 Hayes has a facility there.

1           MR. KATO: The facility we have there is  
2 aluminum, passenger car aluminum, so no we do not  
3 supply steel. Today I do not know of any others that  
4 bring wheels in from Mexico -- steel wheels for the  
5 scope of this.

6           MR. THOMSEN: Thank you very much for your  
7 time.

8           MS. DEFILIPPO: Thank you, Mr. Thomsen. We  
9 will now move to Mr. Boyland, our auditor.

10          MR. BOYLAND: Good morning. Thank you for  
11 your testimony. I've already sent the companies  
12 follow-up questions which I appreciate your attention  
13 to.

14                 First question: product mix during the  
15 period. Was there a shift in each year in terms of  
16 the percentage of diameters being sold?

17          MR. SCHOMER: Not really, it was just in  
18 parallel with the market.

19          MR. BOYLAND: In terms of parallel to the  
20 market, was there a shift in terms of how much was  
21 being sold into the OEM versus aftermarket?

22          MR. SCHOMER: We've seen pretty much, again,  
23 our aftermarket has been eroding for the last four  
24 years as a percentage of our business, as a ratio it's  
25 been a smaller bite of the pie as a percentage of

1 market share so it's been decreasing more than the OEM  
2 proportionately.

3 MR. BOYLAND: For the post-hearing, would it  
4 be possible to have a percentage for each company in  
5 terms of what share of total sales were made up by OEM  
6 and after market.

7 MR. SCHOMER: Sure, we can provide then the  
8 post-conference, Mr. Boyland for each of the three  
9 years of the POI, the share for each of the companies  
10 of OEM versus after market shares. I think we ought  
11 to be able to do that pretty easily, and we'll put  
12 that with our post-conference brief.

13 MR. BOYLAND: In terms of the bankruptcy,  
14 referring the 10-K information that's available I did  
15 not see any obvious reference to imports, which I  
16 believe is what you indicated in your testimony. Is  
17 there any internal documentation which would indicate  
18 the extent to which imports played a role or did not  
19 play a role which you could provide?

20 MR. SCHOMER: I think the documentation we  
21 just discussed will give you an indication in terms of  
22 percentage-wise, in terms of share drain in the after  
23 market change.

24 MR. BOYLAND: And I guess any other internal  
25 discussion between company officials which might sort

1 of put a more definitive -- I see where you coming  
2 from in terms of the share change.

3 Mr. Kato, you in your testimony talked about  
4 a profit profile where you looked at a base load for  
5 the OEM market to provide volume and that a large part  
6 of the profit would be generated by the smaller  
7 quantity sales to the after market, is that correct in  
8 terms of my interpretation?

9 MR. KATO: I think there are two points to  
10 make there. One is there's an economy scale factor  
11 that occurs here. In large volume, purchasers were  
12 able to command a lower price at one point in time.  
13 And then smaller volume applications, typically, you  
14 would see in the after market segment had a big higher  
15 price due to volume. Today we don't see that. Today  
16 we don't see that at all. And when you look at  
17 channels of distribution and what we would say made  
18 sense in terms of balancing volume and price doesn't  
19 make sense today.

20 And we have a number of Chinese producers  
21 who seem to come in at all aspects and in all  
22 direction to the purchasing community, whether it be  
23 at the OEM, whether it be at the distributor, whether  
24 it be at whichever level. And there's pricing that's  
25 given there, so it's turned that equation on its ear.

1 Yes.

2 MR. BOYLAND: And for Accuride, is that sort  
3 of the same general picture in terms of who  
4 profitability was generated versus today?

5 MR. SCHOMER: Absolutely. Absolutely. As  
6 I've stated, we actually came out with a product, the  
7 Statesmen, just to compete and to differentiate and to  
8 try and maintain the erosion or stop the erosion.

9 MR. BOYLAND: And was that successful, I  
10 mean from your perspective?

11 MR. SCHOMER: Any time you can keep a plant  
12 open that's a good thing, as we look at and keep the  
13 employment going. In terms of profitability, it's  
14 horrible. It's something that I get beaten about the  
15 head every day with, but it's something we use to keep  
16 the doors open.

17 MR. KATO: Competing against the Statesman  
18 wheel, I think that whenever you put a product out  
19 there with a price that the purchasing community  
20 largely views as being interchangeable it's a problem  
21 and it creates a long-term affect. And you can look  
22 at the Statesman wheel at Accuride. You can look at  
23 what happened with powder coat from Hayes Lemmerz. We  
24 didn't feel that we could charge for powder coat and  
25 hold share. We had to bring that in below cost and

1 that probably created some issues for Accuride at the  
2 same time.

3 Whenever you look at product that I think is  
4 viewed as somewhat commodity-based interchangeable it  
5 presents a problem and the price point has continued  
6 to climb.

7 MR. BOYLAND: Thank you. And back to the  
8 bankruptcy issue, just as a general matter, were there  
9 any specific issues that reduced the company's  
10 financial flexibility which also contributed to the  
11 bankruptcy? And I know that's a broad brush question,  
12 but obviously both companies entered bankruptcy in the  
13 same year. You came out in different years. But in  
14 terms of just how should we be looking, in terms of  
15 financial flexibility, of the company?

16 MR. SCHOMER: I think it was compounding  
17 issue of market, plus all of these other issues. I  
18 mean the market decline in North America, the general  
19 economic malaise that our country was in over the last  
20 three years was definitely a trigger element. And  
21 that combined all of the issues, the decline in  
22 profitability of our most profitable segment of our  
23 business due to off-shore competition was definitely a  
24 contributing factor. Was it the single cause? No.

25 MR. HAMPTON: From Hayes Lemmerz's



1 perspective, I mean Hayes Lemmerz is much more global  
2 than Accuride and so the global meltdown in itself,  
3 the global economy itself never no one here on this  
4 panel would say that Chinese imports into the United  
5 States and truck industry caused our bankruptcy  
6 filing. That's not the case. It's a small segment.

7 The truck market in the U.S. is a small  
8 segment of what we do at Hayes Lemmerz and so I'll  
9 tell you that Chinese imports into the U.S. virtually  
10 no impact on our filing.

11 MR. BOYLAND: I guess the other question too  
12 in stepping back in terms of the company's financial  
13 structure, I guess that was the leading question in  
14 terms of was there something about the particular  
15 financial structure of each company that helped  
16 contribute to this?

17 MR. HAMPTON: Sure. I mean if you want we  
18 can go into the details our financial structure, if  
19 that's the case.

20 MR. BOYLAND: Yes, I'd like the company's  
21 perspective. I have looked at the 10-K, so I'm aware  
22 of how it unfolded.

23 MR. SCHOMER: It's a matter of public  
24 record. So I mean there definitely other contributing  
25 factors. So we'll be glad to go into that in detail

1 in the brief if there's specific questions. I mean I  
2 know you've sent questionnaires.

3 MR. BOYLAND: Again, those additional  
4 questions I appreciate your follow up and some of them  
5 were related to that as well. So I guess any  
6 additional clarification you could provide would be  
7 helpful.

8 In terms of the product we're looking at,  
9 how did the bankruptcy itself affect the day-to-day  
10 operations of this particular product and its  
11 production and sale, et cetera.

12 MR. KATO: From Hayes perspective, we  
13 continue to operate our facilities in the U.S. We're  
14 a U.S.-based company, so our filing was done in the  
15 U.S. And to Mr. Hampton's point, it was a global  
16 impact, but we filed in the U.S. We continue to  
17 operate our facilities. We continue to make shipments  
18 to all of our customers during our restructuring  
19 period, so operations we think were largely unaffected  
20 from the viewpoint of our customer base.

21 I'm going to go back for a moment, if I can,  
22 speaking to Chinese imports and the impact in the U.S.  
23 market, to Mr. Hampton's point. Akron, Ohio is a  
24 critical facility for us. It's critical for a few  
25 reasons. One, because it serves a market that's

1 large. The U.S. market is a large market.

2 We also have facilities around the world  
3 that serve their domestic markets. However, one point  
4 that I bears mention and why it's critical to us is  
5 that we have global customers and they have an  
6 expectation that we have a manufacturing footprint in  
7 regions where they are. So Akron, Ohio is important  
8 for Volvo Mack and that's a good customer of ours.  
9 Akron, Ohio is important for Freightliner. That's a  
10 customer of ours. They're global customers. If we  
11 can't maintain that footprint, it creates a problem  
12 for us in terms of servicing our customer base.

13 And if we can't maintain that footprint  
14 because fo a price squeeze, that's an issue. And  
15 that's what we're up against right now. So it is a  
16 matter of it being -- it's a small piece of what we do  
17 because of what's happened with the market. But it's  
18 a very, very important piece of what we do in our  
19 company.

20 MR. SCHOMER: And Mr. Boyland, back to your  
21 question about the bankruptcy affecting our day-to-day  
22 operations, we're very proud of the fact that we  
23 really never missed a shipment. We never missed a  
24 payment to our suppliers. We were very, very cautious  
25 to make sure that we did this properly just because fo

1 the fragile nature of this market. And with the great  
2 threat that we have from off-shore competition, we  
3 couldn't afford to let that happen. So we worked  
4 extremely hard to make sure that there wasn't any  
5 visible in terms of delivery, supply, or our  
6 day-to-day operations throughout the bankruptcy.

7 MR. BOYLAND: So when we're looking at the  
8 aggregated industry financial results, obviously, the  
9 bankruptcy's in the background, but for purposes of  
10 evaluating trends and operational data the bankruptcy  
11 itself is not going to be visible or an issue.

12 MR. SCHAGRIN: That's correct. I don't  
13 think for either company having discussed these issues  
14 with them as they were preparing their questionnaires,  
15 I don't think for either company that you would see  
16 over the POI as to the financial data given on their  
17 steel wheels business any impact of the bankruptcy.

18 MR. BOYLAND: And in terms of post-  
19 bankruptcy, were there any change. I think I'm sort  
20 of guessing your response, but in terms of operational  
21 changes were there any restructuring or changes in the  
22 operations?

23 MR. KATO: From a Hayes, and Donnie comment  
24 here obviously as you see fit, but we did not from a  
25 capacity perspective did we take capacity offline, did

1 we do anything of that nature. We did not in the U.S.  
2 We have one facility that services this market and  
3 that's Akron. And I spoke to the importance of that  
4 in our manufacturing footprint and the expectation of  
5 our customers that we maintain that. So no  
6 significant structural shifts in our footprint here.

7 MR. HAMPTON: The only thing that I guess I  
8 would add to that is, and perhaps this is an impact.  
9 I shouldn't say perhaps. It is an impact of Chinese  
10 imports in this particular segment, and that is  
11 there's been significant restructuring as we support  
12 the businesses, whether it be steel wheel  
13 manufacturing or aluminum wheel manufacturing, the  
14 support that's given to these businesses from a  
15 corporate standpoint -- engineering, sales.

16 The sales force for this particular segment  
17 at Hayes Lemmerz once was in the range of 15 people --  
18 15, 16 people and today we employ from a sales  
19 perspective 2 or 3 in this segment. So there's  
20 tremendous price pressure. How do we respond to that  
21 pricing pressure? Part of that is we have reduce  
22 overhead and so we've significantly reduced the size  
23 of our sales force and engineering support as well, as  
24 well as plant staff.

25 And so in that regard, yes, there's been

1 significant restructuring, not due to Chapter 11  
2 filings, but due to pricing pressure. And as a  
3 response of pricing pressure, having to reduce cost.

4 MR. BOYLAND: And would that be true for  
5 Accuride?

6 MR. SCHOMER: And you'd have to mirror  
7 Mr. Kato and Mr. Hampton. Yes. We took no capacity  
8 offline. That was one of the requirements from our  
9 customers as we went into this so they would continue  
10 to support us, but we've had to do significant  
11 executive restructuring, the typical things that you  
12 need to do ensure viability in an extremely price  
13 competitive market. And we've done those things to  
14 come out here and be surviving, being treading water  
15 and addressing that squeeze that we're seeing.

16 MR. BOYLAND: So from a manufacturing  
17 perspective directly, not a visible change but from  
18 the overhead SG&A perspective period-to-period there  
19 would have been an impact?

20 MR. HAMPTON: And the support that's  
21 provided to the facilities certainly, which long-term  
22 that's not a good thing.

23 MR. BOYLAND: With respect to the Mexican  
24 operations, that was Accuride that has a Mexican  
25 plant?

1 MR. SCHOMER: Yes.

2 MR. BOYLAND: Are those tires a specific  
3 segment or size that are being imported or are they  
4 across that entire range?

5 MR. SCHOMER: They are a portfolio. Again,  
6 if you look at the assembly points, Navistar, PACCAR,  
7 Freightliner all have facilities in Mexico. And from  
8 a freight perspective rather than ship from Henderson,  
9 they're very aggressively pursuing. We've been down  
10 there for over 20 years. It's not a new facility and  
11 it sells at the same price that we sell in the U.S.

12 MR. BOYLAND: And I believe the Respondents  
13 referred to exports or imports into the United States  
14 from Mexico from that particular plant, not obviously  
15 supplying producers in Mexico. Would those be for the  
16 after market?

17 MR. SCHOMER: No, for example, several of  
18 our OE producers have facilities in Texas. It makes  
19 more economic sense to ship in from there, facilities  
20 in Utah, facilities in that southwestern United States  
21 if you just follow the economic maps of what's  
22 happened in the transportation industry and the  
23 migration towards the Southwest and Mexico it just  
24 mandated that. So it's a matter of FOB charges that  
25 are the customers' responsibility. Simple economics.

1 MR. BOYLAND: So those exports are simply  
2 supplying a geographic market that's close.

3 MR. SCHOMER: The market that's closest.  
4 That's correct.

5 MR. KATO: If I can add to that as a company  
6 that does not have a footprint in Mexico. We find  
7 ourselves in many discussions primarily with truck OES  
8 and they're asking us when are we going to expand from  
9 our Akron facility? When are we going to add a  
10 facility in the Southwest, whether it be Mexico or  
11 not. When we look at how we allocate our capital  
12 expenditures that option never makes it high on the  
13 list. It doesn't prove out on paper. We can't make  
14 cost to capital. So while we have some customers who  
15 would like to see us, and I think to Mr. Schomer's  
16 point, they're there because their customers are  
17 there. We'd like to be there, but we can't because we  
18 can't justify the expenditure to do it because the  
19 margins just aren't there.

20 MR. BOYLAND: Thank you for your testimony.  
21 I have no further questions.

22 MS. DEFILIPPO: Thank you, Mr. Boyland.

23 Mr. Coffin, do you have any questions for  
24 this panel?

25 MR. COFFIN: I do have a couple.



1 MS. DEFILIPPO: Okay, just make sure you  
2 turn the mike on.

3 MR. COFFIN: Yes, I think it's on. David  
4 Coffin, Office of Industries. A couple of questions.  
5 You mentioned that the Statesman is a specific after  
6 market product. Generally, are OEM and after market  
7 products the same or are they often differentiated?

8 MR. SCHOMER: Yes, prior to the  
9 introduction, they were the same.

10 MR. COFFIN: And is the Statesman made on  
11 the same line as the other steel wheel lines that you  
12 produce?

13 MR. SCHOMER: Yes.

14 MR. COFFIN: And Mr. Noll, earlier you  
15 mentioned SAE recommendations, are there any other  
16 specifications or certifications that wheels or  
17 manufacturing plants need to meet for original  
18 equipment?

19 MR. NOLL: In the United States, the J267,  
20 the SAE recommended practice is really the only one.  
21 There are other requirements like for a European  
22 market and things like that. But in the U.S. that's  
23 the only one that must be complied to as far as  
24 performance.

25 MR. COFFIN: And that's the same for after

1 market and OE?

2 MR. NOLL: That's correct.

3 MR. COFFIN: Okay. This is more of a  
4 general questions, but the selection of the type of  
5 wheels to be installed on a new truck is that  
6 specified by the truck maker or the truck maker's  
7 customer?

8 MR. WEISEND: Wheel specification on  
9 equipment comes from the truck customers. Generally  
10 speaking, whatever their vocation is, as you earlier,  
11 if they're a bulk hauler they get paid by the pound  
12 they have a tendency to specify lightweight  
13 components, which include aluminum wheels, aluminum  
14 tanks, that type of thing. But most of it is spec'd  
15 and by the fleet customer.

16 MR. COFFIN: I don't have any more  
17 questions.

18 MS. DEFILIPPO: Thank you, Mr. Coffin.

19 Mr. Corkran?

20 MR. CORKRAN: Thank you. Douglas Corkran,  
21 Office of Investigations. And thank you all very much  
22 for your testimony today. It's been very  
23 enlightening.

24 In the interest of time, I will submit most  
25 of my questions as a post-conference request. But

1 there is one that I wanted to get on the public  
2 record, so we can start our discussion at this point.

3 Mr. Schagrín, in your opening testimony you  
4 discussed prices and characterized them as being  
5 clearly lower at all comparable levels of trade. And  
6 then you also mentioned levels of trade again in a  
7 more technical sense. Can you expand on that issue,  
8 please?

9 MR. SCHAGRIN: Yes. And I've started giving  
10 this issue a lot of thought lately because I was  
11 thinking what has changed and what has stayed the same  
12 over the past 30 years. And having done a lot of  
13 different case, a few kind of major items came to  
14 mind. Essentially, the Commission's questionnaires to  
15 gather information from importers and domestic  
16 producers on sample products to do price underselling  
17 has pretty much stayed the same over the past 30  
18 years. I don't think there's been much in the way of  
19 changes in those questionnaires.

20 Then I started thinking when we started  
21 doing steel cases, or I did back in the mid-1980s, you  
22 know it seemed like almost all major imports came to  
23 the United States through trading companies. There  
24 were a bunch of Japanese-based trading companies,  
25 domestic trading companies, companies like Cargel, et

1 cetera. And then there were the Japanese, the  
2 Midsuies, Mitubuzi, et cetera, and European-based  
3 trading companies. And most U.S. importers, whether  
4 they were end users or distributors, service centers  
5 in the case of steel -- distributors in the case of  
6 steel wheels would buy through trading companies.  
7 They wouldn't buy directly.

8           And then I started thinking about  
9 Mr. Friedman's book, *The World is Flat*, which I think  
10 came out about a decade ago and which I think really  
11 showed how incredibly the world of commerce has  
12 changed certainly over my professional career and for  
13 that matter it now pretty much my lifetime.

14           And so what we're seeing now is that because  
15 of the Internet, because there's so much Chinese  
16 excess capacity that every Chinese producer with a  
17 computer can basically find every American customer of  
18 every product and send them emails and say don't you  
19 want to buy my product that what used to be products  
20 that mostly went through trading companies, and you  
21 would compare the U.S. importer as a trading company  
22 selling to end users or distributors and a domestic  
23 producer who was selling to end user or distributors,  
24 so you were at the same level of trade.

25           Now what I think is happening in many cases

1 is that distributors in the United States who are  
2 still buying from U.S. producers are buying directly  
3 from foreign producers. There's no intermediary. And  
4 so what happens when you get your pricing data is you  
5 have a distributor then who is also acting as an  
6 importer of record who is then reporting their pricing  
7 to the Commission to retailers because that's what  
8 distributors do, by nature.

9 Some master distributors sell to smaller  
10 distributors and all smaller distributors by virtue of  
11 being distributors sell to retailers. Domestic  
12 producers basically never to retailers. They may sell  
13 directly to OEMs, as this industry does and that's  
14 clearly an established channel of distribution. But  
15 they're not set up. Is it possible? Yes, but in  
16 general, they just don't sell directly to retailers.  
17 They go through distributors. And you're going to  
18 hear later this morning from these distributors.

19 So I think what's happening now in cases is  
20 you're essentially starting to compare domestic  
21 producers sales to distributors with importer  
22 distributor sales to retailers. And distributors are  
23 in business for one reason, to make a markup. I'm  
24 sure in different industries, and I'm not that  
25 familiar with steel wheels, there are different normal

1 levels of distributor markup. They're usually pretty  
2 significant. That's the distributor's role. They  
3 hold inventory. They have risks of holding that  
4 inventory and they try to make a fairly significant  
5 markup.

6           Clearly, if they can buy imported products  
7 at lower prices than domestic products and resale them  
8 at the same prices as domestic prices to retailers,  
9 their markup on imported products will be higher than  
10 their markup on domestic product. That then skews  
11 your data.

12           So I had all these thoughts. I'm thinking a  
13 lot lately. And I started saying, okay, to recognize  
14 problems that's good. Socrates teaches us, first,  
15 recognize the problem, ask the right questions. Then  
16 in the Socratic method we have to start to develop  
17 answers. So what are the potential answers? Well,  
18 one potential answer I thought of was why not try  
19 changing the process since foreign producers are now  
20 selling directly at all the different levels of  
21 channels of trade in the United States. Why not put  
22 pricing data requests into the foreign producers'  
23 questionnaire? Why not ask if a foreign producer is  
24 selling to a distributor and a U.S. producer is  
25 selling to a distributor, why not ask the foreign

1 producer for pricing data? Why focus only on the  
2 distributor importers resell prices at a different  
3 level of trade? So that's one thought I throw out to  
4 the Commission.

5 I know in the past we've tried asking  
6 purchasers to report their information. That's  
7 another way to look at it. I think it's probably a  
8 little more difficult because there's so many more  
9 purchaser questionnaires than there are foreign  
10 producer and domestic producer questionnaires.

11 But it seems to me that in the steel wheel  
12 industry, really for that matter I think it's becoming  
13 almost every industry, the competition is between  
14 foreign producers in China and U.S. producers and  
15 they're both selling directly to customers, either  
16 OEMs or users in other areas like steel users or to  
17 distributors or service centers. And so it would seem  
18 that there might be some freight issues if foreign  
19 producers is always selling FAS foreign port and not  
20 selling on delivery basis. That would be different.  
21 You might have to find out the cost of freight from  
22 someone, but these gentlemen, which makes things very  
23 easy in this industry is everything is FOB plant for  
24 the domestic industry.

25 So those are my thoughts. But I think

1 clearly in a lot of these cases now the idea, and I  
2 know that with a couple of commissioners in a final  
3 hearing not too long ago we had some real differences  
4 of opinion on that issue, but in the end we all seek  
5 truth. And then how we analyze the truth and the  
6 facts is up to each of the six commissioners and up to  
7 the parties to argue about them. But some  
8 commissioners said there's nothing wrong with this  
9 level of trade issue. We just don't see it as an  
10 issue.

11 And I just, sitting back and looking at it,  
12 I don't know how it can't be an issue to compare  
13 producer prices to distributors with distributor  
14 prices to retailers and think that we're doing apples  
15 to apples. So those are my thoughts.

16 MR. CORKRAN: Thank you very much.

17 Let me ask one more very, very quick  
18 question and that is related to this. In terms of the  
19 distributors that are in the market, whether they be  
20 importing directly or not, how do those distributors  
21 match up size-wise with your primary OEM customers?  
22 Excuse me, to be specific, for this particular product  
23 that we're looking at?

24 MR. WEISEND: The distributors that bring in  
25 wheels that we're talking about here represent a



1 fraction of what let's say the major OEMs would bring  
2 in from a volume perspective certainly for the truck  
3 manufacturers. When you get into the trailer  
4 manufacturers, it's a much more segmented market. You  
5 have maybe three predominate producers and then you  
6 have a whole litany of other specialty trailer  
7 manufacturers. But I would say today that roughly 28  
8 to 30 percent of the trailer manufacturers are  
9 serviced by off-shore product.

10 MR. SCHOMER: And from our perspective, the  
11 distributors are a much smaller segment of the market.  
12 Denny's comments are very accurate in terms of on the  
13 OE side they're definitely the dominate size. The OES  
14 is a very significant player of wheels because it's  
15 normally replaced at a dealership, so they tend to  
16 stay. However, we've seen that erosion now towards  
17 the off-shore product at the dealership level because  
18 they're receiving the pricing information and see a  
19 significant margin opportunity. So we see the  
20 distributors as less and less of a major portion of  
21 our purchases.

22 MR. CORKRAN: Thank you. And thank you all  
23 for your testimony. I appreciate it.

24 MR. KATO: Mr. Corkran, can I make one  
25 comment to that effect?

1           As I sit here and I look at the channels, I  
2 really see four channels into the market. There's the  
3 after market channel, and I think the data that's been  
4 provided will well establish the influence of Chinese  
5 imports on the after market piece. Then there's  
6 trailer OEMs, and I think the data will show the  
7 influence at the trailer OEM level and channel.

8           Then there is truck OEMs in their service  
9 business and we see influence in the truck service  
10 side of things. Then there's the truck OEM piece and  
11 it's the last channel. And it's a channel whose door  
12 is being knocked on every day by Chinese manufacturers  
13 and they're starting to make some inroads.

14           But there is one thing that is consistent  
15 with all of them. And that is that these are  
16 sophisticated purchasing teams. And when there's a  
17 price on the market, it doesn't matter what channel  
18 it's in that's the price in the market. So the truck  
19 OEM channel understands what the after market price,  
20 what the trailer piece is. These are companies that  
21 have very sophisticated purchasing teams and they et  
22 it.

23           So the price point is there. It doesn't  
24 matter where it started. And now it's starting to  
25 infiltrate all channels and that price point needs to

1 be reflective of the cost of manufacture, and that's  
2 our concern.

3 MS. DeFILIPPO: Thank you, Mr. Corkran. Ms.  
4 Messer, I believe you had a couple quick questions?

5 MS. MESSER: Yes. I have actually one  
6 followup question for now and then three that I would  
7 like for you to address in your postconference  
8 submission if you don't mind.

9 I wanted to follow up on the dividing line  
10 and size. Hayes Lemmerz had mentioned that there was  
11 an antidumping duty order in India on the Chinese  
12 product, and correct me if I'm wrong, but the sizes  
13 range from 16 to 20 inch, whereas the scope we're  
14 looking at here is 18 to 24.5.

15 Can you go over why? Is there a difference  
16 in markets? Why there is this clear line here --

17 MR. KATO: Sure.

18 MS. MESSER: -- which is different in India?

19 MR. KATO: And you're referencing the India  
20 case?

21 MS. MESSER: Yes.

22 MR. KATO: Yes. Just the size of vehicle  
23 and the load requirement on vehicles drives different  
24 diameter in the wheels or different physical  
25 characteristics in vehicles, also standards that drive

1 different diameter wheels.

2 MS. MESSER: All right. So it's the use?

3 MR. KATO: Correct.

4 MS. MESSER: And just to completely round  
5 out the domestic like product for size, you mentioned  
6 production process, the uses.

7 We haven't I don't believe talked about the  
8 price differential. What is the clear dividing line  
9 between the size range 18 to 24.5 and lower, or is it  
10 a price continuum?

11 MR. SCHAGRIN: Why don't we provide that  
12 information in our postconference brief? We can ask  
13 Hayes for that. Accuride does not make anything below  
14 the size range so they would not have any information,  
15 but we can ask Hayes and give you information in the  
16 postconference brief on that.

17 MS. MESSER: Okay. Great. And the three  
18 things that I would like for you to also provide in  
19 the postconference brief concerning the coverage on  
20 import questionnaire data responses that we have, if  
21 you have an estimate of that that you can give us.

22 You had mentioned that there are 50  
23 producers in China, which we don't have 50  
24 questionnaire responses from the Chinese, so if you  
25 could give us what your best guesstimate of our

1 coverage is there I'd appreciate that.

2 And if you could go over you had mentioned  
3 something about other proceedings, other countries.  
4 If you could also provide that information and if  
5 there are any other orders other than the Indian order  
6 that you had mentioned here.

7 MR. SCHAGRIN: We'll do that in our  
8 postconference brief, Ms. Messer. I would point out  
9 that while we have Zhejiang Jingu here today, we don't  
10 have Zhejiang Wheel Group, and that was a company that  
11 we very much focused on in the petition. In fact, we  
12 pretty much based most of our subsidy allegations on  
13 them.

14 That company themselves claim on their  
15 website, and I think these gentlemen would concur,  
16 they are the single largest wheel manufacturer in the  
17 world, besides being the largest wheel manufacturer in  
18 China. We also believe they are one of, if not the  
19 largest exporter of steel wheels from China to the  
20 United States.

21 So clearly that's somebody we have focused  
22 on since the filing of the petition, will continue to  
23 focus on, and I think that will be a company that this  
24 Commission would want in particular that and dozens of  
25 other companies to have Mr. Lowe's client group, which

1 in China the Communist party and these different  
2 associations carry a huge amount of weight, something  
3 nobody in the U.S. Government carries that kind of  
4 weight in the United States.

5 I would hope they would be able to use their  
6 suasion to get these producers to file responses, but  
7 we'll answer all your questions in the postconference  
8 brief. Thank you.

9 MS. MESSER: Appreciate that.

10 MR. HAMPTON: Ms. Messer?

11 MS. MESSER: Yes?

12 MR. HAMPTON: If I could just add something  
13 just for clarity's sake?

14 The truck wheel or the commercial wheels  
15 that we're talking about. It's a commodity product  
16 basically where the companies, the two companies,  
17 Accuride and Hayes Lemmerz, we own the design. Every  
18 customer that we have purchases the same wheel, so the  
19 wheel that we ship to Volvo is the wheel that we ship  
20 to Wabash Trailer.

21 On the commercial side, the customer owns  
22 the design. Excuse me. On the passenger car side,  
23 the customer owns the design and the wheels in many  
24 cases are styled wheels. And just for clarity's sake,  
25 when you see the price, when you see the prices, I

1 know that Mr. Schomer was talking about intuitively  
2 steel is 50 percent of the price or should be 50  
3 percent of what we do on the commercial side.

4 On the passenger car side it's probably not  
5 going to be the case. It's a different product. I  
6 just wanted you to understand it's different. It's  
7 not a commodity product.

8 MS. MESSER: Okay. Thank you very much. I  
9 have nothing further.

10 MS. DeFILIPPO: Thank you, Ms. Messer.  
11 Thank you to everyone for your answers. I sit and  
12 make questions as we go along and cross them out  
13 furiously as they get answered. As usual, my staff  
14 has done a great job, so I only have two quick things  
15 to ask, and they can please be handled in  
16 postconference submissions.

17 There may be information in your  
18 questionnaire I don't know. I haven't looked at them.  
19 I don't know if the questionnaire got at it. Is there  
20 any qualification process that the OEMs have for  
21 purchasing the steel wheels? We talked a little bit  
22 about the Chinese starting to move into the OEM  
23 market, and I was wondering. Are there processes that  
24 they had to go through? How long does it take?

25 The sales that they've started to make. Are

1 they trial sales or are they actually gaining  
2 contracts that we had talked about, one or two or  
3 three years contracts?

4 MR. SCHOMER: The answer is yes, they do  
5 have specific qualifications that they go through in  
6 addition to the SAE standard. That's kind of a  
7 minimum bar level that they go through.

8 That process cycles through and we do have  
9 OEs that are in the process of validation at this  
10 point. We have a couple that are doing experimental  
11 low level sales on limited quantities, and I think we  
12 can go into some more detail on --

13 MS. DeFILIPPO: Great.

14 MR. KATO: Can I add to that?

15 MS. DeFILIPPO: Yes.

16 MR. KATO: Yes, they are very real sales.

17 MS. DeFILIPPO: Okay.

18 MR. KATO: I think in reference to the  
19 testimony, we have one OEM --

20 MS. DeFILIPPO: Right.

21 MR. KATO: -- customer. There was a  
22 question here -- I believe, Mr. Boyland, it was your  
23 question -- about does anyone specify U.S. product.

24 MS. DeFILIPPO: Mr. Thomsen I think. Yes.

25 MR. KATO: Okay. And I said there was. It



1 happened to be this customer for a long time. We  
2 supplied them for a long time and they did, but now  
3 they're going elsewhere.

4 MS. DeFILIPPO: And you had mentioned you'll  
5 provide that to us, right?

6 MR. KATO: Yes. Absolutely.

7 MS. DeFILIPPO: Perfect. The last one was  
8 in your brief if you could go through a little bit of  
9 a discussion on the sales of the Statesman product.  
10 Some of the things that interested me, you talked  
11 about bringing that product or that brand name in the  
12 market to try to compete with the Chinese and talked  
13 about it sounding like it was a similar production  
14 process.

15 I'm assuming it's at a different price  
16 point, so if you could talk about sort of what  
17 differentiates it, if anything, physically, what  
18 differentiates it at a price point, and in terms of  
19 the customers that you were selling that to was it  
20 trying to get at new customers that were perhaps  
21 buying from the Chinese, or did you have existing  
22 customers that started to shift over and did that at  
23 all cannibalize your existing sales of product?

24 MR. SCHOMER: Very well. We'll answer part  
25 of that in conference, but the long answer is 90

1 percent of it plus was for retention of existing sales  
2 and to stop the hemorrhaging.

3 MS. DeFILIPPO: Okay. Any additional  
4 information on that would be helpful.

5 MR. SCHAGRIN: And if you want to think of  
6 it, Ms. DeFilippo, it's almost as if, and we've had  
7 this experience with steel companies or pipe and tube  
8 companies. It's the equivalent of like a foreign  
9 fighter program.

10 In other words, they developed a product  
11 that they would have never developed but for losing  
12 out and losing market share to the Chinese and so they  
13 said here's going to be a product that we're just  
14 going to market against the Chinese at a lower price.  
15 We're not going to offer it to OEMs.

16 This is for the aftermarket to compete with  
17 the Chinese just as sometimes people in the steel  
18 industry will say well, we're going to have a special  
19 price for our customers on the coast who are buying  
20 imported steel. This is our special foreign fighter  
21 price. They may not be offering that to a long-term  
22 OEM customer that's in the midwest.

23 So it's very similar to that regard. We'll  
24 provide more information on that in the postconference  
25 brief.

1 MS. DeFILIPPO: Perfect. Thank you. And to  
2 the extent that the sales prices of those have  
3 affected the other aftermarket prices, I think Mr.  
4 Kato touched on sort of the interplay between  
5 different channels.

6 Thank you again, all of you, for taking the  
7 time. I know it's hard to be away from your  
8 businesses, and we greatly appreciate it. It helps us  
9 understand the product and the market and so it's been  
10 very, very helpful. So with that, you are dismissed.

11 (Whereupon, a short recess was taken.)

12 MS. DeFILIPPO: Mr. Lowe, welcome to you and  
13 your panel. Did you want us to assist you at all with  
14 timing the different groups, or are you all set?

15 MR. LOWE: No, ma'am. We've discussed among  
16 ourselves, and we're confident that we will be able to  
17 meet the one hour time limit for the direct testimony.

18 MS. DeFILIPPO: That sounds great. With  
19 that, please proceed.

20 MR. LOWE: Okay. Very briefly, as I said  
21 before, my name is Jeffrey Lowe with Mayer Brown. I'm  
22 accompanied by Tom Rogers with Capital Trade, and we  
23 are here representing the China Chamber of Commerce.  
24 We have with us several industry representatives,  
25 including Mr. Jesse Wu with Jingu Zhejiang, one of the

1 major exporters of steel wheels from China, as well as  
2 several importers.

3 To my right directly is Mr. Gwynn Orr, who  
4 is the president of Orrco and the managing general  
5 partner of Marco Wheel Group, as well as over to my  
6 far left Mr. Will Orr, who is the sales and marketing  
7 director for Orrco and a partner at Marco Wheel Group,  
8 and Mr. Cuter Orr, who is likewise the sales and  
9 marketing director and a partner in the two companies.  
10 This being a family-owned company, these gentlemen are  
11 all related.

12 And likewise we're accompanied by Mr. Tom  
13 Cunningham, who is the president the Cunningham  
14 Company, and his son, also Mr. Tom Cunningham, who's  
15 the vice president of the Cunningham Company.

16 There are several other parties who I would  
17 defer to to allow them to introduce themselves.  
18 However you prefer. They can do that when their time  
19 to testify comes, okay?

20 MS. DeFILIPPO: That would be great. Thank  
21 you.

22 MR. LOWE: All right. With that, I would  
23 turn the table over to Mr. Gwynn Orr, who, like I  
24 said, is with Orrco and Marco Wheel Group, to provide  
25 the first initial testimony.

1           MR. G. ORR: Good morning, Ms. DeFilippo,  
2 panel. I am Gwynn Orr. I am the president of Orrco  
3 International. I'm also the managing partner for  
4 Marco Wheel Group, LLC. As you found out already, we  
5 are a family business. We only have one member  
6 missing, our sister. She's home taking care of the  
7 company.

8           We're very small, a very small, independent  
9 company. We've been in business since 1970. We buy  
10 tires. We buy wheels directly from the manufacturers  
11 and resell these products to people who are small  
12 original equipment, builders of trailers and mobile  
13 equipment. We do sell a few items at wholesale  
14 outlets, but not very many.

15           Our primary business is the assembly of the  
16 tires and wheels. That's what differentiates us in  
17 the market. We serve customers that are too small and  
18 undesirable for the majors to accommodate, so we fill  
19 a niche there with many, many Americans who build  
20 products both for consumption and export and employ a  
21 lot of people.

22           We do import steel wheels from China from  
23 our affiliate, Marco Wheel Group. I would like to  
24 offer a few thoughts. I do have a background in this  
25 industry and the role played by the importers. We're

1 well, well positioned to discuss these conditions, and  
2 we've been a long time and prominent customer of Hayes  
3 Lemmerz, as well as Accuride. We know their  
4 histories. We know the markets.

5 But we also buy products from Alcoa  
6 Aluminum, a very important factor that's being  
7 overlooked here, which we'll get to in a little while;  
8 Jingu; Maxion, which is a Brazilian company; Biondas,  
9 which is in Turkey. We buy tires directly as an OEM  
10 representative from Michelin, Goodyear, Bridgestone,  
11 Continental, General and many, many other companies  
12 who build overseas -- Tumo, Hankook -- all sold in the  
13 United States.

14 But by background, in our sourcing of wheels  
15 we had a problem in the 1990s and late '80s. We were  
16 a customer of Motor Wheel, which was a predecessor to  
17 Hayes Lemmerz, and we found ourselves inadvertently  
18 cut off from supplies in an upturn situation like  
19 we're experiencing today. Our industry is a peak and  
20 valley. It's always a peak. It's always a valley.  
21 How you manage those peaks and valleys makes a lot of  
22 difference in your longevity.

23 But at that time, since we didn't have a way  
24 to get steel wheels and that was a primary component  
25 of our JIT service business, we went to the country of

1 Mexico to a company called Industria Automotriz, which  
2 at that time was the only steel wheel builder in  
3 Mexico, the only people that we could find anywhere in  
4 the world that would sell us a wheel so we could stay  
5 in business and make our payrolls.

6 We did that successfully until 1997, until  
7 Accuride went to Mexico, bought Industria Automotriz,  
8 and we were out again. So that brought us to another  
9 crossroads where we went to Hayes Lemmerz, who  
10 gracefully accepted our business and has sold us up  
11 until lately.

12 But at that time, in order to defend our  
13 turf and to try to make sure that we could stay in  
14 business, we found out that we needed to find wheels  
15 anywhere we could buy them, so we started buying  
16 wheels in Brazil and in Turkey to augment the supplies  
17 that we were getting.

18 In '07, though, we began buying imported  
19 wheels with our Marco Wheel Company. In 2008, the  
20 Statesman wheel shows up from Mexico presented by  
21 Accuride, and we started buying that product, along  
22 with a lot of products from Accuride and a lot of  
23 Accuride aluminum wheels, which you'll get to later.

24 One of Accuride's goals introducing the  
25 Statesman was to get business, and since we were a

1 Hayes customer and they came in and undercut Hayes,  
2 Hayes lost that business to Accuride so we became a  
3 customer for that product. I believe as they have  
4 said, they are the only company, being Accuride, that  
5 does import wheels from Mexico. They're the only  
6 producer down there.

7 I hope you understand, given this history,  
8 that we understandably are concerned with staying in  
9 business as we are concerned with being able to buy  
10 wheels for our smaller customers. Our customers have  
11 to have a constant source of supply because they're  
12 very small.

13 They build small unit qualities (sic), but  
14 they have payrolls to meet and if we can't make  
15 deliveries on a JIT basis they can't operate their  
16 businesses, so a constant source of supply is  
17 extremely important to us as an assembler and a  
18 distributor.

19 I mentioned the Statesman wheel and that  
20 Accuride is the only one. They've been gracious to  
21 mention that most of the U.S. truck producers are now  
22 producing a lot of product in Mexico and supply from  
23 the plants down there. I live near I-35, and I see  
24 these trucks every day of the week going north for  
25 delivery.



1           A lot of them have steel wheels, so there's  
2           some reason to believe that some of the volume that  
3           may not be produced in the United States is produced  
4           in Mexico because the build rates are up down there.  
5           Accuride wheels go on the trucks in Mexico, but they  
6           cross back as finished product.

7           So think about that for a minute. Where do  
8           the sales in the U.S. go? They leave the U.S., but  
9           they go to Mexico, come back on a truck. It doesn't  
10          count on the numbers. Think about that.

11          The majority of the wheels at 22.5, the  
12          wheel in question. I don't think, and they were  
13          gracious enough to admit, that the wheel from China  
14          has been a problem in the financial problems that  
15          they've had. It really hadn't.

16          But there's another thing that I keep  
17          referring to about aluminum wheels. I personally  
18          think that it's somewhat unfair with the scope of this  
19          not to consider the aluminum wheel product. You've  
20          asked a lot of questions, but what you didn't ask was  
21          what was the market share and why, and that's  
22          something that you need to know.

23          I can't document it, but I think it's fairly  
24          well known that in Class A tractor production,  
25          over-the-road units, aluminum through the years has

1 replaced a lot of steel. Probably 50 percent now are  
2 on aluminum, maybe going to 60. Why do you do it?  
3 Because the wheel is lighter. It does cost more, but  
4 you have a benefit from the weight savings, especially  
5 in the fleets that they were talking about.

6 But you also have a problem with driver  
7 retention in the United States. When people have  
8 aluminum wheels on the tractors, the drivers like them  
9 better, will keep the jobs. WalMart even went to  
10 aluminum wheels on the tractors, Peterbilt trucks,  
11 driver retention. That's where a lot of the wheels  
12 go. Sure, they're a substitute and they cost more,  
13 but there's a value to them.

14 People like us have to have a steady supply.  
15 We can't and our customers can't assume we're going to  
16 get something. So we've done a lot of work to  
17 purchase locally to augment the processes.

18 I want to comment on the prices in the  
19 industry just a moment. I started in 1970. At that  
20 time a distributor paid around \$70 for a steel wheel  
21 like we're talking about today, not much different. I  
22 saw those prices deteriorate in the '80s into the \$50,  
23 \$60 range. Late '90s, those prices were down to the  
24 \$40s. I paid high \$40s for a wheel myself as a  
25 distributor.

1           You know, there wasn't a China wheel in the  
2 country at that time. So why did that happen? You  
3 need to ask yourself that question. It may have been  
4 the competition among those here in the room.

5           I thank you for your time. I'd be happy to  
6 answer any questions. I'll defer to our next  
7 presenter.

8           MR. T.M. CUNNINGHAM: That's an interesting  
9 case to follow, but I'll do my best. I'm Tom  
10 Cunningham. I am the president of the Cunningham  
11 Company. We're a very small, family-owned and  
12 operated business.

13           I'm here today with my son, Tom, who is our  
14 vice president of sales, and we're really glad to be  
15 able to answer some of the questions. We were  
16 impressed with the question process that went on, but  
17 I will read my statement to let you know who we are.

18           We're grateful for the opportunity to come  
19 talk to you today, and we're highly qualified to  
20 discuss the market and the competition. I've been 35  
21 years in this market, including 30 years with Accuride  
22 primarily in sales, all the time actually in sales.  
23 During that 30-year experience with Accuride, in the  
24 last five years we've seen how the market works.

25           Some of the things Gwynn talks about, how

1 aluminum moves versus steel, we've seen lightweight  
2 steel wheels versus the old standard heavyweight that  
3 is now supposedly the new standard heavyweight. So we  
4 want to try to help sort this out for this conference  
5 so you understand what we're talking about.

6 In the way of background in this market, the  
7 U.S. steel wheel market is split into two segments,  
8 the OEM, which you've already been told about, and the  
9 aftermarket. I heard some numbers that I disagree  
10 with, but the OEM market truck and trailer we believe  
11 is 80 plus percent of the steel wheel market.

12 The OEMs consist of large commercial truck  
13 and trailer manufacturers. These have been pointed  
14 out -- Freightliner, Peterbilt, Kenworth, Navistar and  
15 Mack Trucks. Mack Trucks is a slash Volvo Truck  
16 manufacturer. According to the 2009 bankruptcy  
17 filings that Accuride had, four of those OEs  
18 represented 53 percent of Accuride's net sales in  
19 2008.

20 Accuride also has exclusive contracts with  
21 some of the major trailer manufacturers, more  
22 long-term. Trailer manufacturers started trying to  
23 emulate the way truck manufacturers buy products, so  
24 typically historically you'd have a one-year  
25 agreement. We're starting to see two and three-year

1 agreements on that trailer side.

2           These large OEM truck and trailer companies  
3 purchase over-the-road 22.5, 8.25 primarily -- maybe  
4 90 percent is that size for that market -- lightweight  
5 steel wheels. One reason aluminum has gone so much  
6 into this market share is because of cost of fuel,  
7 making that vehicle lighter so they can carry more  
8 goods, and they build trucks with microwaves and big  
9 beds and they've got to find other ways to lighten the  
10 load and they do that with aluminum wheels.

11           So in this substantial 80 plus percent  
12 market, we see almost exclusively Accuride and Hayes  
13 because of their lightweight wheel. These large OEMs,  
14 from my experience, don't import and don't buy Chinese  
15 steel wheels. Chinese steel wheels weigh around 80,  
16 82 pounds. Their whole focus is to lighten the load.

17           The aftermarket for steel wheels consists  
18 primarily of four segments, what I'm going to call the  
19 OEM dealer network, which is like a Peterbilt dealer.  
20 He sells trucks. He buys parts from the PACCAR  
21 distribution point, and that's how he's in business.  
22 Traditionally and typically that Peterbilt dealer is  
23 going to buy the wheels that are standard at  
24 Peterbilt.

25           For example, Alcoa is standard at Peterbilt.

1 Peterbilt's standard wheel is an aluminum wheel, and  
2 about 90 percent of all the Peterbilt trucks have  
3 aluminum wheels on them, so it's logical that that  
4 dealer in the aftermarket is probably going to sell  
5 Alcoa aluminum wheels, and Accuride is standard with  
6 their lightweight steel wheel so that would be the  
7 wheel they sell.

8           The second group in the aftermarket are  
9 fleets, and they're the people who buy all the  
10 equipment and run all the wheels, the 18-wheelers.  
11 Those fleets like Wabash, FedEx, they have needs for  
12 wheels. As Bill Noll correctly said, the wheels  
13 typically should last forever. So they're sometimes  
14 damaged. Sometimes it's put on improperly. Sometimes  
15 it's curved. And that is that aftermarket demand, and  
16 it's certainly not 40 percent of the steel wheel  
17 business.

18           The next level is distributors, and these  
19 are what some people call the old line wheel and rim  
20 distributors. They buy a lot of different truck  
21 parts. If you can envision what goes on a truck, they  
22 probably have it. They have hubs and drums. They  
23 have air filters, oil filters. They are the NAPA  
24 version for auto that we have for this industry, old  
25 line wheel and rim distributors.

1           And then the tire shops, the people who are  
2 actually buying from Mr. Orr or they're buying a wheel  
3 from another distributor to put a tire on. That's the  
4 structure we see in the overall aftermarket.

5           In my years in this business, I built up  
6 considerable trust with our customers. Trust is very,  
7 very important in having a business relationship,  
8 especially at this OE level in this industry. Wheels  
9 go on the undercarriage. It's a very serious  
10 operation. They have got to be good.

11           It's important that we understand the  
12 individual domestic customers. My customers are  
13 small. They're very small. The volume of steel  
14 wheels I sell is very small compared to the overall  
15 U.S. market.

16           You know, we're talking about well, it went  
17 down a million. That's amazing. I'm a small player,  
18 but that's where I'm comfortable. That's where we're  
19 working because the people that I sell can't buy.  
20 Sixty-five percent of my customers can't buy an  
21 Accuride or a Hayes wheel directly. That's fine.  
22 That's their structure. That's the way they want to  
23 do it.

24           When I retired from Accuride, I thought I  
25 know these people who would like to have wheels.

1 Gwynn is exactly right. It's very cyclical. When  
2 it's way down, companies go bankrupt apparently. When  
3 it's way up, there is a curve where they can't keep  
4 up. It's not their fault. They've got to hire people  
5 that they've laid off because of the downturn.  
6 They've got to get steel coming into their plants so  
7 they can get these steel wheels.

8           But it seems a herd mentality in this  
9 industry. If somebody hears that WalMart is getting  
10 ready to buy 800 trailers they think my God, I need to  
11 go ahead and get my 10 because I don't want to be out  
12 there missing this opportunity. So there seems to  
13 typically be a stampede.

14           So my customers buy from me because I can  
15 sell them. They can't buy it from my competition  
16 because they won't sell them. And because they trust  
17 me. They know they'll get the wheels so they can  
18 build their trailers and have a business.

19           The second group that I sell are  
20 distributors who can buy Accuride and Hayes. I call  
21 them disaffected. There used to be like 40, 45  
22 aftermarket distributors, these guys I'm talking about  
23 that have all the different parts. There were some  
24 deals cut in the aftermarket. There were maybe three  
25 or four players who got great deals, great



1 availability, and that 45 folks in the wheel business  
2 got down to about 15.

3 They are my customers for the most part  
4 because they on a day-to-day reliable basis can get  
5 wheels and not have to worry about the politics that  
6 might go on with these large, dominant manufacturers  
7 of wheels.

8 Let me go to the last distributor group.  
9 This is customers who need reliability. Gwynn already  
10 touched on that. When this market surges and things  
11 start to be built and people start saying I need  
12 tires, every vehicle needs a wheel. It is a key  
13 component. You cannot run a Great Dane trailer off  
14 the production line without having typically eight  
15 wheels on it. It's a key factor.

16 My competitors' philosophy is feed that OE  
17 line. It's important. We have a reputation to  
18 uphold. And that's fine. What happens is when the  
19 spike hits and they get all the wheels, my little  
20 customers can't get their wheels. They get them from  
21 me.

22 So they buy my Chinese wheels not because  
23 they're Chinese, but because of knowing me and knowing  
24 I can commit in giving them a reliable source. I even  
25 brag about it. I don't have Peterbilt. I don't have

1 Volvo. I don't want to. Then I'm in the same jam  
2 that our domestic competitors are.

3 So at any rate, I'm looking forward to  
4 conversation later, and I appreciate your time very  
5 much.

6 MR. SCHUTZMAN: Ms. DeFilippo, members of  
7 the staff, my name is Max Schutzman. I'm a member of  
8 the firm of Grunfeld Desiderio. I'm accompanied by my  
9 colleague, Patrick Caulfield, and we're here  
10 representing the interests of Texas Tire. I'm  
11 accompanied by its executive vice president, who I  
12 will introduce in a moment.

13 I hadn't intended to say very much, but I  
14 feel constrained to comment on several things that I  
15 heard during the course of the domestic industry's  
16 presentation, which I think the staff should be aware  
17 of and I think the staff should research further.

18 One issue had to do with this powder  
19 coating. Several of you asked about it. The powder  
20 coated wheels, and we heard testimony this morning  
21 that Hayes was compelled to adapt to this powder  
22 coating, expend the resources necessary to adapt and  
23 was unable to pass the costs along.

24 The fact is that the powder coating happens  
25 to be an eco-friendly coating. The paint is not. Our

1 information is that it actually took the domestics a  
2 long time before they developed this product, about  
3 five years, so they lagged five years behind the  
4 Chinese, something you might want to look into.

5 I also heard Mr. Schagrin say that steel  
6 wheel producers in China are all government supported.  
7 Well, that's just not true. The fact is that  
8 Trans-Texas Tire's Chinese supplier is not government  
9 supported at all. It happens to have its stock traded  
10 on a stock exchange. And of course my law firm was  
11 involved in the OTR Tires case, and we represented a  
12 company in China that had no involvement at all with  
13 the Chinese Government, so that's just not true.

14 You heard Mr. Orr touch on the issue of  
15 aluminum versus steel, and of course Mr. Goldfine and  
16 Mr. Thomsen and others are interested in that issue.  
17 The domestic industry's position is that those are not  
18 like products. They're not like products because  
19 they're different production processes, the aluminum  
20 wheels cost more, et cetera, et cetera.

21 We don't believe that. We think those  
22 products are competitive. The growth of the aluminum  
23 wheel industry is a direct result of the environmental  
24 need to conserve fuel. You heard testimony this  
25 morning that these wheels last a long time, so the

1 fuel savings from the use of aluminum wheels is a  
2 significant aspect of the purchase of these wheels.

3 And these wheels do compete. They are the  
4 same. They may cost more, but they last longer, and  
5 the fuel savings that will be generated over the  
6 course of the life of the wheel more than offsets the  
7 additional initial cost. So that's something I think  
8 you may well want to look into.

9 And finally we heard some testimony about  
10 the antidumping cases in other countries against  
11 Chinese steel wheel manufacturers. Well, that bears  
12 some additional research as well because I believe the  
13 case against the Chinese in Australia was won by the  
14 Chinese. The case in South Africa was also dismissed.  
15 That's my information, but I suggest you look into  
16 that as well.

17 Having said that, I have the privilege of  
18 introducing to you Ms. Amanda Lee Walker from the  
19 great State of Texas who will comment on a few of the  
20 things we heard this morning and a few we haven't.  
21 Ms. Walker?

22 MS. WALKER: Good morning. My name is  
23 Amanda Lee Walker, and I'm the executive vice  
24 president for OEM Supply Chain for Trans-Texas Tire of  
25 Mount Pleasant, Texas. Thank you for the opportunity

1 to present certain information for consideration by  
2 the Commission and the Commission staff in connection  
3 with these investigations.

4 Trans-Texas Tire, or TTT, is primarily a  
5 tire wheel assembler for the United States OEM trailer  
6 manufacturers. We assemble steel wheels with  
7 compatible tires and sell the assembled units in a  
8 just-in-time delivery model. On occasion we also sell  
9 steel wheels separately into what is referred to as  
10 the OES or original equipment sales market, which  
11 consists of replacement wheels, but that is not our  
12 core business.

13 TTT has two assembly plants in the United  
14 States, one located in Mount Pleasant, Texas, and  
15 another in Sikeston, Missouri. Our steel wheels are  
16 sold under the trademark Arc Wheel. Despite our  
17 continued efforts to purchase steel wheels from  
18 domestic sources, since the late 1990s domestic steel  
19 wheel producers have refused to sell us such wheels.  
20 The stated explanation is they do not wish to sell to  
21 assemblers such as us.

22 As a consequence, TTT sought additional  
23 alternative supplies and established relationships in  
24 China. Among this relationship was with Sheman Wheel  
25 and Longco PRC. This company is listed on the

1 Shenzhen Stock Exchange and not heavily dependent on  
2 external funding. Together we have had a mutually  
3 beneficial relationship. Our customers have exhibited  
4 consistent high praise for our reliability, quality  
5 and supply chain effectiveness of these wheels.

6 Our steel wheels from China are good, but  
7 they are not cheap by any means. In fact, TTT's  
8 landed duty paid costs are believed to be comparable  
9 or even higher on average than the prices at which the  
10 same wheels are sold by Accuride and Hayes Lemmerz.

11 However, while Accuride does appear to  
12 produce subject wheels in the 18 to 24.5 diameter in  
13 its plant in Kentucky, we seriously question the  
14 amount of production Hayes has of these wheels of this  
15 size in the United States and whether it can fulfill  
16 the existing demand from the plant's existing  
17 production.

18 Moreover, in the past year we have actually  
19 lost key contracts to Hayes on price, and when  
20 attempting to requote lost jobs to Hayes on price  
21 prospective customers have informed us that our prices  
22 on our branded Arc Wheel are still higher than the  
23 domestics.

24 TTT believes that steel wheels used by Hayes  
25 to fulfill some of these orders are actually of South

1 American origin. We will be happy to share the  
2 specifics of this information with the Commission in  
3 our postconference brief.

4           Additionally, it is well known in the  
5 industry that both Accuride and Hayes have  
6 considerable varied pricing for the same product to  
7 different customers. That's kind of different than  
8 how the rest of us operate. They also engage in  
9 extending of rebates, free wheels and other incentives  
10 in order to make sales. They have also been known to  
11 sell at very low prices just to relive inventory and  
12 to maintain existing production line volumes.

13           It is important to recognize the  
14 overwhelming predominant consideration when it comes  
15 to both purchasing and selling steel wheels is  
16 actually the cost of steel as it goes in the open  
17 market costs for hot- and cold-rolled steel as it is  
18 as it goes for the steel wheels.

19           Simply neither Chinese producers nor those  
20 of us in United States who purchase and sell steel  
21 wheels from China have unfettered flexibility in  
22 pricing this product for resale since the price is  
23 driven almost entirely by raw steel cost.

24           Another issue the Commission may wish to  
25 focus upon is the absence of import statistics on

1 steel wheels under Harmonized Tariff Code 8708704530.  
2 For several years during the period of investigation  
3 from South America, TTT has information that has  
4 developed that demonstrates that Hayes and Hayes'  
5 domestic customers have received wheels from these  
6 countries and others during this period.

7 We will share this data with the Commission  
8 staff in TTT's postconference brief. We believe the  
9 problem may be a misclassification of merchandise  
10 under the Harmonized Tariff Code system when the goods  
11 were imported.

12 TTT does not believe that the domestic  
13 producers have the capacity in the United States to  
14 meet existing demand for steel wheels in the subject  
15 size ranges. To be sure, this is clearly why they  
16 chose to supplement their production with imports from  
17 affiliates and suppliers in other countries.

18 Finally, it is our view that the filing of  
19 this petition is actually really not about dumping at  
20 all. It's not about dumping of Chinese goods or  
21 government subsidies. Rather, it is about the  
22 apprehensions of both Accuride and Hayes that Chinese  
23 producers are on the precipice of introducing a  
24 significantly lighter weight, better steel wheel that  
25 neither company can produce in the United States, a



1 wheel that can contribute substantially to energy  
2 conservation, consequent lower operating cost for  
3 truck and trailer operators in this country.

4 If indeed Hayes and Accuride are suffering  
5 injury, it is not a result of imports from steel  
6 wheels from China. Rather, the Commission staff can  
7 readily verify that recent economic conditions,  
8 intracorporate management, cost, production and  
9 corporate reorganization issues are the responsible  
10 factors. I again thank you for the opportunity.

11 MR. McPHIE: Good morning. My name is Iain  
12 McPhie. I'm with the law firm Squire, Sanders &  
13 Dempsey. I'm here today with my colleague, David  
14 Spooner, also from Squire Sanders.

15 We are here today on behalf of our client,  
16 Advanced Wheel Sales or AWS, which is a major  
17 wholesale distributor of both steel and aluminum  
18 wheels for commercial trucks. Although AWS is unable  
19 to participate directly in today's conference, this  
20 proceeding is very important to AWS, and the company  
21 is committed to providing you with any relevant  
22 information that we are unable to provide you with  
23 today.

24 AWS was founded 15 years ago in Columbus,  
25 Ohio, and today employs about 50 people around the

1 country. The company purchases wheels from both  
2 Accuride and Hayes, as well as from suppliers located  
3 in China and other countries. AWS mounts tires on  
4 many of the wheels that it sells, and it also plays an  
5 important role as an interface between wheel  
6 manufacturers and end users.

7           It has warehouse facilities in four  
8 strategic locations -- Columbus, Las Vegas, Houston  
9 and Jacksonville -- that enable it to maintain stocks  
10 of all items so it can ship wheels to customers the  
11 same day they are ordered. It can ship to 75 percent  
12 of U.S. locations in one day and to over 90 percent of  
13 locations in just two days.

14           AWS began business in 1997 as a wholesale  
15 distributor of Alcoa aluminum wheels, which are used  
16 for the same commercial truck applications as the  
17 steel wheels made by Accuride and Hayes. While  
18 aluminum wheels are more expensive to purchase than  
19 steel wheels, their higher up front cost must be  
20 weighed against lower maintenance and fuel costs over  
21 the life of the wheels, as well as superior aesthetics  
22 and reduced weight, which allows for greater loads on  
23 the trucks.

24           Because of these advantages, aluminum wheels  
25 have displaced steel wheels and grown in popularity in

1 recent years, and they currently account for an  
2 estimated 30 percent or more of the total commercial  
3 truck and trailer market and even higher shares in  
4 other segments. Many customers have developed  
5 calculators to determine when to purchase steel versus  
6 aluminum wheels at relative price levels.

7 As AWS expanded into steel wheels over a  
8 decade ago, it began encountering difficulties  
9 purchasing from the domestic producers, and these  
10 difficulties continue today. Accuride and Hayes, as  
11 the only two producers in the United States, enjoy a  
12 duopoly position in domestic steel wheel production,  
13 and in AWS' experience these companies have exploited  
14 that position in the past and are doing so today.

15 Accuride and Hayes first refused to supply  
16 AWS with steel wheels beginning in 1999 when AWS  
17 initially sought to expand its business to sell steel  
18 wheels. Unable to buy domestic product, AWS was  
19 forced to look outside the United States for other  
20 supply options. In 2000, AWS began importing steel  
21 wheels from Jantas, a supplier in Turkey. AWS was  
22 successful in selling Jantas wheels from Turkey in the  
23 U.S. until 2003, when Hayes acquired Jantas and ceased  
24 shipping product to AWS.

25 So Hayes not only refused to sell AWS from

1 domestic sources, but also prevented AWS from being  
2 supplied from a Turkish supplier. This sounds a lot  
3 like a story we heard just a few minutes ago with  
4 regard to Accuride in Mexico.

5 Hayes only began shipping steel wheels to  
6 AWS in February 2010, after it had emerged from  
7 bankruptcy and was desperate for sales during the  
8 continuing downturn and economic recession. AWS has  
9 had similar supply reliability issues with Accuride,  
10 the only other U.S. domestic supplier of steel wheels.

11 In 2002, Accuride approached AWS to sell its  
12 aluminum wheels, and as part of that arrangement  
13 Accuride agreed to sell AWS steel wheels as well, but  
14 only on the condition that AWS mount tires on the  
15 wheels and sell them only to trailer manufacturers.

16 Through 2007, AWS continued to experience  
17 difficulties purchasing steel wheels from Accuride at  
18 prices that would enable AWS to compete even against  
19 other distributors of Accuride's wheels. In many  
20 cases, AWS had to resort to purchasing from Accuride  
21 truck and trailer OES groups, which are Accuride's  
22 customers, to meet its own customers' needs.

23 Accuride previously was owned by the  
24 investment firm Kohlberg Kravis Roberts, KKR. Before  
25 selling the company in 2008, KKR raised Accuride's

1 steel wheel prices by approximately 20 percent to make  
2 the company more attractive to buyers. Hayes also  
3 raised its prices at the same time, even though costs  
4 did not justify such an increase. This obviously led  
5 many customers to seek other options, including  
6 imports from China and other countries as well.

7 After again approaching Accuride without  
8 success to obtain pricing that was competitive with  
9 that available to its other customers, AWS began  
10 sourcing steel wheels from suppliers in China. Given  
11 the uncertainty and unreliability of the only domestic  
12 supply sources and the possibility that either  
13 Accuride or Hayes once again could simply refuse to  
14 sell any product at all to AWS, the company had no  
15 choice but to secure other sources of the wheels to  
16 ensure that it can purchase enough volume at  
17 competitive prices to meet its customers' needs.

18 If these proceedings ultimately result in  
19 prohibitive duties on steel wheels from China, AWS  
20 still will not be able to rely on the two domestic  
21 producers for all of its purchases. Because of past  
22 unreliability of these companies and their strength in  
23 market power if they prevail in this case, AWS once  
24 again will be forced to seek another source of supply  
25 in another country.

1           Given that steel wheels are commodity  
2 products, as we heard this morning, and are readily  
3 available from nonsubject countries, the Commission  
4 should carefully consider the question identified in  
5 Bratsk and other cases as to whether nonsubject  
6 imports would have replaced subject imports without  
7 benefit to the domestic industry.

8           In this regard, the Commission should note  
9 that Accuride imports steel wheels from Mexico, Hayes  
10 imports from Turkey and other locations and steel  
11 wheels are manufactured in very large quantities in  
12 many other low-cost countries, including Brazil and  
13 India, among others.

14           As a strong supporter of U.S. industry and  
15 American jobs, AWS has continued to work with the  
16 domestic producers and still purchases large volumes  
17 from them despite the significant difficulties it has  
18 encountered.

19           AWS hopes to continue purchasing from them  
20 regardless of the outcome of this investigation, but  
21 AWS and its customers simply cannot rely on the only  
22 two domestic producers, especially given its history  
23 with them. Some imports in this industry are  
24 inevitable, whether from China or from other  
25 countries.

1           That concludes my remarks. As I noted, if  
2           there are questions that we're not able to answer  
3           today we'd be happy to follow up with AWS for you.  
4           Thank you.

5           MR. ROGERS: Good morning. I'm Tom Rogers  
6           with Capital Trade. I'm appearing here with J.C. Lowe  
7           on behalf of the Chinese Chamber. I believe a few  
8           slides, a handout, was passed around earlier.

9           MS. DeFILIPPO: Mr. Rogers, would you like  
10          us to include this in the transcript as Exhibit 1?

11          MR. ROGERS: Yes, please.

12          MS. DeFILIPPO: Okay. Thank you.

13          MR. ROGERS: I'll be referring to those as I  
14          go through my statement.

15          So in followup to the industry witnesses,  
16          I'm going to summarize some of the key economic and  
17          data issues that have come up so far in this case.

18          Looking first at the question of injury, as  
19          you heard there are only two domestic producers so any  
20          discussion of their specific performance during the  
21          POI is obviously proprietary and will be addressed in  
22          our postconference brief.

23          Having said that, Accuride is a public  
24          company, and there is significant information  
25          available on its overall operations, as well as its

1 forecasts for growth in 2011 and beyond. Those  
2 forecasts are very important for the consideration of  
3 threat.

4 Now, looking at the economy, and Mr.  
5 Schagrin admits that the economy is obviously an issue  
6 in this case, but not the only issue. But he still  
7 says there's been a supposed big impact of Chinese  
8 wheels on the Petitioners' operations. His  
9 presentation, however, glossed over a few key facts  
10 that are central to understanding the dynamics of the  
11 steel wheel market.

12 First and foremost, again the fortunes of  
13 the industry rise and fall with the economy. The  
14 sharp drop in profitability reported by Accuride in  
15 2009 mirrors perfectly the national recession.  
16 Compounding the impact of the recession, both  
17 Petitioners are dependent on the highly cyclical truck  
18 manufacturing sector. Everything is exaggerated when  
19 you start dealing with that sector.

20 Indeed, in its bankruptcy filing in October  
21 2009, Accuride explicitly noted that it "filed Chapter  
22 11 due to the prolonged weakness in the heavy duty  
23 truck industry," which resulted in Accuride being  
24 unable to meet the financial requirements under its  
25 lending agreements.



1           Similarly, in its own filing earlier that  
2 year Hayes stated the bankruptcy was "precipitated by  
3 an unprecedented slowdown in industry demand and a  
4 tightening of credit markets." In short, both  
5 companies have acknowledged that the decline in truck  
6 demand is what caused their financial problems and  
7 access to capital.

8           Now, the extreme cyclicity of the trucking  
9 sector is illustrated in the first chart in the  
10 handout. I note that that is part of an Accuride  
11 presentation which I believe they handed out when they  
12 were presenting their fourth quarter earnings.

13           And what you see here is a history of the  
14 truck builds. This one, the first chart, is Class 8,  
15 which is the largest segment of the market. And  
16 you'll see that it's a regular cycle here. The period  
17 they're complaining about, 2009 in particular, was the  
18 trough of the cycle.

19           Well, it's not surprising, given that story,  
20 that they experienced difficulties during that period.  
21 There's kind of a seven year cycle here, and there are  
22 four or five good years in every cycle and two to  
23 three in the downturn. 2009 was the bottom, just as  
24 the previous cycle bottomed out in 2001 and the  
25 previous one about seven years before that.

1           Indeed, given that cycle it would really be  
2 surprising if they didn't show a loss during that  
3 period because they gained large returns during the  
4 good years. Right now it's important to note also  
5 that they're coming out of the cycle. Demand is on  
6 the upswing. There's no doubt the economy is picking  
7 up and in particular demand in the trucking sector is  
8 improving rapidly.

9           Indeed, the forecast provided by Accuride,  
10 which I believe comes from external data companies,  
11 economic consulting firms, they expect that the build  
12 levels over the next three to four years are expected  
13 to exceed the build average of the past two cycles.  
14 Indeed, as mentioned by Tom Cunningham, demand is  
15 expected to be substantially greater than domestic  
16 producers' supply capability.

17           The next two charts in the attachment show  
18 roughly the same type of cycle, but just for two other  
19 significant segments of the market, the medium duty  
20 class, Class 5 to 7 trucks, and then the trailers.  
21 These three combined account for the vast majority of  
22 the total market for steel wheels in the United  
23 States.

24           As you see in all three charts, you see the  
25 cycle going up in 2010, and it's going to be really

1 going strong in 2011, 2012. From its loss in 2009,  
2 Accuride had already returned to profitability by the  
3 third quarter of 2010. So when you look at their data  
4 they've presented on an annual basis, but things had  
5 already started turning around.

6 Now, within that cyclical context, and I now  
7 turn to several data issues and key conditions of  
8 competition. The first key factor, and we've heard  
9 about it a little bit this morning, is nonsubject  
10 imports.

11 As a preliminary matter, and the staff is  
12 aware of this, the overstated import data in the  
13 petition are derived from various HTS item numbers  
14 that are basket categories. These include products  
15 other than subject wheels, whether they're aluminum or  
16 wheels outside the size range.

17 Thus, in total these data do not provide an  
18 accurate measurement of import volumes or market  
19 shares for the specific product under investigation.  
20 However, even with this limitation the Census data do  
21 illustrate general market trends both on an aggregate  
22 basis and by country.

23 Now, Petitioners have submitted in their  
24 petition, and we don't disagree, that the HTS category  
25 8708704530 is the main category under which steel

1 wheels for commercial highway trucks are being  
2 imported. This is the HTS number which covers the  
3 22.5 inch and the 24.5 inch wheels that constitute the  
4 vast majority of the domestic market.

5 Now looking at the next few charts we're  
6 going to be talking about, the first one shows changes  
7 in import volume, and this is for that HTS category I  
8 just mentioned, the 4530. What really jumps out when  
9 you look at that chart is the surge in nonsubject  
10 imports, particularly from Mexico. It's almost off  
11 the chart the number is so high.

12 In fact, the increase in imports from Mexico  
13 far outstrips any increase from China. From 2009 to  
14 2010, as demand recovered in the U.S., particularly in  
15 the aftermarket, imports from China in this category  
16 increased by 168,000 units or 167 as it shows in the  
17 chart. At the same time, imports from Mexico  
18 increased by more than 900,000 units, which is more  
19 than five times the increase from China.

20 Put another way, as shown in the next chart,  
21 the increase from Mexico alone was nearly triple the  
22 total volume from China. Let me say that again. The  
23 increase from Mexico alone coming from Accuride as  
24 wheels was nearly triple the total volume from China.

25 Now, the story gets even more interesting

1 when you consider that a significant share of these  
2 imports from Mexico, if not all, are of wheels  
3 produced by Accuride. Now, Accuride has stated today  
4 and have stated elsewhere that they've shifted  
5 production of the heavier wheels sold under the  
6 Statesman label to its Mexican plant.

7 In effect, we believe what's happening here  
8 is that aside from the recession this outsourcing is a  
9 primary explanation of any decrease in Accuride's  
10 domestic production.

11 The Mexican operation is important for  
12 Accuride, and the importance of this plant has been  
13 highlighted by the fact that Navistar, one of the  
14 largest U.S. truck manufacturers, named Accuride's  
15 Mexican facility it's 2010 supplier of the year. The  
16 award was granted to reflect Accuride's more than 300  
17 percent increase in sales in the aftermarket through  
18 Navistar's dealer network.

19 In another example, in the previous year,  
20 2009, Accuride of Mexico received PACCAR's quality  
21 achievement award for steel wheels shipped to the  
22 Kenworth production facility in Mexico.

23 While these wheels may not directly enter  
24 into the United States, as Mr. Orr mentioned,  
25 companies such as Kenworth and Navistar have increased

1 their truck production in Mexico and then export these  
2 trucks to the United States. Again, this is another  
3 mechanism through which Accuride's Mexican plant is  
4 contributing to reduced wheel production in the United  
5 States.

6 Now, Accuride may claim that it shifted  
7 production to Mexico to meet low-priced Chinese  
8 competition. To me this strikes me as a scapegoating,  
9 and it's an attempt to whitewash a rational corporate  
10 decision to outsource production to a lower cost  
11 facility. That's a natural business decision.

12 As we understand the market, Accuride and  
13 Hayes also bring in nonsubject imports from other  
14 countries where they either have production facilities  
15 or supply relationships. For example, a quick search  
16 of the public database on Import Genius shows a bill  
17 of lading where Accuride is the consignee for imports  
18 of various subject wheels from Maxion in Brazil.

19 The last sheet in the handout just shows  
20 that came up in a three second internet search. It  
21 popped right up, and it shows a BL again for these  
22 purchases of subject wheels coming in from Brazil and  
23 Accuride as the consignee.

24 Similarly, and I believe one of the Hayes  
25 Lemmerz witnesses noted this this morning. They import

1 some wheels from their overseas plants in Germany and  
2 India. So there's a lot of nonsubject imports out  
3 here, and I think that's a very, very significant  
4 factor in the market, more significant by far than  
5 what's coming in from China.

6 The second broad condition of competition I  
7 want to discuss concerns the very, very limited  
8 competition between subject imports and domestically  
9 produced steel wheels. Competition is, in Commission  
10 jargon, attenuated because there's very little  
11 customer and product overlap. I think a couple of the  
12 witnesses have already touched on it, but I'm just  
13 going to try to summarize a little bit.

14 We've heard that on the customer side there  
15 are two distinct channels, the OEM channel and the  
16 aftermarket. Indeed, the ITC recognized this  
17 important characteristic in the questionnaire because  
18 they took the three pricing products suggested by the  
19 Petitioner and then they doubled it. They said okay.  
20 We're going to look at those three products, but we're  
21 going to look at the OEM channel and we're going to  
22 look at them in all others, presumably the  
23 aftermarket.

24 This split in the market is a critical  
25 distinction if you want to understand the U.S. wheel

1 market. OEMs, as we've heard, consist primarily of  
2 the large truck and trailer manufacturers. We've  
3 heard all the names -- Navistar, Volvo, Peterbilt --  
4 and on the trailer side Great Dane, Wabash and Utility  
5 Trailer.

6           Petitioners have stated that the OEM market  
7 is significant, but it's not that big. It's not  
8 overwhelming. Well, I think I'll side with Tom  
9 Cunningham on this a little bit. It seems that the  
10 market for the OEMs is truly the major market for  
11 these steel wheels.

12           As you've heard from the witnesses, for a  
13 variety of reasons these large OEMs buy exclusively  
14 from Accuride and Hayes. They can provide constant  
15 support. They have the volume. They have the  
16 service, and these OEM companies depend on American  
17 made wheels. That part of the market is not open to  
18 Chinese wheels.

19           To demonstrate the importance of this  
20 segment and its OEM relationships, Accuride in its  
21 2010 annual report stressed that it has dedicated  
22 salespeople and engineers who reside near the  
23 headquarters of each of the four major truck OEMs.  
24 These guys are their lifeblood. They depend on  
25 Accuride and Hayes. It's a symbiotic relationship.



1           Now, the much smaller and fragmented  
2 aftermarket consists of sales to smaller trailer  
3 manufacturers and retailers. As you've heard this  
4 morning from the various witnesses, many of these  
5 companies simply are not served by the major  
6 producers. So where are they going to go?

7           This OEM versus aftermarket distinction is  
8 critical to understanding competition in this market,  
9 and fundamentally Chinese imports simply do not  
10 compete in the vast, vast majority of the steel wheel  
11 market. Imports can hardly be the factor allegedly  
12 causing so much injury when they're not even  
13 considered for the predominant market segment, a  
14 segment again that is completely dominated by just the  
15 two Petitioners.

16           A second factor limiting competition is that  
17 Accuride and Hayes specialize in lighter weight  
18 wheels; that is, wheels weighing less than 75 pounds.  
19 These lighter weight wheels offer a significant weight  
20 reduction benefit to truckers as they weigh 68 to 70  
21 pounds compared to the much heavier 82, 83 pound  
22 wheels imported from China.

23           To maintain structural integrity, these  
24 wheels are produced from a high tensile strength  
25 steel. These wheels are difficult to manufacture, and

1 it's my understanding that the Chinese mills produce  
2 very little of these wheels either because they cannot  
3 obtain the required steel and/or because they did not  
4 have the production capability to produce these items.

5           Again, this is a strong competitive  
6 advantage held by the domestic producers, and in this  
7 portion of the market, which is significant, they face  
8 little, if any, import competition. Now, the  
9 questionnaire, the way it's structured, breaks out  
10 these wheels by the different weight categories, so  
11 you can look at that data and you can see where  
12 there's competition and where there isn't.

13           The third factor limiting competition  
14 concerns the distinctions between the wheels for  
15 highway use versus wheels for offroad vehicles. I  
16 think we heard this morning that Titan may produce  
17 offroad steel wheels. The Petitioners don't, okay?  
18 So there may not be domestic production of steel  
19 wheels within the scope range, within the 18 to 24.5  
20 size range, that are produced domestically.

21           So how can imports be competing with that  
22 nonexistent production? So I think when you're  
23 looking at the import data and you're calculating  
24 market shares, you need to take out those products  
25 from your calculation.

1           In sum, despite what you've heard from  
2           Petitioners, the imports are largely a different  
3           product and are sold to different types of customers.  
4           Combined with the many examples of smaller U.S.  
5           customers being completely unable to purchase wheels  
6           from Hayes Lemmerz and Accuride, there is no doubt  
7           that competition is attenuated. Domestic industry  
8           performance is driven by industry cycles, and imports  
9           are not a cause of material injury.

10           MR. LOWE: This is Jeffrey Lowe again. I  
11           would like to conclude very briefly within our  
12           allotted time by speaking on the subject of threat of  
13           injury.

14           Several factors indicate that Chinese steel  
15           wheels do not pose an imminent threat to the domestic  
16           industry. Importantly, this is the standard that the  
17           domestic industry must meet. We've heard some  
18           discussion already of these factors. I'd like to  
19           summarize them briefly.

20           First, Chinese domestic demand is extremely  
21           strong. The market for steel wheels is growing  
22           rapidly, consistent with and even ahead of the  
23           country's impressive overall economic growth. In  
24           addition, the demand for subject wheels is being  
25           accelerated as the Chinese trucking industry rapidly

1 transitions to tubeless wheels, the subject of this  
2 investigation.

3 We will supply supporting data in our brief,  
4 but understand that currently only 25 percent of  
5 trucks and 30 to 40 percent of trailers are equipped  
6 with new, tubeless steel wheels in China. Thus, in  
7 addition to new growth more than half of the Chinese  
8 domestic fleet could soon transition to tubeless  
9 wheels, creating a huge internal demand.

10 The United States is not a significant  
11 market for Chinese producers. We believe that the  
12 questionnaire data will show that this country  
13 accounts for a relatively small and consistent share  
14 of total Chinese shipments. In addition, exports from  
15 China to all other markets are strong and greatly  
16 exceed the level of Chinese imports to this country.

17 Finally, the questionnaire data will show  
18 the size of the Chinese domestic market. Capacity  
19 utilization increased in 2010 and, to the extent that  
20 Chinese mills are projected to add capacity in the  
21 future, they equally project strong shipments to the  
22 domestic and other export markets. Combined, these  
23 trends do not indicate a potential surge in Chinese  
24 imports to the United States.

25 At least equally important, as described by

1 the industry witnesses today, the record establishes  
2 that on the U.S. side there is very little overlap  
3 between the segments of the market supplied by Chinese  
4 and domestically produced steel wheels in the U.S.  
5 market.

6 The overwhelming majority of U.S. wheels are  
7 sold to OEMs, while Chinese steel wheels are sold  
8 almost exclusively into the aftermarket. OEMs simply  
9 do not buy Chinese wheels and, as described by Mr. Orr  
10 and Mr. Cunningham, the domestic producers refuse to  
11 sell into large segments of the aftermarket.

12 Second, there is little overlap in  
13 competition in terms of product types. To a  
14 significant extent, the Petitioners produce  
15 lightweight steel wheels while the Chinese mills  
16 produce and sell heavier models that again are  
17 generally sold to different customers. Thus, even if  
18 imports were to increase, they would not compete with  
19 and threaten the domestic industry.

20 In addition, as described in Accuride's own  
21 public documents, as well as numerous industry  
22 reports, U.S. demand is entering the rapid growth  
23 phase of the business cycle. Demand in both the truck  
24 and trailer sectors is strong with growth rates of 30  
25 to 40 percent expected over the next three to four

1 years.

2           The industry already has supply concerns,  
3 and even Accuride has noted that supply will be a  
4 challenge for the company in 2011. With limited  
5 capital budgets during the recent recession, trucking  
6 companies deferred new expenditures. They made do and  
7 just repaired the trucks and trailers that they  
8 already had.

9           Now this equipment has gone through its  
10 useful life, and demand for new trucks and trailers is  
11 surging. This has caused a strain on all truck  
12 component manufacturers to keep up. The situation is  
13 particularly acute for trailers. Truck demand was  
14 spurred periodically over the past decade by changes  
15 in regulation. As companies spent their money on new  
16 trucks, they deferred purchases of trailers, which  
17 have an effective approximate useful life of 10 years.  
18 This means that there is a huge pent up demand to  
19 replace the current trailer stock.

20           Finally, with the rapidly increasing demand,  
21 the U.S. domestic industry's operating results are  
22 expected to improve rapidly. Accuride has noted that  
23 capacity has already tightened, and the U.S. producers  
24 should enjoy strong results that are at least  
25 consistent with the profits earned in previous

1 upswings in the market.

2 In the end, in a recent investor  
3 presentation Accuride said it best. Accuride is posed  
4 for "robust profitable growth." Given the absence of  
5 competitive overlap in terms of customers and products  
6 plus the prolonged demand boom just getting underway,  
7 the domestic industry is not vulnerable, and there is  
8 no imminent threat of material injury from Chinese  
9 imports. That is all I have to say on that subject.

10 MS. DEFILLIPPO: Thank you, Mr. Lowe. You  
11 timed that extremely well, so that was impressive.  
12 Thank you all to the panel. I appreciate you coming  
13 and presenting testimony and we'll move directly into  
14 the questioning. So I will start with Ms. Mary  
15 Messer.

16 MS. MESSER: Thank you. In the interest of  
17 time I will not have as many questions as I had  
18 earlier, but what I will do is provide questions later  
19 for you guys to answer in a post-conference  
20 submission.

21 Much has been said about the differences  
22 between the U.S. and the Chinese product on the weight  
23 and the customers. Can you tell me if there are any  
24 other differences that we need to look at between the  
25 Chinese and the U.S. product, for instance, are they

1 coming in as separate components, the disks and the  
2 rims, are they coming in as three or more piece  
3 models, are they coming in as a composite? I'm trying  
4 to think of any other differences that might --

5 MR. G. ORR: Gwynn Orr. Normally they come  
6 in as a simple unit as Mr. Noll described, you make a  
7 disk for the wheel and you make a rim outer, then  
8 that's pressed together and electronically welded  
9 together. The same is for a wheel whether it be from  
10 China, from Brazil, or from the United States, it's  
11 all the same. So it comes as a completed unit in the  
12 sizes we're talking about.

13 MS. MESSER: And they're all produced in a  
14 similar manner?

15 MR. G. ORR: Very similar, yes.

16 MS. MESSER: Okay. What about coatings; are  
17 there any other coatings that are offered from China  
18 or finishes that are offered from China that are not  
19 available in the United States?

20 MR. G. ORR: Tom, you want to take that one?

21 MR. T.M. CUNNINGHAM: Sure. I don't want to  
22 bore you with details, but there's a basic e-coat  
23 which has historically been the domestic standard.  
24 It's an acrylic; it's called a primer actually, as  
25 opposed to a finish coat. But that has been the



1 standard. It has a salt spray of about 300 hours  
2 which is a very short time and it's done. It's  
3 shipped. The upside of that is that it's ultraviolet  
4 protected because of the type of paint that's used.  
5 The downside is it has a very short life as far as  
6 protection goes.

7           When the Chinese started making steel wheels  
8 a long, long time ago, they epoxy e-coated their  
9 wheels. It still a dip tank. It comes out. Epoxy is  
10 a wonderful gripping, metal-protecting coating. The  
11 problem is it has very low UV protection qualities, so  
12 they had to put another coat of paint on them. So in  
13 this process they powder coated over the epoxy e-coat,  
14 so the product is substantially better than an  
15 Accuride one coat primer acrylic paint. That's the  
16 difference.

17           MS. MESSER: The other issue that was  
18 brought up in testimony is the aluminum wheels, the  
19 biggie. If you could in your post-conference  
20 submission go through the factors that the Commission  
21 normally looks at.

22           Just a couple of additional questions  
23 concerning aluminum wheels. I'm not sure these have  
24 been answered today or not, but what are the load  
25 ratings for the wheels that we're looking at, the 18

1 to 24 ½ inch, and do they differ from aluminum wheels  
2 and steel wheels? And can aluminum wheels be produced  
3 to this 24 ½-inch size and carry the load?

4 MR. T.M. CUNNINGHAM: The 22 5/8 and quarter  
5 aluminum wheel is form-fit function load rating  
6 comparable exactly like as steel wheel. If you can  
7 envision because of the tire/rim association, the  
8 wheel has to be able to take this tire or that tire.  
9 So the wheels dimensionally are going to be the same.

10 Aluminum is a lighter weight, weaker  
11 material than steel, so it has thicker disk. An  
12 aluminum wheel weighs 47 pounds, has a load rating of  
13 7400 pounds. The Accuride lightweight wheel is 67  
14 pounds, has a load rating, I think, of 7400 pounds.  
15 And their old wheel that they're saying has been  
16 redesigned and is a new wheel that weighs 81 pounds  
17 that they make in Mexico also has a 7400-pound load  
18 rate.

19 MS. MESSER: And can the aluminum wheels  
20 also be used for the off-road applications?

21 MR. T.M. CUNNINGHAM: I don't see any of  
22 these wheels being used -- I'm sorry. No, it's not an  
23 off road. You could put it on a Volvo truck and the  
24 dump truck goes literally off-road. But when we in  
25 this industry talk about off-road, we're talking about

1 a designated, never get on a highway.

2 MS. MESSER: Farm equipment, construction  
3 equipment?

4 MR. T.M. CUNNINGHAM: Yes, you don't see  
5 aluminum wheels on farm equipment.

6 MS. MESSER: Okay.

7 MR. G. ORR: Or road graders or things like  
8 that.

9 MR. ROGERS: This is Tom Rogers. I think if  
10 you go on the Alco website you'll see that they are  
11 promoting their aluminum wheels in all kinds of  
12 applications, including off-road.

13 MR. T.M. CUNNINGHAM: But off-road they're  
14 talking dump trucks, I think.

15 MR. G. ORR: Motor cranes, things like that,  
16 too.

17 MS. MESSER: Other than Alco, are there are  
18 other U.S. producers of these aluminum wheels within  
19 this size range?

20 MR. T.M. CUNNINGHAM: Accuride has 50  
21 percent, my estimate, market share of the aluminum  
22 wheel and Alco has the other in the U.S.

23 MS. MESSER: Okay.

24 MR. ROGERS: Again, another very  
25 concentrated market.

1 MS. MESSER: If you will in your  
2 post-conference submission, give us an estimate from  
3 your perspective of our coverage of the Chinese  
4 imports and nonsubject imports, since you brought that  
5 up.

6 Also, the Petitioners mentioned something  
7 about 16 Chinese producers meeting in China and if you  
8 have any influence -- and that there are 50 producers  
9 in China of this. We don't have 50 questionnaire  
10 responses. If you have any influence on any of the  
11 remaining Chinese producers that we haven't heard  
12 from, I would encourage you to urge them to respond.

13 Also, if you could go over any  
14 investigations or proceedings in other countries as  
15 they pertain to the Chinese imports. The Petitioners  
16 mentioned one anti-dumping duty order, which cover  
17 wheels that were of a slightly different size. If you  
18 could also mention the sizes involved.

19 And my last question, and feel free anybody  
20 to pipe in, have there been any issues with the  
21 quality of the Chinese imports? You mentioned that  
22 you've had issues with the domestics in the past, not  
23 quality issues but obtaining supplies in the past of  
24 the domestic product. Have you had any issues  
25 obtaining the Chinese product and have any of the

1 issues been related to quality and are there any  
2 quality differences between the Chinese and domestic  
3 product?

4 MR. MCPHIE: As far as obtaining supplies as  
5 far as -- they're always technical difficulties in  
6 getting things from Point A to Point B. But things  
7 that are designed or generated to cause problems in  
8 this process really haven't existed from any of our  
9 importers that we go to, regardless of the country.

10 When it comes to the quality, we test our  
11 wheels under the Marko brand, the MAJ267  
12 specifications. We tested a batch just recently of  
13 what we sell. We found that each one passed the  
14 procedure. Testing is done here in the United States,  
15 Standard Labs. So we feel, with a degree of  
16 confidence, that we're quite okay there.

17 MS. MESSER: Have you had to return any  
18 product?

19 MR. MCPHIE: We haven't. No.

20 MR. T.M. CUNNINGHAM: That's my experience  
21 too.

22 MS. WALKER: Just as any kind of production,  
23 there are people who excel and they do a very good job  
24 of producing a competent product. And that happens in  
25 this country and it happens in other countries. You

1 know lumping 50 manufacturers together and saying,  
2 hey, are they all competent it's really hard because  
3 there are different levels of expectations and  
4 different levels of quality. That being said, these  
5 gentlemen test in the United States and so do we. And  
6 we also do parts/warrant submissions, which are of  
7 VIPAR level quality examination. So that's a way to  
8 determine if a manufacturer is quality and competent.  
9 But in that 50 that you guys are talking about, there  
10 are going to be some A+s and there's going to be some  
11 D-s, but that's just the nature of competition.

12 MS. MESSER: I have no further questions.

13 MS. DEFILIPPO: Thank you, Ms. Messer.  
14 Mr. Goldfine?

15 MR. GOLDFINE: Good afternoon. I'll be very  
16 brief with my questions. Mr. Lowe and Mr. Schutzman,  
17 do you agree or not with the Petitioners that the  
18 Commissioner should find one like product, or should  
19 it find more than that? If that's for the  
20 post-conference briefs, you can say that too.

21 MR. LOWE: I will address that in the  
22 post-conference brief, but we've not made an argument  
23 here today that there should be two separate like  
24 products. But we're not saying that that is our final  
25 position for the preliminary phase.

1 MR. SCHUTZMAN: Mr. Goldfine, you heard my  
2 position in the testimony this morning, and we will  
3 expound upon it in our post-con.

4 MR. GOLDFINE: I wasn't clear whether you  
5 were going to argue for more than one like product or  
6 broader than the scope?

7 MR. SCHUTZMAN: We will put it in our  
8 post-conference. I think it will clarify.

9 MR. GOLDFINE: And in the post-conference  
10 briefs, also if there's no related parties issues, the  
11 Petitioners said there aren't any, you could address  
12 that as well.

13 MR. SCHUTZMAN: Okay, we will.

14 MR. GOLDFINE: And lastly, on the data  
15 source issue, both for the subject and nonsubject  
16 imports, what source of data that the Commission  
17 should be looking at to measure imports, whether it's  
18 questionnaires or official statistics. If you could  
19 address that in your post-conference brief, too. I  
20 have no further questions.

21 MS. DEFILIPPO: Thank you, Mr. Goldfine. We  
22 will now turn to Mr. Thomsen.

23 MR. THOMSEN: Thank you to this panel for  
24 your testimony. It was very enlightening. And I do  
25 have a few questions that I would like to ask a number

1 of you. Have each of you attempted to purchase steel  
2 wheels from Accuride and Hayes since 2008?

3 MR. G. ORR: Yes, we have.

4 MR. THOMSEN: And what happened during those  
5 negotiations, Mr. Orr?

6 MR. G. ORR: They sold us the wheels.

7 MR. THOMSEN: Okay. How about you  
8 Mr. Cunningham?

9 MR. T.M. CUNNINGHAM: I have not.

10 MR. THOMSEN: Ms. Walker?

11 MS. WALKER: We have not. We spoke to Hayes  
12 in the late nineties, and after that we made our own  
13 plan.

14 MR. THOMSEN: Mr. McPhie, would you be able  
15 to follow up with AWS?

16 MR. MCPHIE: Sure. Yes, we'll do that for  
17 our brief.

18 MR. THOMSEN: All right, thank you very  
19 much.

20 Next, flipping from the purchasing side and  
21 to the selling side, can you describe your attempts to  
22 sell to the OEM truck and OEM trailer and the OEM  
23 service markets since 2008?

24 Mr. Orr, I'll do this the same way. Have  
25 you attempted to sell into those markets?



1 MR. G. ORR: To the original equipment  
2 market?

3 MR. THOMSEN: Truck, trailer, and service.  
4 Yes.

5 MR. G. ORR: Truck, trailer, and service?  
6 Are you referring to truck dealership service  
7 departments?

8 MR. THOMSEN: Right, and the truck dealers  
9 themselves?

10 MR. G. ORR: No.

11 MR. THOMSEN: The trailers?

12 MR. G. ORR: We've sold to trailer companies  
13 that manufacturer trailers, as we described earlier.

14 MR. THOMSEN: Okay, and to the truck service  
15 market, the dealer?

16 MR. G. ORR: The truck dealers? Not by  
17 design. We may have some that will call us  
18 occasionally, but as far as our marketing plan they're  
19 not a focus for us.

20 MR. THOMSEN: Okay.

21 MR. ROGERS: Just to clarify, I believe Orr  
22 purchases both domestic and imported material. So  
23 when they're selling an OEM channel, a trailer  
24 manufacturer that could be a U.S. product as well.

25 MR. G. ORR: A lot of it is.

1 MR. THOMSEN: I was going to say, is it the  
2 Chinese or other imported or the domestic that you are  
3 selling to those?

4 MR. G. ORR: We sell all. Alco, in addition  
5 to -- and aluminum has a good share there, too.  
6 Accuride, we sell a lot of Accuride device wheels. We  
7 sell some Hayes products. We sell some wheels that  
8 come in from China, Brazil, and occasionally, from  
9 Turkey.

10 MR. THOMSEN: And do you make a distinction  
11 when you're telling the purchaser that we're selling  
12 you the Chinese or we're selling you U.S.

13 MR. G. ORR: Yes, we do.

14 MR. THOMSEN: Okay.

15 MR. LOWE: My business cycle is to go where  
16 value is added. And if you could think about it, the  
17 customers who can't get Accuride and can't get Hayes  
18 offer a better value. We're a small company, so what  
19 value do I offer NaviStar? None. So I don't make  
20 those calls.

21 MR. THOMSEN: Okay. Thank you.

22 Ms. Walker?

23 MS. WALKER: Thank you.

24 You know on our horizon like the big  
25 front-end truck manufacturers like Pacar and Navistar

1 are really not on our radar. We do not seek that  
2 business. But we do seek mid-sized OEM trailer  
3 business and we have recently lost that business to  
4 domestics. We do a valued-added sale, which is a tire  
5 wheel assembly for their OEM side. And if they needed  
6 a tire or just a wheel for their OES side, we would be  
7 willing to do that. But often people call us when  
8 they're very disappointed in their domestic supplier  
9 and we fill in gaps. You know if there's a need, we  
10 try to fill someone's need.

11 That being said, yes, we do some OEM  
12 original equipment on trailer only. We do none on  
13 truck and we do a limited amount of OES, and it 100  
14 percent Chinese origin wheel and the tires come from  
15 all over the world.

16 MR. THOMSEN: Thank you.

17 And Mr. McPhie, I'll again ask the same  
18 question for you to submit for AWS, unless you have  
19 the information.

20 MR. MCPHIE: I sure will. We'll follow up.

21 MR. THOMSEN: And along the same lines, do  
22 your purchasers have a country of origin of preference  
23 for the steel wheels? Mr. Orr, you were talking about  
24 telling them which country they come from. Do they  
25 tell you what country they want their steel wheels to

1 come from?

2 MR. G. ORR: Not really. What we note  
3 primarily is that when we give them a description of  
4 the wheel we tell them where it's made and they will  
5 say yes, no or they -- we don't get a phone call that  
6 says I want a Brazilian wheel, for example. It  
7 doesn't really occur.

8 MR. THOMSEN: And do you have any purchasers  
9 that say, oh no, I would not want a Chinese wheel?

10 MR. G. ORR: Sure. Sure do.

11 MR. THOMSEN: And how frequent of an  
12 occurrence would that be?

13 MR. G. ORR: We get a lot of calls during  
14 the day, but if you look at a customer base that  
15 manufactures trailers and things like that we have  
16 probably an amount greater than 50 percent that would  
17 prefer to have an American-made wheel, or a perceived  
18 American name, so that's why we have to be very  
19 careful when we talk about the origin of the wheel  
20 that we're selling them and what brand it may or may  
21 not be.

22 Now there's some confusion out there in the  
23 market, but we do make a very good point. For  
24 instance, if it's a Hayes wheel that's made in Turkey,  
25 for example, it's a wide-based wheel, a steel wheel

1 that they import. Some people have a preference for  
2 that over maybe an Accuride that's made in Brazil  
3 that's a wide-based steel wheel. And we don't have  
4 one from China, so there's a lot of interest in the  
5 country of origin for the product. We always tell  
6 them what the brand is, where it's made and they tell  
7 us what to ship.

8 MR. W. ORR: My name is Will Orr with Orco  
9 International. And being the marketing guy, I'm the  
10 one that gets the calls and answers to the customers.  
11 So to address your question, yes, there is definitely  
12 a realization in the marketplace country of origin of  
13 the wheels. The majority of our customers do require  
14 either an Accuride or a Hayes Lemmerz wheel. They  
15 like a domestically-made wheel and then the same thing  
16 on the aluminum side. There is a preference for Alco  
17 or Accuride. Sometimes there's not. We do sell them  
18 import wheels. A lot of times that goes to stationary  
19 construction equipment.

20 One of our bigger customers is an oil field  
21 as a big, booming part in our part of the world. For  
22 an example, there's a thing called a frac trailer and  
23 what it is is a bulk liquid storage device they pull  
24 on site to store water. It's stationary. It sits and  
25 basically the tires will dry rot before they wear out.

1 And so there's a lot of other types of mobile  
2 construction equipment like that that the value is in  
3 what the performance the trailer does.

4 Like Hayes and Accuride did an awful lot of  
5 talking about freight companies. Their discussions  
6 about we make a determination on how freight is moving  
7 and that determines the draw, which is absolutely  
8 true. But I think that you're hearing those are not  
9 markets that we really deal with, with those large  
10 fleets. Like, for example, a large fleet like a  
11 Penske or a Wal-Mart. We deal with the tire shops and  
12 they'll call and say, no, it's got to be Accuride  
13 because they're determining that's the wheel they  
14 want.

15 But a lot of the oil services that we sell  
16 the trailer is really a mobile device to do work.  
17 It's not hauling freight. So in that instance they  
18 are not as concerned with the country of origin on the  
19 wheel because that trailer may sit at one spot for six  
20 months, move a hundred yards to another location. So  
21 there's some differentiation in the way that equipment  
22 is used. And in our geography that's a large part of  
23 our business.

24 MR. THOMSEN: Thank you. I just have --

25 MS. WALKER: I didn't get to comment. I

1 apologize.

2 I have a largely different experience. We  
3 operate on a GIT model, which is just in time. And I  
4 just told you guys that occasionally we handle spot  
5 market where someone has been vastly disappointed.  
6 But we are kind of failing to address this as a group  
7 that there are outdated business models in practice  
8 here. And some of these guys who are assemblers are  
9 actually fulfilling a need to these OEMs that they  
10 vastly need. They don't have the money to floor plan  
11 tires and wheels. They need to have the ability to  
12 just get the tires and wheels there at the moment  
13 they're ready to roll those trucks -- well, actually  
14 trailers off the line.

15 So inasmuch as it doesn't matter if it says  
16 "made in China," sometimes my customers care.  
17 Sometimes they don't care at all. They want it to  
18 carry the load and they want it to have a nice, black,  
19 shiny tire on it because other people have failed to  
20 service them.

21 MR. THOMSEN: Thank you.

22 Just very, very quick and very generally, do  
23 you charge surcharges for raw materials for your  
24 goods? We heard that the domestics have done that.  
25 Is that something that is also on the import side at

1 the after market, Mr. Orr?

2 MR. W. ORR: No, we don't.

3 MR. THOMSEN: Mr. Cunningham?

4 MR. T.M. CUNNINGHAM: No, we don't.

5 MR. THOMSEN: Ms. Walker?

6 MS. WALKER: No.

7 MR. ROGERS: This is Tom Rogers. I think  
8 that could also be a distinction between the spot  
9 market, which these guys are in and the contract.

10 MR. THOMSEN: Right.

11 MR. T.M. CUNNINGHAM: I would just answer  
12 that we receive those surcharges at the time of  
13 purchase, so we then reflect that, if you will,  
14 surcharge in the new price of the product, which we do  
15 receive -- there is price fluctuation based on  
16 probably the price of the steel and more importantly,  
17 the price of freight, particularly, if a product is  
18 coming from overseas. These are approximately 480  
19 pieces per container moving halfway around the world,  
20 so that increase of freight cost. With the oil going  
21 up, it affects freighters as well and so that does  
22 affect the real price of the product.

23 MR. THOMSEN: Actually, I would like to ask  
24 Mr. McPhie. He'd spoken about a formula for when  
25 people would buy aluminum versus steel wheels. If you



1 could submit that or some taxed in your  
2 post-conference brief that would also be very helpful  
3 for us.

4 MR. MCPHIE: Okay. Sure. That's a tool  
5 that the customers of AWS use, but I believe AWS does  
6 have access to at least one. And if so, we'll provide  
7 that.

8 MR. T.M. CUNNINGHAM: Alco has it on their  
9 website. I'm sure we can get it that way.

10 MR. THOMSEN: That would be wonderful.

11 MR. T.M. CUNNINGHAM: Probably Accuride.

12 MR. THOMSEN: Thank you very much.

13 MS. DEFILIPPO: Thank you, Mr. Thomsen.

14 Mr. Boyland, do you have any questions for  
15 this panel?

16 MR. BOYLAND: Just one.

17 MS. DEFILIPPO: Okay.

18 MR. BOYLAND: Mr. Cunningham, you talked  
19 about the share OEM versus after market. And I think  
20 you were indicating that there's sort of a  
21 disagreement between Respondents and Petitioners as to  
22 what the shares are.

23 MR. T.M. CUNNINGHAM: Yes.

24 MR. BOYLAND: And you indicated I believe 80  
25 percent would be OEM, 20 percent after market.

1           MR. T.M. CUNNINGHAM: To try to clarify, if  
2 you look at the chart that Tom presented where we  
3 showed the spikes and the increases when this industry  
4 builds 278,000 trailers in a year and then the next  
5 year it builds 72,000 trailers that after market  
6 demand is not that radical. So perhaps you could take  
7 the worst year in the last 25 years and grab that.  
8 And trucks were the same dynamics. So grab that and  
9 say yes after market is perhaps 40 percent. I  
10 couldn't debate that. But day-to-day, averaging out  
11 this industry, my best guess is 80 plus versus 20 down  
12 after market.

13           Just think about what they're doing and how  
14 many trucks are going down that -- so hopefully, that  
15 clarifies it.

16           MR. BOYLAND: It does. And I think you're  
17 saying if you look at the business cycle 80/20 would  
18 be fair. But if you're looking at a trough or a peak,  
19 it's not necessarily going to be, or it shouldn't be  
20 80/20.

21           MR. T.M. CUNNINGHAM: Exactly. And I would  
22 even think 20 percent might be generous.

23           MR. BOYLAND: Thank you for your testimony.

24           MR. T.M. CUNNINGHAM: Thank you.

25           MS. DEFILIPPO: Thank you, Mr. Boyland.

1           Mr. Coffin, do you have any questions for  
2 this panel?

3           MR. COFFIN: No.

4           MS. DEFILIPPO: Thank you.

5           Mr. Corkran?

6           MR. CORKRAN: Thank you very much. Douglas  
7 Corkran, Office of Investigations.

8           I want to thank you all for your testimony  
9 today. It's been very, very helpful. In the interest  
10 of time I'm going to forego any questions directly  
11 here. I'll submit them for the post-conference.

12           One thing to please be thinking about,  
13 though, is if there are potential changes that you see  
14 coming eminently, please feel free to provide  
15 additional information on them. One of the ones that  
16 was mentioned today was the possibility of the  
17 introduction in the U.S. market of a Chinese tire that  
18 requires less steel and was therefore lighter weight.  
19 Any other changes that you see of that nature, please  
20 feel free to comment on. And for that, thank you all  
21 very much.

22           MS. DEFILIPPO: Thank you, Mr. Corkran.

23           I have one two-part question. One part of  
24 it most likely will need to be answered in a brief and  
25 so the other can. I'm trying to tie together the

1 information that I heard this afternoon.

2 I heard some testimony Chinese wheels tend  
3 to be heavier, but then there was also discussion that  
4 there was a shift or a movement towards maybe the  
5 aluminum because it was lighter weight and it would  
6 use less fuel and fuel is expensive.

7 So hearing that and looking into the packet  
8 that Mr. Rogers gave, the Chinese wheels are heavier  
9 and yet, weight is important enough that people are  
10 thinking about another product, aluminum versus steel.  
11 How are the Chinese increasing the sales? That's what  
12 we're seeing in this document in terms of there's been  
13 an increase in imports. So I'm having a little  
14 trouble settling that. And again, this can be handled  
15 in the post-conference brief.

16 And this part because you don't have all the  
17 questionnaire data yet, if the Chinese wheels are  
18 heavier and the cost of steel is a significant factor  
19 which can affect the prices, we should maybe see over  
20 selling in our data. I don't know what we see. We  
21 haven't seen it. But if we're not seeing over selling  
22 where the Chinese are higher because it's more steel  
23 what else could be affecting the price that would be  
24 making it not more expensive due to heavier product?

25 MR. ROGERS: I'll take a first stab at just

1 one part of that, and that is your pricing categories  
2 already breakout the products by weight ranges. So  
3 when you're comparing your products, whether it's  
4 Product 1 versus 2 vers 3, those are already  
5 distinguished based on light versus medium versus a  
6 heavy-weight wheel. So I don't think you're going to  
7 necessarily see a heavy -- you're not going to be  
8 looking at a heavy Chinese wheel against a light U.S.  
9 wheel. Those are already separated in Product 1 verus  
10 Product 2.

11 And I think a second factor is, as I  
12 understand it, producing the lighter weight wheel  
13 requires a different quality of steel and a different,  
14 more complicated and costly manufacturing process and  
15 there's more yield loss. So the cost is not  
16 one-to-one correlated with the steel, that there are  
17 other factors going on in terms of just the weight of  
18 the steel.

19 MR. T.M. CUNNINGHAM: From a market  
20 standpoint, could I just add to that?

21 MS. DEFILIPPO: Yes. Please. Thank you.

22 MR. T.M. CUNNINGHAM: If you envision why  
23 people buy aluminum wheels, Bill Knawel was right,  
24 because they're pretty, but there's also practical  
25 applications for it because it's lighter and fuel

1 efficient. So why make the steel wheel lighter?  
2 Well, there are two reasons. Number one, you take  
3 cost. Less steel, even though high stencil spring  
4 steel on a ton basis is a little more expensive than the  
5 regular. But the other reason it's a value add  
6 because aluminum 47 pounds. The light-weight wheel is  
7 67 and the standard heavy wheel is 82 pounds. So  
8 beyond just the strip cost of building the wheel,  
9 there's a value add to the customers. So I think  
10 you'll see the light-weight wheel. Why do they make a  
11 wheel to compete with the Chinese wheel if steel cost  
12 is the same? Because the light-weight wheel they're  
13 charging more for, not less. So those are things to  
14 consider.

15 MS. WALKER: I would like to comment also.  
16 I agree with Tom Cunningham. I don't want to name  
17 call, but is kind of a case of Chicken Little. You  
18 know I've heard that some Chinese manufacturers are  
19 going to take a lot of weight of their wheel. They're  
20 going to be able to compete more with the stuff that I  
21 make in Mexico and in Indiana and Kentucky. Great.  
22 It's a preemptive strike. We haven't imported a  
23 light-weight one. That doesn't mean that there aren't  
24 people who aren't doing it. But just because you hear  
25 it's going to happen doesn't mean that that

1 competition is affect today. This make take years.  
2 It may take months. It involves heavily changing the  
3 manufacturing process in actual flow-forming centers,  
4 which is really complex and people have not mastered  
5 it outside of the United States yet. Will they? But  
6 right now it's preemptive and it's Chicken Little.  
7 It's the sky is falling.

8 MS. DEFILIPPO: Thank you very much.

9 Any other questions from staff?

10 (No response.)

11 MS. DEFILIPPO: I thank this panel very much  
12 for coming today and presenting testimony and  
13 answering our questions. It's been very helpful to  
14 all of us in understanding the steel wheel market.

15 So with that, I will dismiss this panel.  
16 And we have time set aside for closing remarks. I'm  
17 looking for Mr. Schagrin.

18 MR. Schagrin, are you ready to do closing  
19 statements? Do you want to take a few minutes?

20 MR. SCHAGRIN: (Off mike.)

21 MS. DEFILIPPO: Mr. Lowe, would you be okay  
22 with going straight into or would you like a few  
23 minutes to confer. We're not starting the  
24 refrigerators until one, so we do have a couple of  
25 minutes to talk to your clients before we went right

1 into closing statements.

2 MR. LOWE: (Off mike.)

3 MS. DEFILIPPO: that's fine.

4 What we'll do is take a five-minute break.  
5 this clock says 12:30, so at 12:35 we'll start closing  
6 statements then. Thank you.

7 (Whereupon, a brief recess was taken.)

8 MS. DEFILIPPO: Please proceed,  
9 Mr. Schagrin.

10 MR. SCHAGRIN: Good afternoon. Roger  
11 Schagrin with closing arguments for the Petitioners.

12 Let's try to summarize the Respondents'  
13 argument because this is the rebuttal time.

14 Their first argument seems to be the only  
15 reason the domestic industry had the problems is  
16 because of declining demand. But since they provided  
17 economists and we didn't have them, although we have a  
18 little bit of undergraduate economic experience on our  
19 team, they did a nice job providing the charts that we  
20 otherwise would have provided. In fact, their main  
21 chart is from Accuride.

22 What it demonstrates without any question is  
23 that after demand fell from 2008 to 2009 demand has  
24 begun to rebound. And on a percentage basis, if you  
25 just look at the size of the chart, it's rebounding



1 pretty significantly. That's how bad '09 was. And in  
2 2011, it's continuing that rebound. So in 2010 and  
3 going into 2011, it's not the lack of demand that's  
4 hurting the domestic industry. And there's no doubt  
5 that in 2009 the lack of demand really hurt the  
6 industry.

7           So what's happening in the marketplace with  
8 the domestic industry and with imports from China.  
9 And what you're going to find when you review things  
10 is that the domestic industry's rebound in terms of  
11 volume, prices, profitability, employment indicators  
12 is nowhere near the rebound in the market. And the  
13 reason for that is that when you look at the data  
14 you're going to see the rebound from imports from  
15 China is far greater in 2010 than the rebound and  
16 demand. So they're gaining market share. You're also  
17 going to find they're gaining market share through  
18 price.

19           Now their second argument seems to be that  
20 it's self-injury by reason of imports from Mexico.  
21 Now here, and I have a great respect for Tom Rogers.  
22 I've known him for most of my career. He's very good  
23 at what he does.

24           His data sources seem to be the same ones we  
25 used, 8708704530. We use in the petition. It's in

1 Exhibit 6, I think. We used the IM145 CD Roms that we  
2 get every month. We pay several hundred dollars a  
3 month to the government to try to help them out. And  
4 he used the U.S. ITC data web. We have on occasion in  
5 the past found that those data sources aren't always  
6 exactly the same. Maybe the government's 145 CD Rom  
7 is wrong, maybe the TIC web. But we're all in the  
8 reality business. He's an economist. I'm a lawyer.  
9 You've got to do realty checks.

10 He had a huge group of people here to help  
11 him out -- distributors, importers, Chinese producers.  
12 They must have some sense of the size of the U.S.  
13 market. I asked my guys 2010 what's your estimate for  
14 the size of the market. About 2.2 million units. His  
15 data shows 1.9 million units being imported from  
16 Mexico. Well, you have the Accuride data. Obviously,  
17 the information is not correct. I don't know where  
18 the mistake is, but I can tell you the data that he  
19 used to make his big argument, and which Mr. Lowe made  
20 is well that these guys are killing themselves with  
21 their massive import is just plain not true.

22 You will find that most of the domestic  
23 industry's sales in the U.S. market are based on their  
24 U.S. operations. U.S. operations that Chinese  
25 unfairly traded products are trying to put out of

1 business.

2 A couple of other brief issues. They say,  
3 well, steel wheels produced in China aren't supported  
4 by the government. The main input in steel wheels is  
5 steel. The government of China owns 95 percent of the  
6 steel. We'll put it in our post-conference brief.  
7 The government-owned mills in China are selling steel  
8 for \$250 a metric ton less than the world market  
9 price. That's support for the steel wheel industry.

10 Now the final argument that they put forth  
11 seems to be two. A, we *can't play* in the biggest part  
12 of the market, which is the OEM market. But then the  
13 young lady from Trans-Texas said, oh yeah, we sell  
14 onto the OEM trailer market all the time. Well, when  
15 you put after market and OEM trailer market together  
16 that's about two-thirds of the market.

17 Right now, Chinese are not in the OEM truck  
18 market, but as you'll see in our post-conference  
19 brief, as you heard in the Hayes testimony, they're  
20 getting into it and they will get into it. So, okay,  
21 they only have access to two-thirds of the market. So  
22 this duopoly ought to be doing great. Well, they're  
23 not and that's clear from their data.

24 So the fact is there is fierce competition.  
25 The other thing I'd like to say is Hayes and Accuride

1 refused to sell in the large segments of the after  
2 market. That is totally untrue. In response to a  
3 question from the staff two of these distributor  
4 witnesses they didn't even try to buy Accuride or  
5 Hayes product during the POI. Why would they? The  
6 Chinese prices are so much cheaper? Why would you  
7 want to spend more on a domestic product? For the two  
8 who did say that they tried to buy, they were able to  
9 buy.

10 The idea that this industry can't supply the  
11 market it's almost hilarious, given the capacity  
12 utilization. These producers are struggling to keep  
13 their plants open. They have so much excess capacity.  
14 They don't have production jams, this and that.  
15 Something from the 10-K was about bearings going into  
16 different parts. It's not in the tires. It might  
17 affect other truck parts. These guys are dying to use  
18 their capacity utilization. They're competing on  
19 volume and price.

20 So I'm totally confident that you will find,  
21 when you get all the data, that everyone in the United  
22 States who buys Chinese tires buys them for one reason  
23 and that is price. Chinese wheels are cheaper than  
24 domestic wheels. That's why they buy them. You heard  
25 about the quality. Chinese wheels are of equal

1 quality to domestic wheels. They meet the same SAE  
2 standards. And we're not talking about maybe ever  
3 producer in China meeting them. All the Chinese  
4 producers who sell in the United States meet the  
5 standards. You didn't hear about any returns, any  
6 quality problems, et cetera.

7 So they're selling the exact same product  
8 the domestic industry does and in fierce competition  
9 with the domestic industry and they're selling them at  
10 lower prices.

11 Common and unlike product, the fact that  
12 aluminum wheels perform the same function as steel  
13 wheels does not, as this Commission well knows, make  
14 them the same like product. You reviewed the same  
15 thing in 1998 in a case from steel wheels from Brazil  
16 and it's the same today. I have an aluminum fence  
17 around my pool. You're required by law to have fence  
18 around your pool.

19 My neighbor has a stainless fence. They're  
20 really rich. They came out of the finance industry.  
21 They could have been a distributor of Chinese wheels.  
22 I mean only very rich people put up stainless fences  
23 around their pools. It ain't me. That's for sure.  
24 That doesn't mean aluminum fences and stainless fences  
25 are the same like product.

1           You have completely different manufacturing  
2 facilities, different workers, different processes,  
3 different input. They perform the same function.  
4 They may share similar channels of distribution.

5           So in conclusion, first, as to threat --  
6 well one brief thing on this bill of lading, but we'll  
7 address it in the post-conference. This was one of  
8 those items that Ms. Messer asked about, what Accuride  
9 imported from Brazil is one of those demountable rim  
10 types that there's that 1 percent use in the United  
11 States of that three piece and they don't make it  
12 here.

13           So they're not going out of their way to say  
14 we're going to compete with the Chinese by importing  
15 from Maxion of Brazil. So I'm glad they found that in  
16 three minutes on import genius. It means nothing to  
17 the case.

18           Now let's look at the actual data. When we  
19 look at the actual data, you will see, number one,  
20 there was a huge increase in imports from China in  
21 2010, far beyond the increase in consumption. As we  
22 go into 2011, where the marketing isn't booming, but  
23 it's going to increase somewhat from 2011 levels.  
24 Imports from China are booming again and a number of  
25 Chinese producers are going to rush -- you didn't ask

1       them if they're all going to rush them in, but I  
2       guarantee that they're all going to rush in all the  
3       steel wheels from China they can.

4                Why? Is it because Hayes and Accuride don't  
5       have enough capacity? No, they're going to rush them  
6       all in before they're subject to AD and CBD duties  
7       because they're cheaper and they want to get as many  
8       cheap, Chinese wheels that they can make lots of money  
9       on reselling without having to pass along all the  
10      increased steel costs that are happening in the  
11      market.

12               They said, oh yeah, these guys who were  
13      trying -- this duopoly who was trying to gouge us in  
14      2008, they tried to raise their price 20 percent. You  
15      know what was happening to steel price in the first  
16      half of 2008. There should be a very close  
17      relationship between steel wheel prices and steel  
18      prices. Steel wheels are overwhelmingly made of steel.

19               When there is not a close relationship  
20      between steel wheel prices and steel prices, the  
21      domestic industry producing the finished product is  
22      going to be put out of business. That isn't going to  
23      be good for our economy. It's not going to be good  
24      for our freight section. I don't want to see us  
25      dependent on Chinese wheels.

1 I hope all the Chinese producers will file  
2 questionnaire responses. We will attempt to give you  
3 analysis of import coverage and foreign producer  
4 coverage. Certainly, foreign producer coverage is  
5 very poor now. They're a huge industry. They are  
6 getting into lighter wheels. There is a real and  
7 eminent threat. For all of these reasons, I urge you  
8 to make an affirmative preliminary determination.

9 Thank you very much.

10 MS. DEFILIPPO: Thank you, Mr. Schagrin.

11 Mr. Lowe, welcome back and please proceed  
12 with your closing statement when you're ready.

13 MR. LOWE: Thank you, Ms. DeFilippo. I will  
14 not be quite as engaging perhaps as Mr. Schagrin, but  
15 that's not because the quality of our position is  
16 less.

17 What have we heard here today? We've heard  
18 from two domestic producers of steel wheels. The only  
19 domestic producers in the country, both of whom  
20 declared bankruptcy in 2009 during the middle of the  
21 period of investigation that they selected to bring  
22 for purposes of this investigation, claiming not that  
23 imports of Chinese steel wheels had caused them  
24 material injury. I mean I think we could all agree  
25 what they're claiming is that there's this treat of



1 material injury looming out there from the imports of  
2 steel wheels that are on the horizon and that they  
3 perceive are going to increase.

4 We heard Mr. Schagrin in his opening remarks  
5 ask have the woes experienced by the domestic industry  
6 been caused entirely by the decline in demand. He  
7 wants to say no. He wants to say that Chinese steel  
8 wheels have caused that, yet there is no evidence in  
9 the record that Chinese steel wheels have caused any  
10 of the woes experience by the domestic industry.

11 The answer to this question is that the  
12 decline in demand, combined with the mismanagement and  
13 the misplaced business decisions on the part of both  
14 Accuride and Hayes has accounted entirely for any  
15 injury being experienced by the domestic industry.

16 The Petitioners in their testimony failed to  
17 address these conditions of the domestic industry at  
18 any length because they don't support their case and  
19 the factors that brought them to the state that their  
20 in today. Instead, we have repeatedly heard how  
21 Chinese imports threaten Accuride and Hayes Lemmerz's  
22 financial wherewithal.

23 Repeatedly, the witnesses for the domestic  
24 industry have recited the possibility of Chinese  
25 imports taking sales and market share from Accuride

1 and Hayes. Mr. Schagrín acknowledged that Chinese  
2 imports did not cause Accuride and Hayes bankruptcy.  
3 He stressed however that they are a contributing  
4 factor, yet when asked by Mr. Boyland the Petitioners  
5 admitted that they have no internal data to show that  
6 the Chinese imports have had any impact on the  
7 condition that the domestic is in as of 2009 and as of  
8 today.

9 The question of aluminum wheels are very  
10 important, and we are going to address the factors  
11 that the Commission traditionally considers. We would  
12 very much like to see aluminum wheels included the  
13 light product. They probably should be included in  
14 the light product, but based on the Commission's  
15 precedent and the considerations that you must take,  
16 like I say, we're not arguing at this time that we  
17 think that you would include them. But nevertheless,  
18 aluminum wheels are a significant factor of  
19 competition in the marketplace.

20 Aluminum wheels are competing directly with  
21 steel wheels produced by the domestic industry.  
22 Aluminum wheels are taking market share away from the  
23 producers of steel wheels. And importantly, the  
24 producers of steel wheels, in particular, Accuride  
25 produces aluminum wheels and promotes aluminum wheels

1 to its customers of steel wheel. And I leave to the  
2 Commission to decide to what extent that promotion is  
3 taking away Accuride's own sales of steel wheels, but  
4 it's in our view significant and should be considered  
5 very important in your analysis.

6 The question of imports from Mexico, the  
7 Petitioners acknowledge that Accuride is the only  
8 exporter of steel wheels from Mexico. The Petitioners  
9 acknowledge that they moved to Mexico for various  
10 reasons. One of which is lower costs. They made the  
11 point that their customers had moved to Mexico, the  
12 large OEM producers, Navistar, Peterbilt, Kenworth.

13 And it is true, as we said, that these  
14 trucks are being produced in Mexico. They're being  
15 fitted with Accuride's steel wheels and they're being  
16 brought across the border into the United States for  
17 sale here. The fact of the matter is that right there  
18 is taking sales away from Accuride and Hayes Lemmerz  
19 in the United States. And it's a question of how  
20 those sales of steel wheels and the chassis of these  
21 trucks could be taken into account in your analysis.

22 But leaving that aside, as we've  
23 demonstrated, the volume of steel wheels coming from  
24 Mexico is significantly higher than the volume of  
25 steel wheels coming from China. The increase of steel

1 wheels coming from Mexico during the POI was  
2 significantly higher than the increase from China.

3 Mr. Schagrín challenged the data bases, the  
4 bases for calculating these numbers. I don't know  
5 whether there maybe some minor variation, but I'm sure  
6 that's what it would be between different data  
7 sources. Again, looking at the import statistics that  
8 they used for purposes of their questionnaire. And we  
9 do intend to address the question of what would be  
10 preferable from the standpoint of your having complete  
11 coverage.

12 But leaving that aside again, it's important  
13 to consider the level, the significant volume of steel  
14 wheels being imported from Mexico by Accuride that's  
15 taking market share from Accuride and Hayes Lemmerz.  
16 Hayes Lemmerz's witness acknowledge here today that  
17 they compete with those steel wheels from Mexico on a  
18 price basis. Our witnesses made the same point, so  
19 it's not preposterous, as Mr. Schagrín said to argue  
20 that Accuride and Hayes are losing market share as a  
21 result of this factor.

22 So turning to the threat of injury. We  
23 summarize the arguments. These are very important  
24 considerations that the Commissioner should look at  
25 based on the factors in the statute that you consider.

1 The standard again is an eminent threat of injury that  
2 is being caused by the import, not speculation because  
3 all we heard here today, in my opinion, was  
4 speculation that the Chinese might be moving into the  
5 OEM market. That they might be doing this. That they  
6 might be doing that.

7 The fact of the matter is, as we discussed  
8 earlier that the demand in China is growing  
9 significantly and steadily. The U.S. market is not  
10 significant for Chinese producers. There is very  
11 little overlap between the segments of the market  
12 supplied by the Chinese and the domestic steel wheels  
13 in the sense that, as we heard, the domestic supply,  
14 the OEM market almost exclusively, and that is  
15 somewhere in the neighborhood of 80 percent compared  
16 to the 20 percent for the after market.

17 There is little overlap in competition in  
18 terms of the product types for the same reason. The  
19 domestic produce the light-weight wheel for their OEM  
20 customers. The Chinese import the heavier weight  
21 wheel for their after market customers. They're used  
22 for different purposes. And it's very important to  
23 acknowledge that U.S. demand is entering a rapid  
24 growth phase, notwithstanding Mr. Schagrin's arguments  
25 to the contrary, there's nothing to suggest that

1 Chinese imports will rush into the United States and  
2 undersell the domestic producers.

3 The real question is whether, as in past  
4 downturns followed by upswings in this industry will  
5 the domestic producers be able to meet the demand that  
6 they're going to face? Our witnesses gave testimony  
7 today, and the record shows that they won't be able to  
8 meet that demand. So to the extent that Chinese  
9 producers fill that demand, it's something that the  
10 domestic producers are unable to account for, at least  
11 based on historical precedent.

12 The question of support for steel producers,  
13 including steel wheel producers in China this is not  
14 an issue before the Commission in terms of making its  
15 decision. There's no evidence in the record to show  
16 that Chinese producers of steel wheels receive support  
17 from the government and let alone that Chinese  
18 producers of steel products receive such support. So  
19 it's again pure speculation to even refer to that and  
20 I'd even say it's preposterous.

21 The purchases from domestic producers by the  
22 importers this is an important consideration. Our  
23 witnesses testified, in particular Mr. Cunningham that  
24 he sells to a segment of the market that has to buy  
25 from a source other than Accuride and Hayes. That

1 Accuride and Hayes have refused to sell to these  
2 customers and that he supplies that need for them.

3 So there was no reason for Mr. Cunningham to  
4 approach Accuride and Hayes to try to purchase steel  
5 wheels from them because he's selling to customers who  
6 have already been told by Accuride and Hayes that they  
7 will not sell to those customers.

8 Am I running out of time?

9 MS. DEFILIPPO: You're out of time.

10 MR. LOWE: With that, I'll conclude. Thank  
11 you again for your time and your attention. And we'll  
12 address all the questions that you've raised in our  
13 post-conference brief.

14 MS. DEFILIPPO: Thank you, Mr. Lowe.

15 On behalf of the Commission and the staff, I  
16 would like to thank the witnesses who came here today,  
17 as well as counsel for helping us gain a better  
18 understanding of the product and the conditions of  
19 competition in the steel wheel industry.

20 Before concluding, I'd like to mention a few  
21 dates to keep in mind. The deadline for submission of  
22 corrections to the transcript and for submission of  
23 post-conference briefs is Monday, April 25. If briefs  
24 contain business proprietary information, a public  
25 version is due on April 26. The Commission has

1 tentatively scheduled its vote on these investigations  
2 for May 13 and it will report its determinations to  
3 the Secretary of the Department of Commerce on May 16.  
4 Commissioners opinions will be transmitted to the  
5 Department of Commerce on May 23.

6 Thank you all for coming. And with that,  
7 this conference is adjourned.

8 (Whereupon, at 12:58 p.m., the hearing in  
9 the above-entitled matter was concluded.)

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**CERTIFICATION OF TRANSCRIPTION****TITLE:** Certain Steel Wheels from China**INVESTIGATION NO.:** 701-TA-478 & 731-TA-1182 (Prelim)**HEARING DATE:** April 20, 2011**LOCATION:** Washington, DC**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:** 4/20/11

**SIGNED:** Raymond Vetter  
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:** Micah J. Gillett  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

**SIGNED:** Gabriel Gheorghiu  
Signature of Court Reporter