

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
STEEL WHEELS FROM CHINA

) Investigation Nos.:  
) 701-TA-602 AND 731-TA-1412 (FINAL)

Pages: 1 - 262  
Place: Washington, D.C.  
Date: Thursday, March 14, 2019



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UNITED STATES OF AMERICA  
BEFORE THE  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:            ) Investigation Nos.:  
STEEL WHEELS FROM CHINA ) 701-TA-602 AND 731-TA-1412 (FINAL)

Main Hearing Room  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Thursday, March 14, 2019

The meeting commenced pursuant to notice at 9:30  
a.m., before the Commissioners of the United States  
International Trade Commission, the Honorable David S.  
Johanson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman David S. Johanson (presiding)

5 Commissioner Irving A. Williamson

6 Commissioner Meredith M. Broadbent

7 Commissioner Rhonda K. Schmidtlein

8 Commissioner Jason E. Kearns

9

10

11

12 Staff:

13 William R. Bishop, Supervisory Hearings and Information

14 Officer

15 Tyrell Burch, Program Support Specialist

16 Sharon Bellamy, Records Management Specialist

17

18 Jordan Harriman, Investigator

19 Amanda Lawrence, International Trade Analyst

20 Emily Burke, International Economist

21 Samuel Varela-Molina, Accountant/Auditor

22 Karen Driscoll, Attorney/Advisor

23 Craig Thomsen, Supervisory Investigator

24

25

1 APPEARANCES:

2 Opening Remarks:

3 Petitioner (Terence P. Stewart, Stewart and Stewart)

4 Respondents (Eric C. Emerson, Steptoe & Johnson LLP)

5

6 In Support of the Imposition of Antidumping and

7 Countervailing Duty Orders:

8 Stewart and Stewart

9 Washington, DC

10 on behalf of

11 Accuride Corporation ("Accuride")

12 Maxion Wheels Akron LLC ("Maxion")

13 Gregory A. Risch, President, Accuride Wheels North  
14 America, Accuride

15 Chad Monroe, Senior Vice President, Business  
16 Development, Accuride

17 Andrew Hofley, Senior Vice President/Sales, Americas,  
18 Accuride

19 Craig Kessler, Vice President of Engineering, Accuride

20 Dan McGivney, Vice President of Sales for the Truck OEM  
21 Accounts, Accuride

22 Don Polk, President, the Americas, Maxion Wheels

23 Matthew Kominars, Sales Director - North America,  
24 Maxion Wheels

25 Denny Weisend, Senior Consultant, Maxion Wheels

1 APPEARANCES (Continued):

2 Jack Hefner, President, United Steelworkers Local 2,  
3 Akron, Ohio facility of Maxion Wheels

4 Terence P. Stewart, Nicholas J. Birch and Mark D.  
5 Beatty - Of Counsel

6

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

9 Steptoe & Johnson

10 Washington, DC

11 on behalf of

12 Xiamen Sunrise Wheel Group Co. Ltd. ("Sunrise")

13 Amanda Walker, Executive Vice President, Trans Texas  
14 Tires

15 Benjamin Lee, Sales Manager, Sunrise International USA  
16 Inc.

17 Eric C. Emerson, Thomas J. Trendl, Zhu (Judy) Wang and  
18 Marcia Pulcherio - Of Counsel

19

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25

1 APPEARANCES (Continued):

2 White & Case LLP

3 Washington, DC

4 on behalf of

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

6 Zhejiang, China

7 David Saylor, Executive Director, International

8 Department, Zhejiang Jingu

9 Tom Cunningham, President, The Cunningham Company

10 Allison Kepkay - Of Counsel

11

12 Rebuttal/Closing Remarks:

13 Petitioner (Terence P. Stewart, Stewart and Stewart)

14 Respondents (Eric C. Emerson, Steptoe & Johnson LLP)

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24

25

## I N D E X

1		
2		Page
3	Petitioner (Terence P. Stewart, Stewart and Stewart)	9
4		
5	Respondents (Eric C. Emerson, Steptoe & Johnson LLP)	13
6		
7	Gregory A. Risch, President, Accuride Wheels	
8	North America, Accuride	17
9		
10	Don Polk, President, the Americas, Maxion Wheels	25
11		
12	Chad Monroe, Senior Vice President, Business Development,	
13	Accuride	30
14		
15	Andrew Hofley, Senior Vice President/Sales, Americas,	
16	Accuride	38
17		
18	Matthew Kominars, Sales Director - North America,	
19	Maxion Wheels	41
20		
21	Jack Hefner, President, United Steelworkers Local 2, Akron,	
22	Ohio facility of Maxion Wheels	47
23		
24	Terence P. Stewart, Stewart and Stewart	50
25		

## I N D E X

1		
2		Page
3	Tom Cunningham, President, The Cunningham Company	135
4		
5	Amanda Walker, Executive Vice President, Trans	
6	Texas Tires	142
7		
8	David Saylor, Executive Director, International Department,	
9	Zhejiang Jingu	149
10		
11	Benjamin Lee, Sales Manager, Sunrise International	
12	USA Inc.	155
13		
14	Eric C. Emerson, Steptoe & Johnson LLP	157
15		
16	Thomas J. Trendl, Steptoe & Johnson LLP	169
17		
18	Petitioner (Terence P. Stewart, Stewart and Stewart)	253
19		
20	Respondents (Eric C. Emerson, Steptoe & Johnson LLP)	257
21		
22		
23		
24		
25		



## P R O C E E D I N G S

1  
2  
3  
4  
5  
6  
7  
8  
9  
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9:30 a.m.

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

CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on the final phase of Investigation Nos. 701-TA-602 and 731-TA-1412 involving Steel Wheels from China

The purpose of these final investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of imports of Steel Wheels from China.

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

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

1 Please speak clearly into the microphones and state your  
2 name for the record for the benefit of the court reporter.

3 If you will be submitting documents that contain  
4 information you wish classified as business confidential  
5 your requests should comply with Commission Rule 201.6. Mr.  
6 Secretary, are there any preliminary matters?

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

10 CHAIRMAN JOHANSON: Very well. Let us begin with  
11 opening remarks.

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

15 OPENING STATEMENT OF TERENCE P. STEWART

16 MR. STEWART: Thank you and good morning Chairman  
17 Johanson, Commissioners and Commission Staff. I'm Terence  
18 Stewart of Stewart and Stewart, here this morning  
19 representing the Petitioners Accuride Corporation and Maxion  
20 Wheels, Akron LLC. These are the only two Domestic  
21 Producers of 22 and 24 inch steel wheels.

22 The record before you supports from our view both  
23 an affirmative material injury determination and an  
24 affirmative threat of material injury determination. For  
25 example, the staff report shows that Subject Imports have

1 grown considerably in a market that declined in the  
2 2015-2017 time period.

3           They've taken market share from Domestic  
4 Producers, have universally undersold domestic prices and  
5 have resulted in adverse effects on an array of domestic  
6 performance indicators. Importer questionnaires in the  
7 final investigation show Subject Imports grew from 885,000  
8 wheels in 2015 to over a million in 2017 or by 14.6  
9 percent, much faster than the 9.8 percent growth identified  
10 in the preliminary phase that you stated were significant in  
11 both absolute terms relative to consumption.

12           It is estimated that in 2017 forty percent of  
13 consumption of steel wheels were to trailer OEMs, 35 percent  
14 to aftermarket customers with the remainder split between  
15 OEM truck, OEM bus and OEM other specialty truck with OEM  
16 truck being roughly 17 percent.

17           Japanese product is sold aggressively in all  
18 segments of the market with the exception of OEM truck where  
19 Chinese Producers are active in the aftermarket and have  
20 been qualified by most producers in recent years. Stated  
21 differently, Domestic Producers have faced Chinese Imports  
22 in most than 80 percent of the market and have faced intense  
23 price competition in 100 percent of the market.

24           Best read of the market penetration in our view  
25 and in competition is measured at the overall market level,

1 which is your normal approach but is also supported by  
2 review of some verbatim. Purchasers who accounted for 30  
3 percent of the volume of Subject Imports responded to  
4 Commission questionnaires.

5 Many of these purchasers can confirm that during  
6 the Period of Investigation they had bought Chinese instead  
7 of U.S. steel wheels, that Chinese prices were lower, that  
8 the lower price was a primary reason for purchasing Chinese  
9 wheels and that the number of wheels this amounted to was  
10 more than 492,000 or roughly 15 percent of all Chinese  
11 Imports during the time period.

12 As our prehearing brief reviews, there were other  
13 purchasers who at the preliminary phase of these  
14 investigations similarly identified lost sales to Chinese  
15 wheels because of the price, so the number is much larger.  
16 As domestic production, shipments, employment and  
17 profitability were significantly reduced profitably by  
18 double digits just because of the confirmed lost sales as we  
19 reviewed in Exhibit 4 of our prehearing brief.

20 Such losses due to low import prices in our view  
21 constitute material injury to the Domestic Industry by  
22 themselves. Price was reported as one of the top factors in  
23 purchase decisions and purchasers reported that for other  
24 important factors such as quality and most others that were  
25 identified they viewed Chinese and U.S. wheels as

1 comparable.

2 U.S. and Chinese wheels were viewed as  
3 interchangeable and on price the Staff Report shows that  
4 Subject Imports undersold domestic wheels in all 60  
5 quarterly comparisons at average margins of 28 percent.  
6 Domestic Industry has seen improvements on some indicators  
7 in interim period 2018 as Chinese producers and importers  
8 reduced or stopped shipments from China following the  
9 preliminary Commission determination in May and the Commerce  
10 preliminary determination on CVD at the end of August.

11 Indeed, as seen on Table 4-6 of the Prehearing  
12 Staff Report, Subject Imports from June to September of 2018  
13 after your preliminary ITC decision dropped 47.1 percent  
14 from the same period in 2017 while imports in the first 5  
15 months before your decision in fact had been surging. They  
16 were 26.6 percent higher than they had been in 2017 so the  
17 increase in imports continued through May of last year.

18 But for the Petitions, imports in the first 9  
19 months of 2018 would have been more than 313,000 wheels more  
20 than actually achieved in the interim period and without  
21 unfair trade practices in interim 2018 imports from China  
22 would have been at least 232,000 wheels lower than actually  
23 recorded.

24 As U.S. Law allows and the facts in this case  
25 attest, the Commission should presume any improvement in the

1 U.S. Industry during the interim period is due to the  
2 pendency of these investigations and give primary focus to  
3 the 2015/2017 time period.

4 Finally, as we review in our brief, there is a  
5 basis to make a determination of threat and material injury  
6 even though that's not necessary if you find material  
7 injury. Thank you very much.

8 MR. BISHOP: Thank you, Mr. Stewart. Opening  
9 remarks on behalf of Respondents will be given by Eric C.  
10 Emerson of Steptoe and Johnson. Mr. Emerson, you have five  
11 minutes.

12 OPENING STATEMENT OF ERIC C. EMERSON

13 MR. EMERSON: Good morning, Chairman Johanson and  
14 Members of the Commission and Staff. My name is Eric  
15 Emerson of Steptoe and Johnson. I am here today on behalf  
16 of Xiamen Sunrise Wheel Group, LTD. a foreign  
17 producer/exporter of Subject Merchandise.

18 I would like to use this opportunity to give you  
19 a brief overview of the key points of our case that we will  
20 present this afternoon and I have presented in our  
21 prehearing brief. The first and foremost is market  
22 segmentation. In the preliminary determination in this case  
23 the Commission recognized the critical importance of  
24 segmentation in the U.S. steel wheels market.

25 Analyzing import volumes and market shares on a

1 segmented basis rather than looking at market share trends  
2 as a whole will be critical for the Commission to accurately  
3 assess the impact of Subject Imports on the Domestic  
4 Industry and when appropriately analyzed the Commission will  
5 necessarily conclude the competition between Subject Imports  
6 and the domestic like product was highly attenuated.

7 In one significant market segment, sales to OEM  
8 truck producers Subject Imports were entirely absent  
9 throughout the POI and in the largest segment, OEM trailer  
10 the Domestic Industry maintained a substantial majority of  
11 sales. The only segment where Subject Imports competed  
12 meaningfully with the domestic like product was in the  
13 aftermarket but for reasons we will explain any competition  
14 in that limited segment had no injurious impact on the  
15 Domestic Industry.

16 With respect to price, the Commission  
17 preliminarily concluded that imports did not cause price  
18 suppression or depression during the POI and the factual  
19 record of this final investigation supports an identical  
20 conclusion. The price of the domestic like product and the  
21 subject merchandise is closely correlated with the cost of  
22 hot-rolled steel, its main input and track the cost of that  
23 input through the POI.

24 Price trend data over the POI confirm that the  
25 price of the domestic like product did not suffer from price

1 suppression or depression. Petitioners rely heavily on  
2 evidence of underselling as a basis to argue that Subject  
3 Imports injured the Domestic Industry and the effect of  
4 underselling on market shares appears to be one of the main  
5 reasons for the Commission's affirmative preliminary  
6 determination but the record in this final phase  
7 demonstrates that underselling did not in fact allow Subject  
8 Imports to take volume from Domestic Producers as the  
9 Commission preliminarily concluded.

10           During my direct testimony, we will go through  
11 market shares on a segment specific basis using data  
12 directly from the staff report and when we do I suspect you  
13 will be quite surprised at how little change there was year  
14 to year in these market shares.

15           Lacking any demonstrable impact on the Domestic  
16 Industry, the Commission should conclude that underselling  
17 seen in this case is simply non-injurious. Given protected  
18 market segments, increasing prices and steady market shares  
19 it's really no surprise that the Domestic Industry is in  
20 fact doing fairly well by nearly any measure the industry  
21 was increasingly profitable throughout the POI and any  
22 changes in production and shipment levels were due to  
23 overall demand factors, not Subject Imports, a conclusion  
24 supported by the market share data I just discussed.

25           And just as Subject Imports have not caused



1 material injury, neither do they threaten material injury.  
2 In addition to the statutory factors addressed in our case  
3 brief, imports of the Subject Merchandise from China are now  
4 covered by an additional 10 percent duties imposed as a  
5 result of the Section 301 process threatened of course to  
6 increase to 25, which makes the United States an even less  
7 attractive market for Chinese Producers.

8 I'd like to close with two final points. First,  
9 for Chairman Johanson and Commissioner Williamson, if it  
10 feels like d j vu all over again, it is. The basic fact  
11 pattern before you is the same as the case the Commission  
12 heard in 2012 when it reached a unanimous negative  
13 determination.

14 To be sure, there are some minor factual  
15 differences but they do not support a different conclusion.  
16 The segmented structure of the market, static market shares  
17 and the lack of significant price effects all led the  
18 Commission to reach a negative determination before and the  
19 same fact pattern supports an identical conclusion here.

20 Finally, when considering whether the Subject  
21 Imports had an impact on the Domestic Industry, the  
22 Commission must bear in mind that each of these U.S.  
23 Producers is only a small part of a much larger global  
24 enterprise with steel wheel production facilities around the  
25 world. During the POI, both Petitioners imported

1 meaningful quantities of steel wheels into the U.S. from  
2 subject and non-subject sources which necessarily affected  
3 the production and shipment figures on which Petitioners  
4 have built their case.

5 The decision to import rather than produce  
6 domestically was likely made at an upper management level  
7 with the goal of maximizing profitability in production for  
8 the global enterprise and for that reason it would be  
9 impossible for the Commission to conclude that the Domestic  
10 Industry's performance would have been better but for  
11 Subject Imports in the U.S. Market. I thank you for your  
12 time.

13 MR. BISHOP: Thank you, Mr. Emerson.

14 Would the panel in support of the imposition of  
15 the antidumping and countervailing duty orders please come  
16 forward and be seated.

17 Mr. Chairman, the panel has 60 minutes for their  
18 direct testimony.

19 CHAIRMAN JOHANSON: You may begin whenever you're  
20 ready.

21 STATEMENT OF GREGORY A. RISCH

22 MR. RISCH: Chairman Johanson and Commissioners,  
23 good morning. My name is Greg Risch and I am the President  
24 of the North American Wheels Business Unit for Accuride  
25 Corporation. I have been with Accuride for what is now 24

1 year and President of the North American Wheels Business  
2 since October 2017.

3           Petitions in these investigations allege that  
4 imports from China of 22.5 and 24.5 inch on-road steel  
5 wheels for use with tubeless tires are dumped and subsidized  
6 and cause, and threaten to cause, material injury to the  
7 domestic industry producing such wheels.

8           The Commerce Department now has issued both  
9 preliminary countervailing duty and antidumping  
10 determinations with margins that, for some companies, range  
11 to more than 400 percent.

12           Accuride believes that the final margins will be  
13 at least as high as those found in the preliminary as all  
14 mandatory respondents have withdrawn from the Commerce  
15 portion of the investigations.

16           Thus, the remaining question is whether the  
17 record before the Commission supports a finding that the  
18 domestic industry is materially injured or threatened with  
19 material injury. We are confident that the record before  
20 you supports that conclusion.

21           I believe Accuride is the largest domestic  
22 producer of steel wheels. To my knowledge, our facility in  
23 Henderson, Kentucky, and Maxion's facility in Akron, Ohio,  
24 are the only remaining U.S. facilities producing these  
25 wheels.

1           While Accuride does have other facilities  
2     producing steel wheels internationally, our strategy is to  
3     serve each market locally where possible. While we import  
4     some wheels, including some from China starting in the  
5     second half of 2017 and only when necessary to compete with  
6     the very depressed prices from other Chinese producers, the  
7     data we submitted with our questionnaire responses shows  
8     clearly that we primarily serve U.S. demand with U.S.  
9     production, not imports. It is our U.S. facility that is  
10    impacted when we lose sales in the U.S. to low-priced  
11    Chinese imports.

12           The unfair trade practices we have faced from  
13    Chinese imports over the last decade have resulted in our  
14    U.S. facility operating at unsustainably low levels of  
15    capacity utilization and have made it impossible for the  
16    company to make the level of capital investments we should  
17    be making to maintain our state-of-the-art manufacturing  
18    facility and to invest in future developments through R&D.

19           During the 2012 ITC hearing on steel wheels, our  
20    CEO at the time testified that capital expenditures for our  
21    industry should be in the range of 3.5 to 4 percent of sales  
22    and R&D in the range of 1.5 to 2 percent of sales.

23           As our questionnaire response shows, we've only  
24    been making capital expenditures at roughly one-half of that  
25    level. Our R&D expenditures are only at levels that are

1 roughly one-third of where they should be.

2 Our Henderson facility is extraordinarily  
3 efficient and was recognized as a leading manufacturing  
4 facility in 2014 by the Association for Manufacturing  
5 Excellence. But our robotics are in need of replacement and  
6 are old enough where even spare parts are challenging to  
7 find.

8 Unfortunately, many projects at the plant that  
9 have been proposed have been rejected because of market  
10 conditions. Indeed, budget approved for capital  
11 expenditures has typically been no more than 50 percent of  
12 what was requested during the years under investigation  
13 here. As reviewed in our questionnaire responses, our  
14 employment figures also declined.

15 The market conditions leading to reduced  
16 expenditures and employment are first and foremost  
17 low-priced imports of steel wheels from China, which cost us  
18 revenue at virtually every customer we have, have deprived  
19 domestic producers of the volume to run our facilities at  
20 reasonable capacity utilization rates, and have resulted in  
21 our highly efficient facility in Henderson not being able to  
22 generate the returns necessary to support significant  
23 reinvestment.

24 There is literally nothing more that we can do to  
25 reduce our costs in the United States. Without relief,

1       there is little doubt that the next move by Accuride would  
2       be to close Henderson and relocate to China to benefit from  
3       the market distorted input costs and other factors that our  
4       Chinese competitors have been enjoying for more than a  
5       decade.

6                 Our team, in working on the Petition in the early  
7       months of 2018, estimated imports from China at 1.3 million  
8       wheels in 2017. In the prehearing staff report, data  
9       collected by the Commission from U.S. importers show that  
10      responding importers brought in a little over a million  
11      steel wheels from China in 2017, an increase of over 14  
12      percent since 2015. And the numbers from those importers  
13      likely understate the full story.

14                For example, the six Chinese producers who  
15      provided responses in the preliminary investigation--  
16      compared to only four who did so in this final--reported  
17      over a 65 percent increase in their U.S. exports between  
18      2015 and 2017, a much more substantial increase than that  
19      reported by the importers.

20                We also had estimated that the market shares into  
21      which apparent consumption could be broken were:

22                One, trailer OEM estimated in 2017 to be 40  
23      percent.

24                Two, aftermarket, including original equipment  
25      service, at 35 percent.

1           Three, truck and bus OEM--which would include  
2 builds of other heavy-duty trucks such as cement mixers,  
3 garbage trucks, et cetera--at 25 percent with bus and other  
4 being perhaps being perhaps one-third of this amount.

5           The demand in the 40 percent of the market in OEM  
6 trailer and 25 percent in OEM truck is derived and follows  
7 the demand for the new trailers and trucks. The data on  
8 build rates for those trucks and trailers that we have  
9 submitted show that demand is cyclical, with slightly  
10 different trend lines depending on the segment one is  
11 looking at. 2015 would have been the high demand year, with  
12 significant decline in 2016, some rebound in 2017, and some  
13 further rebound in part-year 2018.

14           The aftermarket, the second largest segment  
15 behind OEM trailer, follows a different cycle. We have  
16 provided data on freight movement as a possible proxy,  
17 although there are other factors that may affect aftermarket  
18 demand, such as the age of vehicles on the road.

19           Subject imports go to OEM trailer manufacturers,  
20 aftermarket customers--including smaller OEM trailer  
21 manufacturers who buy from distributors and truck OES--and  
22 OEM bus accounts.

23           As Chad Monroe and Drew Hofley will review in  
24 greater detail, Accuride has experienced intense competition  
25 with lost sales and reduced revenues in that 84 percent of

1 the market where Chinese competition clearly is present.  
2 While there may be no current sales of Chinese product to  
3 the OEM truck accounts, Accuride has experienced significant  
4 revenue reductions as a result of Chinese price competition  
5 at those accounts as well, a fact detailed in Accuride's  
6 U.S. Producer Questionnaire response and in our prehearing  
7 brief.

8 While responses from purchasers in this final  
9 were limited to 16 companies accounting for only 30 percent  
10 of the U.S. shipments reported by importers of Chinese  
11 wheels, those who did respond reported widespread  
12 underselling and the purchase of Chinese wheels instead of  
13 U.S. wheels because of the lower prices.

14 Those purchasers reported buying over 492,000  
15 Chinese imports instead of U.S. wheels primarily due to  
16 price during te POI. This suggests that, extrapolated to  
17 total subject imports, a staggering 1.6 million wheels went  
18 to Chinese vendors instead of U.S. producers because of  
19 price during this time. Even the partial response from  
20 purchasers shows the lost sales are significant versus  
21 Accuride's U.S. sales over that period.

22 There are two external government events that the  
23 Commission has inquired about in its questionnaire and which  
24 are addressed in our prehearing brief under Conditions of  
25 Competition.



1           The first deals with the U.S. Government's 232  
2 decision in March 2018 to impose 25 percent duties on  
3 imported steel products. Most of Accuride's steel is  
4 domestically produced, though we import some steel discs  
5 from our Canadian operation.

6           U.S. steel prices have been volatile in recent  
7 years, with significant increases in the second and third  
8 quarters of 2018 as steel import prices also increased, in  
9 part due to the 232 duties.

10           Before preliminary CVD duties were announced by  
11 Commerce, pricing pressure from subject imports prevented  
12 Accuride from raising prices sufficiently to address rising  
13 steel costs in 2018. That can be seen in Accuride's 2018  
14 operating income numbers and per-wheel costs of steel.

15           Indeed, looking at Accuride's data on our pricing  
16 products, our prices to OEM accounts on product one actually  
17 declined in 2018 versus 2017, reflecting continued pressure  
18 from prior periods to secure business against depressed  
19 Chinese pricing. Pricing product two, our aftermarket sales  
20 of lighter-weight wheels, also shows we suffered price  
21 suppression due to the continued low prices of Chinese  
22 product in the market.

23           The second issuer is the effect of 301 tariffs on  
24 steel wheels from China. Subject wheels are covered in the  
25 third tranche of imports charged a 10 percent duty effective

1 September 24, 2018. But the increase to 25 percent duties  
2 on that tranche has now been delayed indefinitely and even  
3 the 10 percent duties may disappear through negotiations.

4 And my understanding is that the Chinese currency  
5 devalued against the dollar by 8 to 10 percent in 2018 since  
6 April, offsetting any 301 duties. Hence, the 10 percent  
7 duty did not kick in until the very end of the Period of  
8 Investigation with no effect we can see, and is unlikely to  
9 be relevant to Chinese prices in the near term.

10 Based on the full record before you, I urge the  
11 Commission to render an affirmative final determination and  
12 permit a restoration of conditions of fair trade in the  
13 market for those steel wheels.

14 I am happy to answer questions.

15 STATEMENT OF DON POLK

16 MR. POLK: Good morning, Chairman Johanson,  
17 Commissioners, and Commission staff. I appreciate the  
18 opportunity to appear today to review the challenges that  
19 Maxion's U.S. Akron facility is facing because of dumped and  
20 subsidized imports from China.

21 My name is Don Polk, and I am the President of  
22 the Americas for Maxion Wheels, a division of Iochpe-Maxion.  
23 I have held my current position since 2012, but I have been  
24 in the wheel business for 34 years with Maxion and its  
25 predecessors.

1           In the United States, Maxion has two steel wheel  
2 facilities, but only one of which produces the on-the-road  
3 22.5 inch and 24.5 inch steel wheels for use with tubeless  
4 tires that compete with the subject imports from China.  
5 That facility is in Akron, Ohio.

6           I am accompanied this morning by both Maxion's  
7 Sales Director for North America, Matt Kominars, and by the  
8 United Steelworkers Local 2 President in our Akron facility,  
9 Jack Hefner, each of whom you will hear from this morning.

10           We have had a very cooperative and constructive  
11 relationship with the United Steelworkers and appreciate the  
12 efforts that they've made over the years to help our Akron  
13 facility face the challenges that dumped and subsidized  
14 imports from China have presented to our company.

15           As I understand the public record in this case,  
16 despite the cyclical downturn in builds of trucks and  
17 trailers from 2015-'16, and partial rebound in 2017,  
18 suggesting that apparent consumption in the OEM segment of  
19 the market would be down between 2015 and 2017, imports from  
20 China increased absolutely.

21           The public staff report indicates that the  
22 increase is over 14 percent, reaching at least over one  
23 million wheels in 2017. Based on Maxion's data, it is clear  
24 that Maxion lost market share to Chinese imports during the  
25 2015 to '17 time period. It is also my understanding that

1       there was universal underselling of domestic product by  
2       Chinese imports--something that would correlate to Maxion's  
3       own experience in the market. Significant price  
4       underselling and loss of market share to imports has  
5       adversely affected Maxion's Akron facility.

6                 I have broad oversight responsibility for the  
7       Akron facility and the other facilities in the Americas.  
8       While we import some wheels to fill out our product line in  
9       the U.S. and in some cases to compete at low price points  
10      that we cannot match through production in Akron, our Akron  
11      facility serves the great majority of our U.S. sales.  
12      Because of increasing volumes of low-priced imports from  
13      China, we face lower prices and reduced volumes in the U.S.  
14      market.

15                And so our Akron facility has struggled with  
16      reduced production, capacity utilization, shipments,  
17      employment, and hours worked in the 2015-2017 period. The  
18      financial performance has been challenging throughout the  
19      Period of Investigation, as our information in response to  
20      question III-9a attests.

21                Our capital expenditures have generally been  
22      minimized as we have been unable to justify much needed  
23      investments to improve the performance of our facility. For  
24      example, in the 2012 investigation Maxion had indicated that  
25      the Akron facility had been unable to justify the large

1 investment needed to replace an aging paint line resulting  
2 in the company needing to outsource the painting operations.

3 But the poor financial performance of the Akron  
4 facility in the face of seriously depressed pricing from  
5 China has continued to make such investments unreasonable.  
6 In order to justify needed investments, there must be a  
7 return to conditions of fair trade.

8 As our questionnaire response makes clear, our  
9 capital expenditures made during the Period of Investigation  
10 have generally lagged even the diminished depreciation  
11 recorded by Akron.

12 These are not capital expenditures to expand our  
13 production in Akron, but are necessary investments back into  
14 the business to maintain and improve our current production  
15 lines to keep them current and functioning.

16 While our U.S. operations have experienced an  
17 increase in volume in 2018 due in part fo the ITC  
18 affirmative preliminary injury determination and the  
19 preliminary countervailing duty determination of the  
20 Commerce Department, prices in 2018 for Maxion have remained  
21 depressed because of the price aggression of imports from  
22 China and the effects on OEM contracts and the distressed  
23 nature of the aftermarket pricing throughout the period.

24 Steel prices around the world have been volatile  
25 during the last four years. While steel prices in the

1 United States declined in 2015 and 2016, prices have  
2 increased significantly in 2018, assisted by the imposition  
3 of 232 tariffs on steel from many countries, starting late  
4 in the first quarter of 2018 for some countries. As our  
5 financial information makes clear, Maxion's Akron facility  
6 has not been able to pass on the large increase in raw  
7 material costs. That inability is due in significant part  
8 to the depressed prices of Chinese product in the market.

9 In prior years, there were some issues of quality  
10 for some Chinese producers. That is generally not the case  
11 during the Period of Investigation as quality has improved  
12 considerably for all major producers and is generally viewed  
13 by customers as acceptable. Indeed, the staff report shows  
14 that all purchasers reported that Chinese wheels either  
15 "always" or "usually" meet their minimum quality  
16 specifications, the same as they reported for U.S. wheels.

17 The depressed Chinese prices in the U.S. market  
18 reflect, in my view, the distortions producers in China  
19 operate under, distortions captured at least partially in  
20 the countervailing duty and antidumping determinations by  
21 the Commerce Department.

22 Chinese producers are viewed as producing  
23 competitive products whether for sale in the aftermarket or  
24 for OEM needs. It is my understanding that the Commission's  
25 preliminary determination in these cases and the prehearing

1 staff report confirm that purchasers typically view U.S. and  
2 Chinese product as comparable on most factors considered.  
3 While we obviously believe Maxion offers a superior quality  
4 to all comers, most purchasers view products from U.S. and  
5 from Chinese suppliers as adequate for their needs and  
6 meeting industry standards.

7 Labor costs are not a major advantage for Chinese  
8 producers. By far the single largest cost of producing  
9 steel wheels is the steel used in the products. Labor is a  
10 relatively small part of the cost. For Maxion's Akron  
11 facility, greater capacity utilization, possible under  
12 conditions of fair trade, would reduce other factory costs  
13 significantly for us. But we need conditions of fair trade  
14 to enjoy those benefits.

15 So in conclusion, on behalf of the management of  
16 Maxion Wheels and our workers in our Akron facility, I urge  
17 you to make an affirmative final injury determination in  
18 these investigations. Maxion, and we believe the industry,  
19 is materially injured by reason of the dumped and subsidized  
20 imports from China. We are also threatened with additional  
21 material injury in the imminent future. Relief is  
22 critically important to our plant and to our workers.

23 Thank you very much, and I am happy to take your  
24 questions.

25 STATEMENT OF CHAD MONROE

1                   MR. MONROE: Good morning Commissioners and  
2 staff. My name is Chad Monroe. I am the Senior Vice  
3 President for Business Development at Accuride Corporation.

4                   I've been with Accuride for more than 12 years.  
5 In my current position, I coordinate Accuride's global OEM  
6 sales, market analysis, and business development activities.  
7 Previously, I had full responsibility for all corporate  
8 sales and marketing activities in the truck and trailer OEM  
9 and after-market segments.

10                  For those of us involved with sales in the  
11 United States, the last decade has been a challenging time.  
12 We've experienced extraordinarily low prices from Chinese  
13 competitors that have resulted in loss volume, reduced  
14 revenues, and worsening capacity utilization at our sole  
15 U.S. steel wheel facility. This has been true during the  
16 period of investigation examined here as well.

17                  I'm aware that parties in opposition to the  
18 relief we seek are arguing that U.S. producers are, in large  
19 part, responsible for the volume of wheels imported from  
20 China. Such claims are factually inaccurate. Accuride  
21 acquired two companies that have been importing wheels as  
22 part of their overall operations, KIC and Mefro Wheels.

23                  We provided their import figures for the full  
24 2015 through September 2018 period in questionnaire  
25 responses to help the Commission have the fullest dataset on



1 imports. While KIC was acquired by Accuride, its corporate  
2 parent, only in May of 2017, Mefro Wheels was not acquired  
3 until June of 2018, before those dates, and so for the  
4 greatest period of the POI, Accuride did not have  
5 responsibility for nor input into the business decisions of  
6 either firm. Imports by these entities since Accuride  
7 acquired them have contracted significantly, as can be seen  
8 in interim 2018.

9           Since the acquisition of KIC, we will sometimes  
10 use imports from China to compete with Chinese prices that  
11 we cannot profitably meet from our U.S. operation. We also  
12 import some wheels from our Mexico or Canada facilities to  
13 rationalize production capabilities and accommodate  
14 purchaser preferences based on freight cost to a customer.  
15 But as our questionnaire response data show, Accuride is  
16 first and foremost a domestic producer of steel wheels.

17           We have focused on meeting U.S. demand with U.S.  
18 production and that U.S. production is what is being injured  
19 by dumped and subsidized imports from China.

20           Turning to U.S. demand, the market can be  
21 described as consisting of users where price is the  
22 principal driver of purchasers and customers where weight is  
23 an important consideration with price being critical for  
24 comparable weight wheels.

25           The aftermarket is largely characterized as a

1 price segment and the same can be said for much of the  
2 trailer and bus OEM market segments. Even truck OEM  
3 manufacturers push hard for low prices from their qualified  
4 suppliers. Weight is an important consideration in certain  
5 segments of the trailer market; particularly, for bulk  
6 haulers whose load volumes are routinely limited by  
7 government-regulated weight limits and increasingly in a  
8 Class 8 truck segment of the OEM truck market.

9           Aside from specific segments which are  
10 insignificant, minority of the market, weight is generally  
11 not a significant concern in the broader trailer OEM  
12 segment. The aftermarket is also not generally weight  
13 sensitive since customers' needs are usually more defined by  
14 availability of product and price. Thus, while there are  
15 parts of the market where a customer will insist on a lower  
16 weight steel or aluminum wheel, there are large portions of  
17 the market where price is the primary consideration and  
18 where heavier steel wheels, if offered at a lower price,  
19 will be purchased in lieu of lighter-weight wheels.

20           During the period of investigation, our  
21 experience is that the Chinese steel wheels were competing  
22 successfully based on price in both weight-sensitive and  
23 weight-insensitive segments of the market. That experience  
24 is reflected in the staff report where importers reported  
25 over half of the wheels from China during each year of the

1       POI were low-weight wheels and that share increased over the  
2       period. The public pre-hearing staff report indicates that  
3       no parties have raised any issues with the domestic-like  
4       product in their comments, on the draft questionnaires that  
5       would've allowed the Commission to collect necessary data at  
6       a different domestic-like product determination were to be  
7       pursued.

8                       In light of those facts and the Commission's  
9       preliminary domestic-like product determination, we  
10      encourage the Commission to again define the domestic-like  
11      product as coextensive with the scope in these  
12      investigations.

13                      As Greg Risch outlined, Accuride's analysis of  
14      the market in 2017 was that OEM trailer had an estimated 40  
15      percent of apparent consumption with the aftermarket as a  
16      close second at 35 percent and all other OEM -- truck, bus,  
17      and other -- at 25 percent with a truck tractor portion  
18      comprising roughly 17 percent of the total.

19                      The public pre-hearing staff report confirms  
20      that there is a direct competition between imports and  
21      domestic product in all segments, other than truck OEM where  
22      in that part of the market accounting for 83 percent of  
23      apparent consumption. Accuride has lost sales in all of  
24      those market segments and we have endured price reductions  
25      on 100 percent of our business as we've been forced to make

1 concessions, even at truck OEM accounts, because of  
2 aggressive Chinese prices from companies qualified by OEM  
3 truck companies.

4 I realize that two of the current Commissioners  
5 were also on the 2012 final injury investigation on a  
6 similar, but broader case focusing on steel wheels from  
7 China and that Commissioner Broadbent voted negatively in  
8 this case at the preliminary determination. As I've been  
9 part of Accuride for both sets of investigations, let me  
10 review a few of the differences between the 2011/12  
11 investigations and those covered by today's hearing.

12 Number one, the scope is different. This case  
13 is limited to 22 1/2 and 24 1/2-inch on-road steel wheels  
14 for use with tubeless tires. The 2012 case covered products  
15 from 18 to 24 1/2-inches for both on-road and off-road use  
16 and for both tubed and tubeless tires.

17 Two, domestic producers, in the 2012 case there  
18 were five identified domestic producers. Today's case has  
19 only two.

20 Number three, production of lightweight steel  
21 wheels, in 2012, the Chinese claimed to have very limited  
22 production of high strength, low alloy wheels. Today  
23 lightweight wheels constitute the majority of what is  
24 imported from China.

25 Four, qualifications at OEM accounts, in 2012

1 Chinese producers claimed limited success in obtaining  
2 qualifications from OEM producers whether truck, trailer, or  
3 bus. By 2018, Chinese product had been qualified at three  
4 of the four major truck manufacturers. Chinese producers  
5 were selling private-label wheels for two of the four major  
6 truck OEMs for aftermarket needs; were selling to bus OEMs  
7 and other truck OEMS and had made major inroads into the  
8 largest segment of the market, the trailer OEMs, both  
9 through direct sales to the OEMs and through directed sales  
10 by fleet operators to trailer OEMs. Contrary to any claims,  
11 they continue to be a presence in the OEM markets.

12           Number five, the importance of the aftermarket;  
13 in 2012 the Commission had estimated that the aftermarket  
14 was on 20 percent of apparent consumption. Accuride  
15 believes that the aftermarket of the 22 1/2 and 24 1/2-inch  
16 steel wheels is nearly twice that in size, likely 35  
17 percent. We have submitted extensive information on  
18 aftermarket accounts where we have lost sales, but continue  
19 to seek business, albeit, largely unsuccessfully.

20           The staff report shows that lower Chinese prices  
21 are often primarily responsible for purchasers selecting  
22 Chinese wheels as over half of responding purchasers  
23 reported they had purchased Chinese steel wheels rather than  
24 U.S. wheels and stated that lower Chinese prices were the  
25 primary reason for so purchasing.

1                   Finally, number six, import volumes and share of  
2                   apparent consumption, questions from the Commission in 2012  
3                   indicated that the market share of imports from China in  
4                   those cases had remained relatively flat, 10 1/2 percent in  
5                   2008 and 10.9 percent in interim 2011. We believe the  
6                   market share of Chinese product for 22 1/2 and 24 1/2-inch  
7                   wheels during the POI is much higher.

8                   The staff report now notes that imports from  
9                   China increased 14.6 percent between 2015 and 2017. In the  
10                  preliminary determination, the Commission stated on the 9.8  
11                  percent increase in imports shown in data then available the  
12                  volume of subject imports rose at a faster rate than  
13                  apparent U.S. consumption and subject imports experienced a  
14                  significant gain in market share at the expense of the  
15                  domestic industry. That remains true on the more complete  
16                  data available in its final investigations which shows even  
17                  higher import growth of 14.6 percent.

18                  Some things have remained similar since the 2011  
19                  and 2012 investigations. One, imports from China are sold  
20                  in very depressed prices. The staff report shows  
21                  underselling at every quarter in comparison for the period.  
22                  That margins ranging from 12 over 40 percent. Two, Commerce  
23                  has found massive unfair trade practices, both  
24                  countervailing subsidies and dumping.

25                  Accordingly, based on the record before you, I

1 join my colleagues on today's panel to urge the Commission  
2 to make a final, affirmative determination. Thank you and  
3 I'll be pleased to answer any questions.

4 STATEMENT OF DREW HOFLEY

5 MR. HOFLEY: Good morning Chairman Johanson,  
6 Commissioners, and Commission staff. I'm Drew Hofley,  
7 Senior Vice President for Sales in the Americas for Accuride  
8 Corporation. My responsibilities at Accuride cover all OEM  
9 regional and aftermarket sales in North and South America.

10 In past positions, I've lead Accuride sales  
11 teams for aftermarket business as well as OEM trailer and  
12 bus, segments that we estimate account for more than 80  
13 percent of total market demand. Accuride has always  
14 maintained its focus on the aftermarket as well as on OEM  
15 customers. The Accuride aftermarket sales team includes  
16 four sales directors and ten additional, full-time  
17 experienced sales people. The aftermarket sales team and I  
18 spend substantial amounts of time calling on aftermarket  
19 customers in the United States, often more than 100 per  
20 week.

21 I've provided statements with detailed  
22 supporting documentation in both our preliminary  
23 post-conference brief and in our pre-hearing brief in this  
24 final investigation that discuss Accuride's continued  
25 attempts to compete for aftermarket business and how

1 low-priced Chinese import competition has continually  
2 seized that aftermarket business from us.

3 Because the aftermarket is particularly price  
4 sensitive Chinese importers have been particularly  
5 successful. We have estimated the aftermarket as the second  
6 biggest market segment for steel wheels in the United  
7 States, only slightly below the size of the trailer OEM  
8 segment. Most of that aftermarket segment goes to the  
9 Chinese despite our ongoing efforts.

10 The pre-hearing staff report indicates that over  
11 70 percent of imports from China each year of the period  
12 went to the aftermarket or more than 665,330 wheels in 2017.  
13 While this includes product going to smaller OEM trailer  
14 customers who buy from aftermarket distributors, it also  
15 represents a very large part of total demand. If China has  
16 50 percent of the total aftermarket and if that market is 35  
17 percent of total demand, China's 2017 share of total  
18 apparent consumption for steel wheels in the U.S. would be  
19 roughly 25 percent.

20 Accuride has also lost substantial business to  
21 Chinese wheels at OEM trailer accounts. Some of this  
22 business has been lost through fleet customers. Fleets are  
23 not direct wheel customers, but purchase large numbers of  
24 trucks and trailers each year for use in their shipping  
25 businesses and may direct the OEMs to use Chinese wheels on



1 vehicles produced for the fleet to take advantage of low  
2 Chinese prices.

3 We have seen fleets that we have established  
4 relationships with direct our trailer OEM customers to buy  
5 Chinese wheels instead of Accuride wheels. Chinese wheel  
6 producers have been qualified at many of the larger trailer  
7 OEMs and we have seen our trailer OEM business shifting to  
8 China, even outside of directed fleet purchases.

9 Fleets are among the largest after market  
10 purchasers. They buy Chinese wheels through the largest  
11 commercial tire dealers when they replace tires with tire  
12 wheel assemblies. We've heard from various customers in the  
13 market that following the ITC preliminary affirmative vote  
14 and then after the Commerce Department's preliminary  
15 countervailing duty determination that the volume of imports  
16 has declined or has stopped outright from various suppliers  
17 of Chinese wheels. Certainly, we have had various  
18 customers who were largely buying Chinese product at the  
19 time of the petition approach us since last summer about  
20 buying U.S. product. I believe that decline in imports over  
21 2018 is also reflected in the staff report; thus, part of  
22 the volume experienced by Accuride and partial year 2018 is  
23 a reflection of customers switching from Chinese wheels  
24 after the early phases of these investigations caused  
25 Chinese exporters to severely curtail the volumes of

1 shipments that they had been steadily increasing to the  
2 U.S. market for many years. This rapid switch back to  
3 Accuride also shows that the issue was always about price.

4           Once the preliminary countervailing and  
5 anti-dumping duties forced Chinese exporters to raise their  
6 prices to a fair level, customers were eager to buy domestic  
7 wheels again.

8           My understanding of the U.S. laws you apply, the  
9 facts we have provided on the record and discussed here  
10 today confirm that Chinese imports have materially injured  
11 the domestic industry. I join with my colleagues as well as  
12 with the workers and staff at Accuride whose jobs depend, in  
13 large part, on a level playing field for this product in  
14 urging you to make a final affirmative determination in  
15 these investigations. Thank you. I will be pleased to  
16 answer any questions I can.

17                           STATEMENT OF MATTHEW KOMINARS

18           MR. KOMINARS: Good morning, Commissioners and  
19 Staff. My name is Matt Kominars. I am currently Sales  
20 Director, North America, for Maxion Wheels. I have held  
21 that position since late in 2014 and thus for the entire  
22 period of investigation. In my current position I have  
23 sales responsibility for various products, including the  
24 on-the-road 22.5" and 24.5" diameter steel wheels for use  
25 with tubeless tires that are produced by Maxion's Akron,

1 Ohio facility. My responsibilities include all sales from  
2 any Maxion facilities to customers anywhere in North  
3 America.

4 Don Polk has reviewed the challenges our U.S.  
5 operation has faced during the period of investigation. The  
6 loss of production, shipments and employment are driven by  
7 Chinese sales at dumped and subsidized prices during the  
8 period of investigation. Contrary to the claims that have  
9 been raised by some of the Chinese producers in this final  
10 investigation, Maxion is not sacrificing its U.S. production  
11 in favor of what we import. Imports, in fact, are a small  
12 part of our U.S. sales; we service our U.S. sales mainly  
13 from U.S. production.

14 As I testified at the preliminary staff  
15 conference, at one time Maxion did import small quantities  
16 of wheels from China to try to stay competitive with other  
17 Chinese-imported product. But as prices of these Chinese  
18 imports kept falling, even that became uneconomical and we  
19 stopped importing Chinese wheels in 2015. The imports we do  
20 bring in from other sources are also an insubstantial part  
21 of the U.S. market.

22 In 2017, our total import shipments in the United  
23 States were less than 5% of our U.S. shipments of in-scope  
24 steel wheels from Akron. The claim that Maxion is focused  
25 on imports rather than production in the U.S. is contrary to

1 the information we submitted in our questionnaire responses  
2 and which we invite you to review.

3 Demand by original equipment companies for wheels  
4 obviously follows the build rates for truck tractors,  
5 trailers, buses and other heavy-duty trucks. There are  
6 publications that track builds of the various types of  
7 trailers and trucks and buses and they show cyclicity.  
8 2015 was a strong year for OEM builds with a significant  
9 decline in 2016, some rebound in 2017, and further increase  
10 in 2018.

11 Projections are for a relatively flat 2019 and a  
12 sharp contraction in 2020 and for several years thereafter.  
13 Demand for replacement wheels can vary based on freight  
14 movement, equipment utilization, weather conditions, age of  
15 equipment and more. Information on freight movement was  
16 provided in the petition and has been included in the  
17 petitioners' prehearing brief. Freight movement was fairly  
18 flat between 2015 and 2017 and increased in 2018.

19 Maxion actively pursues business in all segments  
20 of the market. The aftermarket and the OEM trailer portions  
21 are the largest parts of the steel wheel market,  
22 collectively accounting for some three-quarters of demand.  
23 Competition between Maxion and imports from China is intense  
24 in these sectors. Maxion has supplied a confidential  
25 statement in the petitioners' prehearing brief showing

1 accounts at which Maxion faces Chinese import competition.  
2 This list includes many trailer manufacturers and many  
3 aftermarket accounts and at least one bus OEM.

4 We also provided a list of eleven trailer  
5 manufacturers where Chinese products are either in the  
6 standard offering position--eight companies--or where we are  
7 aware of directed-use Chinese wheels by large fleet  
8 operators--three trailer companies. The volume of steel  
9 wheel usage shown is total usage for the year in  
10 question--Chinese, domestic and other.

11 The prehearing staff report in this final  
12 investigation shows universal price underselling during the  
13 period of investigation, with an average underselling margin  
14 by Chinese product of 28.8% and the range from 12.3% to  
15 47.3%. In the vast majority of the aftermarket, trailer OEM  
16 and bus OEM segments, price is king. Other factors are  
17 viewed by most customers as roughly comparable, and they  
18 will buy where prices are the lowest.

19 Even for OEM truck, Maxion is aware that Chinese  
20 producers have been qualified in recent years at a number of  
21 the major truck producers. Representatives of each Jingu  
22 and Sunrise--two major Chinese producers--admitted that they  
23 were qualified at OEM truck accounts during the preliminary  
24 injury conference. Moreover, Jingu was actively involved in  
25 final bidding on a new contract with one of the OEM truck

1 producers in the last few months of 2018 with both Maxion  
2 and Accuride. Thus, Maxion has experienced downward  
3 pressure on pricing at OEM truck accounts because of the  
4 increased presence of Chinese producers offering  
5 substantially lower prices than Maxion, which Maxion has had  
6 to respond to in order to obtain or maintain business.

7 Not only has Maxion provided detailed information  
8 of where it has faced import competition, but we understand  
9 both the lost sales/lost revenue questionnaires returned  
10 during the preliminary injury investigation and the  
11 questionnaire responses from purchasers in this final  
12 investigation confirm that many purchasers have purchased  
13 Chinese product in lieu of domestic product during the POI  
14 due primarily to lower import prices.

15 The prehearing staff report states that of the  
16 purchasers responding to questionnaires, nine of sixteen  
17 purchasers reported that they had purchased Chinese imports  
18 rather than U.S. wheels during the POI and that price was  
19 the primary reason they did so. Those nine alone reported  
20 those price-driven purchases totaled over 492,000 wheels  
21 during the POI. That alone is a major lost volume from  
22 Maxion's U.S. production figures. And those sixteen  
23 responding purchasers account for purchases of only 30% of  
24 reported Chinese imports during the POI and so total lost  
25 sales are much larger in fact. The documented lost volume

1 would have helped significantly improve the production  
2 volumes, capacity utilization and profitability at our Akron  
3 facility.

4 Our sales and volumes have improved somewhat  
5 during 2018, following the preliminary determination here  
6 and at the Department of Commerce as some Chinese producers  
7 were limiting, if not cutting off, their shipments to the  
8 U.S. That has allowed us to make many sales in 2018 that we  
9 would not have otherwise made. The sharp contraction of  
10 imports from China is also shown in the monthly shipment  
11 data in the staff report. The graph on Page 5 of my  
12 statement shows what has occurred with subject imports in  
13 2018 with sharp drops in imports after May 2018 compared to  
14 the same time period in 2017.

15 While the Chinese withdrawal from the market has  
16 given us some relief in the last half of 2018 on volumes, we  
17 still have been unable to fully increase our prices in the  
18 market to cover rising raw material costs, reflecting  
19 depressed prices taken in contracts that extended through  
20 2018 due to Chinese competition and the continued presence  
21 of low-priced product in the market in 2018.

22 In conclusion, our company has suffered increased  
23 competition from imported Chinese wheels and has experienced  
24 both lost sales and reduced revenues due to such imports.  
25 Our U.S. operations are struggling as Don Polk has reviewed.

1 Based on the record before you, I join my fellow panelists  
2 in asking the Commission to render an affirmative  
3 determination in these cases. Thank you and I am happy to  
4 respond to any questions.

5 STATEMENT OF JACK HEFNER

6 MR. HEFNER: Good morning, Commissioners and  
7 Staff. My name is Jack Hefner, and I am the President of  
8 United Steelworkers Local 2. Our Local represents workers  
9 at Maxion Wheels' facility in Akron, Ohio. I have worked at  
10 the Akron plant for over thirty-two years and have been with  
11 the union since 1972. I have had the honor of serving as  
12 Local president for the last twelve years. The USW has  
13 eighty-five members who work at Maxion's Akron facility.

14 As United Steelworkers Local president, I would  
15 say that our workers and management have an excellent  
16 working relationship. This is not a new development, but  
17 has been how we and management have worked for as long as I  
18 have been working at the plant. Everyone involved is  
19 dedicated to producing quality steel wheels, serving our  
20 customers, and making sure our Akron plant stays open and  
21 our workers employed in this important industry.

22 Over the years, we have done everything in our  
23 power to work with management to improve the efficiency of  
24 the plant and addressing pressing challenges to the plant's  
25 survival. Management has similarly worked with us, and our



1 members have been able to maintain a decent standard of  
2 living even under challenging circumstances.

3           Since 2015, we have taken further measures to  
4 improve productivity, such as combining and eliminating job  
5 classifications, giving the company greater latitude in  
6 moving people around to different jobs as needed, to flag  
7 just a few. In 2017, our Local negotiated a new three-year  
8 contract that I believe is fair. Both our members and the  
9 company appear to be satisfied with the agreement. There  
10 were some increases in weekly deductions for healthcare, but  
11 the new agreement is something that we will work for, for  
12 our members.

13           Low-priced steel wheel imports from China are a  
14 persistent concern for management at our plant and we hear  
15 about the issues frequently, including a loss of major  
16 businesses to key trailer and bus accounts. Our plant is  
17 operating far below our capacity, which means that we have  
18 far fewer workers at the plant than we would have with a  
19 full-order book.

20           The pressure on the plant from low-priced imports  
21 from China has meant that the amount of investment in the  
22 plant has been limited for a number of years. We lost our  
23 paint line a decade ago, and we naturally encourage  
24 management to make the investment that would bring the paint  
25 operation back into our plant. Such a move would obviously

1 mean more workers at our plant, but is critical as well for  
2 the long-term survival of our plant. The cost of a new  
3 paint line we understand is large and management has not  
4 been able to justify the expenditure because of the pricing  
5 pressures, loss of volume and resulting harm to our plant's  
6 profitability.

7           If conditions of fair trade are restored in the  
8 market, we are confident that our plant will see increased  
9 volume and hopefully improved pricing and an improved  
10 environment for reinvesting in and maintaining our facility.  
11 Based on what has happened over the last few years, without  
12 relief the outlook for our facility is clearly challenging.

13           Recently we have seen increased volume through  
14 the plant in 2018, particularly since last summer following  
15 the Commission's preliminary injury determination and the  
16 August Department of Commerce preliminary determination of  
17 countervailing duties. So at the moment, our members are  
18 hopeful.

19           However, without relief, dumped and subsidized  
20 Chinese imports will resume. The deep underselling will  
21 cost our plant more sales, put further downward pressure on  
22 our revenues and at some point, our plant would likely  
23 close. Such an outcome doesn't have to happen. Conditions  
24 of fair trade should result in domestic producers obtaining  
25 more sales at fairer prices. Those are the keys to our

1 survival. Therefore, I ask you, on behalf of my fellow  
2 workers and their families in Akron, to make an affirmative  
3 determination in this investigation. Thank you for the  
4 opportunity to testify today.

5 STATEMENT OF TERENCE P. STEWART

6 MR. STEWART: Good morning. This is Terence  
7 Stewart. Petitioners would now like to go through a short  
8 PowerPoint presentation to review the range of issues the  
9 Commission will be addressing in these final investigations.  
10 We apologize that the large screen isn't working so that the  
11 audience will have to refer to what was passed out, but  
12 hopefully you can see it on the screens in front of you.

13 (Slides are hereafter shown.)

14 We will address nine topics, starting with Scope,  
15 Domestic Like Produce, Conditions of Competition,  
16 Consideration of Post-Petition Information, Volume of  
17 Subject Imports, Adverse Price Effects, Impact on The  
18 Affected Domestic Industry, which we believe all support a  
19 finding of material injury. And finally, we will quickly  
20 review Threat of Material Injury.

21 On scope, scope of the imports from China covered  
22 by these investigations is limited to 22.5 and 24.5 inch  
23 diameter steel wheels for use with tubeless tires. These  
24 wheels are typically used on Class 6, 7 and 8 commercial  
25 trucks, trailers, and buses. The scope also includes such

1 wheels if entered into the U.S. with the tire mounted and/or  
2 a valve attached. Rims and discs entered separately are  
3 also covered, and we have sought clarification at Commerce  
4 that wheels finished in any third country from disc and  
5 rims from China are covered as well. We expect a decision  
6 will be announced in their final determinations, which we  
7 expect to be released publicly on Monday.

8 Excluded from the scope are wheels for passenger  
9 vehicle light trucks, for off-highway vehicles, steel wheels  
10 with multi-piece rims for tube tires, and aluminum wheels.

11 This slide shows some typical examples of the  
12 vehicles and trailers that you would expect would utilize  
13 the steel wheels covered by these investigations.

14 Turning to domestic like product, in the  
15 preliminary determination in these investigations the  
16 Commission defined the domestic like product as co-extensive  
17 with the scope of the investigation as proposed by us and is  
18 not objected to by those in opposition.

19 As the pre-hearing staff report notes, no issues  
20 with respect to domestic like product have been raised in  
21 these investigations. Indeed, in comments received on the  
22 draft questionnaire forms, quote, "no party proposed  
23 questions concerning additional data for potential like  
24 product issues." Unquote.

25 Therefore, Petitioners request that the

1 Commission again define the domestic like product as  
2 co-extensive with the scope of these investigations.

3 Petitioners summarized the extensive information  
4 that had been submitted on domestic like product during the  
5 preliminary phase of these investigations in our prehearing  
6 brief. There are significant differences between the scope  
7 products and other wheels.

8 For example, aluminum wheels are from a different  
9 metal, produced in different facilities under different  
10 manufacturing process, and with different workers, are  
11 substantially lighter than steel wheels, and much more  
12 expensive--in fact, two to three times as expensive.

13 The Commission has never included aluminum wheels  
14 as part of the domestic like product in any of the steel  
15 wheel investigations it has conducted over the last 30-plus  
16 years. Similarly, off-road steel wheels and smaller steel  
17 wheels used on smaller trucks and trailers or on passenger  
18 vehicles are produced in different facilities, have  
19 different dimensions, different load-carrying capabilities,  
20 are sold to different markets at different prices.

21 Turning to the domestic industry. Obviously  
22 there are just two domestic producers, the Petitioners, each  
23 of whom has one manufacturing facility producing domestic  
24 like product here in the U.S.

25 As both Petitioners are related to foreign

1 producers subject to investigation or are importers of such  
2 product, the Commission will examine whether conditions  
3 exist that would warrant either or both domestic producers  
4 being excluded. No party has argued that either producer  
5 should be excluded, and we've reviewed in our prehearing  
6 brief why it would be inappropriate to exclude either  
7 company in these final investigations.

8 Thus, the Commission should find, as it did  
9 during the preliminary phase, that the domestic industry  
10 consists of both companies.

11 Turning to conditions of competition on demand,  
12 the overall market demand declined during the 2015-2017  
13 period. Like many products that are sold to manufacturers  
14 and sold to distributors and others for replacement, demand  
15 trends reflect growth or contractions of build of OEM  
16 equipment and the replacement needs in the market.

17 Petitioners' experience has been that there were  
18 general declines in demand in the OEM portion of the market  
19 between 2015 and '16, with some recovery in 2017 and  
20 continuing into 2018. And that replacement needs have been  
21 somewhat steadier with some increase. On supply, there's  
22 ample capacity available from domestic producers to handle  
23 any likely increase in demand.

24 On the question of substitutability, the  
25 prehearing staff report states a majority of producers,

1 importers, and purchasers said wheels are always or  
2 frequently interchangeable regardless of country of origin.  
3 This includes 17 of 20 importers, and 12 of 13 purchasers  
4 who responded to the question.

5           Based on the high extent of substitutability, not  
6 surprisingly purchasers rated U.S. and Chinese wheels  
7 comparable on 14 of 17 factors included in the  
8 questionnaire. This included quality, wheel weight, product  
9 consistency, product range, reliability of supply, technical  
10 support, service, and many other factors. Chinese product  
11 was viewed as lower priced, and the U.S. was viewed as  
12 having better delivery times and terms.

13           While OEM customers typically have qualification  
14 procedures for suppliers to provide product, Chinese wheels  
15 have been qualified by many OEM trailer manufacturers, OEM  
16 bus manufacturers, OEM specialty truck manufacturers, and by  
17 OEM truck manufacturers. And Chinese producers have  
18 captured significant volume in OEM trailer, OEM bus, and OEM  
19 specialty truck, and have been selling steel wheels to two  
20 of the four OEM truck companies for their aftermarket  
21 requirements, the so-called OES sales.

22           As a majority of steel wheels from China are now  
23 the lighter weight, high-strength, low alloy construction,  
24 Chinese producers have products that meet all customer  
25 needs. The most price-sensitive portion of the market is

1 the aftermarket, and Chinese producers are believed to  
2 control a majority of the sales in this critical part of the  
3 market based on prices that are often too low for domestic  
4 producers to come close to.

5 On this slide we provide the estimate from our  
6 Petition as to what the market shares are. Obviously you  
7 now have in a prehearing staff report what the questionnaire  
8 responses are and you can compare that to these, but OEM  
9 trailers, the largest aftermarket, the second largest, and  
10 the rest is split between OEM truck, bus, and other.

11 The next slide, in these final investigations the  
12 Commission questionnaire breaks the third category into OEM  
13 truck, OEM bus, and OEM other, such as dump trucks, cement  
14 trucks, garbage trucks, ambulances, that sort of thing.  
15 Chinese imports are present in what Petitioners estimate is  
16 more than 80 percent of the market. As the domestic  
17 producers' questionnaire and prehearing brief demonstrate,  
18 U.S. producers face Chinese competition at nearly all  
19 accounts in all segments other than OEM truck. In OEM  
20 truck, because Chinese producers have been qualified at a  
21 number of the companies--and we have provided affidavits and  
22 documentation in our prehearing brief and exhibits, I  
23 believe it's 1 through 3 on that issue--and sell two of the  
24 four companies for their aftermarket needs, domestic  
25 producers faced increased downward pricing pressure for



1 qualified suppliers, and they have identified the magnitude  
2 of the losses that the companies have experienced  
3 revenue-wise at OEM trucks specifically account by account.

4 Consideration of post-petition information. The  
5 Commission will be deciding whether to give less weight to  
6 the post-petition data in the record. As our prehearing  
7 brief and the data from the pre-hearing staff report make  
8 clear, Chinese producers and the import community  
9 dramatically cut back the volume of product coming to the  
10 U.S. after the Commission's preliminary determination in May  
11 of 2018.

12 As the staff reported data show, while imports  
13 from China surged 26.6 percent in the first five months of  
14 2018, they collapsed and were 47.1 percent lower in the June  
15 to September time period. This sharp drop can be seen  
16 visually on the next slide, which was also in Mr. Kominars's  
17 testimony.

18 Turning to volume of subject imports, the  
19 response rate from importers in the final investigation has  
20 been better than in the preliminary phase, and that  
21 increased importer participation shows a rate of subject  
22 importer growth--import growth, greater than was evident in  
23 the preliminary, 14.6 versus 9.8 for 2015 to 2017, this in a  
24 market where demand and Petitioner's shipments declined.

25 As the Commission noted in its preliminary

1 determination, subject imports gained market share and  
2 domestic producers lost market share during this time  
3 period. Subject imports increased relative to domestic  
4 production in shipments as well as apparent consumption.  
5 Thus, the volume of imports from China is significant.

6 While Petitioners expect the Commission will rely  
7 on importer questionnaire data for purposes of its analysis,  
8 other data of record show that the importer data are  
9 incomplete and may significantly understate the rate of  
10 growth of imports. For example, six Chinese producers who  
11 submitted questionnaire data at the preliminary phase  
12 reported exports to the U.S. increased not 9.8 percent, not  
13 14.6 percent, but 65.35 percent; and that their 27 exports  
14 equaled 96 percent of the imports that you see in the final  
15 staff report. That ought to tell you that there are  
16 problems with coverage that you have in the staff report  
17 from the importers.

18 Similarly, U.S. import statistics for the two  
19 most likely HGS categories for imports covered by these  
20 investigations show much more rapid growth in imports than  
21 the data from imports. Interestingly, on the volume basis  
22 you see an increase 2015-2017 on the first category, that  
23 67.26 percent, very similar to the 65.35 percent that was  
24 reported by the six exporters from China.

25 Thus, at a minimum Petitioners urge the

1 Commission to view the U.S. importer data as conservative in  
2 terms of rate of growth, total volume of subject imports,  
3 and market share of subject imports.

4           The rate of growth of imports from China  
5 continued to be double-digits in the first five months of  
6 2018, as I mentioned, until the ITC's preliminary injury  
7 determination. It increased 26.6 percent in the first five  
8 months, compared to the same time period in 2017. But for  
9 the investigations, at that rate imports in interim 2018  
10 would have been an additional 313,000 wheels, which would  
11 have substantially again reduced market share for domestic  
12 producers.

13           By contrast, if the decline that was reflected in  
14 the last four months was viewed as what conditions of fair  
15 trade would be, imports from China in 2018 interim would  
16 have been 232,000 units smaller.

17           Adverse price effects: Prehearing staff report  
18 shows that there were universal underselling of domestic  
19 product by Chinese product. During the 45 month covered by  
20 these investigations, the 4 pricing products covering nearly  
21 80 percent of Chinese imports, and showed 100 percent  
22 underselling with an average underselling margin of 28.8  
23 percent.

24           You also heard from our witnesses that neither  
25 company in the 2018 period where they were rapidly rising

1 steel prices were able to raise prices, and in some cases  
2 prices actually declined, showing both price depression and  
3 price suppression.

4           Impact on affected domestic industry:  
5 Specifically, while there was a relatively poor response  
6 rate from purchasers to the Commission questionnaire,  
7 purchasers who responded, accounting for only 30 percent of  
8 U.S. importer volume, the majority of those who did respond  
9 confirmed buying Chinese product instead of domestic  
10 product with lower price being the primary reason for the  
11 purchase. And this is as clear a "but for" analysis as you  
12 can get to. The volume was 492,191 wheels, or 14.9 percent  
13 of total Chinese shipments, in the 2015, September 2018,  
14 time period, and these figures don't include U.S. purchasers  
15 who supplied information to the Commission in the  
16 preliminary phase but not in the final phase, where buying  
17 Chinese product because of lower prices was also reported.

18           We don't understand why Commission practice has  
19 moved from the combination of prelim and final data, where  
20 the data is supplemental. We would encourage the Commission  
21 to have its staff go back through the preliminary on those  
22 issues where the addition of data would give you a fuller  
23 record that would be responsive on these types of issues.

24           Now obviously with reduced production capacity  
25 utilization, shipments, employment hours worked, wages, and

1 profitability, because of the acknowledged purchase of  
2 Chinese product for lower prices, the but-for estimate on  
3 reduced profitability lost is a double-digit percentage over  
4 the 2015, September 2018 time period.

5 On this slide we review the range of factors  
6 where there have been declines in 2015-2017. They occurred  
7 in the production capacity utilization, shipments, market  
8 share, employment, hours worked, and wages. And you also  
9 heard about the reduced capital expenditures and very  
10 depressed R&D expenditures.

11 From the above, Petitioners submit the record  
12 clearly supports a finding of material injury by reason of  
13 dumped and subsidized imports. As reviewed, there have been  
14 increased subject imports which have gained market share in  
15 at least part of the domestic industry.

16 Chinese product is viewed by most customers as  
17 highly interchangeable with U.S. product and comparable on  
18 14 of 17 factors, including quality, weight, product  
19 consistency, technical assistance, and more.

20 Chinese product sells uniformly at lower prices  
21 than U.S. product, which has led directly to lost sales and  
22 significant downward pressure on prices and the declining  
23 performance of the domestic industry on many factors  
24 considered by the Commission. Thus, a determination of  
25 material injury is warranted on this record.

1           Turning to threat, while the Commission need not  
2 address threat of material injury if it makes an affirmative  
3 material injury determination, the record also supports a  
4 determination of threat.

5           First, there are a large number of prohibited  
6 subsidies that were identified in the Petition and  
7 preliminarily found by Commerce in the CBD case, and we're  
8 sure it will be found in the final.

9           Second, there is large excess capacity in China  
10 even from the limited number of Chinese producers who  
11 cooperated in the final investigation. There is more, if  
12 you look at other producers who responded at the  
13 preliminary, and there is additional capacity being added in  
14 China, as reviewed in the Petition and our prehearing brief.

15           Third, Chinese producers have a strong export  
16 orientation in general into the U.S., which is their largest  
17 export market.

18           Fourth, exports are likely to surge again without  
19 an order. While one could look at interim 2018 data and say  
20 that that is not the case, if you look at the January to May  
21 you actually had a significant uptick in the rate of  
22 increase going up to 26, a point six percent.

23           Fourth, the EU has just started an antidumping  
24 investigation which deals with these and other steel wheels.  
25 So we believe that you have a basis for both an affirmative

1 injury and threat of injury determination. With that, we  
2 will conclude, Mr. Chairman.

3 CHAIRMAN JOHANSON: Thank you all for appearing  
4 here today. We will now begin Commissioner questions and I  
5 will be the first one to ask questions.

6 Alright, I'm going to begin with a statement  
7 that Respondents made at page 57 of their brief and it's a  
8 rather pointed statement and it kind of caught my attention,  
9 so I'm going to ask it. Once again, it's their statement  
10 and not mine, so I'd appreciate it if you all would comment  
11 on t.

12 Respondents write at page 57 that it is somewhat  
13 surprising that a domestic industry with such strong  
14 financial performance would file a petition for relief from  
15 import competition. Again, could you all please comment on  
16 that statement?

17 MR. STEWART: Sure. Well, since the  
18 profitability of the industry is not public information, let  
19 me just point you to clarification of a statute that  
20 occurred in 2015 that basically said that even if the  
21 industry were to be profitable or even if the profitability  
22 were to increase that by itself was not a basis to make a  
23 negative determination. And so while the statement is on  
24 page 57, it is contradicted by a statutory amendment that  
25 was made by the Congress just a few years ago.

1                   CHAIRMAN JOHANSON: Thank you, Mr. Stewart.

2                   On page 54 of the Respondent's brief, they point  
3 out that in the preliminary determinations by the Commission  
4 the Commission did not conclude that underselling had price  
5 effects. And I know, Mr. Stewart, you addressed this  
6 before, but I'd appreciate if you'd comment a bit further on  
7 it and to discuss whether or not anything has changed in the  
8 final record.

9                   MR. STEWART: Well, the final record, of course,  
10 includes interim data and the interim data shows a cost  
11 price squeeze in 2018 and you had testimony from both  
12 companies that they have not been able in the context of  
13 2018, even with the reduction in imports as yet, to be able  
14 to cover the increased cost and that, as we will put in our  
15 post-hearing brief, the existence of indexing clauses and  
16 long-term contracts does nothing in the aftermarket where  
17 most sales are on a spot basis.

18                   And even in the long-term contracts, the  
19 companies have accepted reduced prices as starting points,  
20 which keeps the prices far depressed and will not permit  
21 recovery of full costs over the immediate future because of  
22 the competition that they've had with the Chinese.

23                   CHAIRMAN JOHANSON: Thanks, Mr. Stewart.

24                   Respondents allege at page 18 of the pre-hearing  
25 brief that Petitioners are considered by some purchasers to



1 be less reliable suppliers to the aftermarket because during  
2 period of high truck and trailer build they prioritize sales  
3 to the OEMs, leaving the aftermarket customers underserved.

4 On page 52 to 53 of your brief, you defend your  
5 efforts to attract aftermarket customers saying that the  
6 sector is not ignored. That being said, do you agree or  
7 disagree specifically with the notion OEMs are prioritized  
8 by your firms.

9 MR. RISCH: I would say that we do not  
10 prioritize OEM over aftermarket in regard to supply of these  
11 certain steel wheels. Further to that, with capacity  
12 utilization hovering in the 15 percent range, you know, we  
13 are very active in our markets to serve all of those  
14 customers in the aftermarket arena. We are members of  
15 boards of aftermarket organizations and we have contacts  
16 with all of the large aftermarket distributor groups and all  
17 of those that are in that segment.

18 MR. POLK: I'll echo some of what Greg has said.  
19 We don't prioritize segments within our business. And with  
20 a capacity utilization that's relatively low, we have the  
21 capacity in place to be able to go and service any business  
22 that we have in the North American market. Historically,  
23 we've had a lower proportion of OEM business in our product  
24 portfolio, but we make a very strong effort to compete and  
25 to win business in the aftermarket segment.

1                   MR. STEWART: If you look at the confidential  
2 data of the questionnaires from the two companies, you will  
3 also see that a period of rising demand as such as  
4 characterized by the interim period you can look at what  
5 part of the volume is in increase in the aftermarket. So,  
6 the concept that in periods of rising demand they would  
7 abandon the aftermarket is contradicted by what's in their  
8 questionnaire on that date.

9                   Separately, if you look at the purchasers'  
10 questionnaires and you look at the data that identifies lost  
11 sales or sales that they bought Chinese as opposed I think  
12 you will find that there is a significant part of those  
13 sales which are aftermarket sales.

14                  MR. HOFLEY: Sir, finally, I would like to  
15 reiterate what I said in my statement. And that is, you  
16 know in the period of investigation, me and my team, which  
17 is over a dozen professional sales folks, we spend the  
18 majority of our time calling on aftermarket and fleet  
19 customers.

20                  CHAIRMAN JOHANSON: Alright, thank you for your  
21 responses. Thank you, Mr. Hofley, and others.

22                  Continuing on that line of questions, on page 18  
23 to 19 of the Respondents' brief, they point to statements  
24 made at the preliminary staff conference by Ms. Walker of  
25 Trans Texas Tire, a purchaser of steel wheels and thus an

1 aftermarket purchaser. As the domestic industry  
2 historically refused to sell or to focus on this segment of  
3 purchasers?

4 MR. RISCH: I would say that we have a wide  
5 network of distribution customers that handle individual  
6 accounts and I would say I think the answer is no. However,  
7 we do have a number of distribution points, not only our  
8 distribution centers, but we have a number of distribution  
9 accounts that are spread across the U.S. to handle any and  
10 all customers, regardless of size.

11 MR. HOFLEY: I'd like to add as well, Mr.  
12 Commissioner, that I live about 15 minutes south of Denton,  
13 Texas and within an hour drive of my home three of the ten  
14 largest independent aftermarket distributors are within easy  
15 drive and visit and I regularly visit with these customers  
16 and have in the last two weeks.

17 MR. KOMINARS: From a Maxion Wheels perspective,  
18 we have not refused to quote or service any of the  
19 aftermarket. We, like our friends at Accuride, we do have  
20 distribution channels that are better serviced -- are able  
21 to service very small units, like one wheel we would tend to  
22 ask to contact one of our distributors who would give that  
23 contact information. Anything less than one wheel would be  
24 very difficult.

25 MR. STEWART: Mr. Chairman, it's also the case

1 that in the post-conference brief that we submitted, as well  
2 as in our pre-hearing brief, we've included the information  
3 that Respondents -- to the specific statements that were  
4 made by Ms. Walker during the preliminary conference, so you  
5 have a complete data set in front of you which refutes what  
6 she had to say.

7 CHAIRMAN JOHANSON: Thanks for your responses.

8 In your brief, you argue, at page 65, that  
9 underselling by subject imports allowed them to increase  
10 their market share. In what segment or segments of the U.S.  
11 market do you maintain that subject imports gained market  
12 share by underselling domestic products?

13 MR. STEWART: Well, since our companies compete  
14 in the industry as a whole, and as your case law and court  
15 decisions would say, you typically look at the aggregate  
16 first. While you may look at segments and since our clients  
17 don't have access to the confidential data that would permit  
18 them to see what your data is as collected, at the aggregate  
19 level you very clearly have a significant increase in market  
20 share by Chinese imports and reduction of domestic.

21 As we pointed out, your data from the importers,  
22 while better than the preliminary, is significantly at odds  
23 with the information from foreign producers. And the  
24 foreign producer data from the preliminary, even without  
25 additional data that we supplied from one of the foreign

1 producers that did not respond, is comparable to the total  
2 imports that the importers have faces. So, you have lots of  
3 customers who have not identified their sales. We actually  
4 think market share is greater, but within the data you have  
5 a number of segments where imports have increased their  
6 market share.

7 CHAIRMAN JOHANSON: Thanks, Mr. Stewart. The  
8 yellow light is on, so I'm going to go ahead and turn to  
9 Commissioner Williamson.

10 COMMISSIONER WILLIAMSON: Thank you, Mr.  
11 Chairman. And I do want to thank all the witnesses for  
12 coming today and I also want to thank counsel for providing  
13 the testimony in such a handy book. It really is very  
14 helpful as we're listening to the witnesses.

15 Chairman Johanson had asked you about  
16 profitability and I realize it's all confidential data, but  
17 post-hearing could you address the difference in financial  
18 performances of the firms and what explains those  
19 differences.

20 MR. STEWART: Of the two companies?

21 COMMISSIONER WILLIAMSON: Yes.

22 MR. STEWART: We'll be pleased to do that.

23 COMMISSIONER WILLIAMSON: Okay, thank you.

24 Do you agree that there's a high degree of  
25 substitutability between the subject imports and the

1 domestic-like product? I think in our staff report we talk  
2 about being a moderate degree, but you mention a high degree  
3 of substitutability and I was wondering if you could address  
4 that question and why the differences.

5 MR. STEWART: I believe the staff report says  
6 moderate to high degree of substitutability and obviously it  
7 would depend on where most of the market is a price market  
8 and very clearly there's a high degree of substitutability  
9 between the Chinese product and the domestic product and  
10 that characterizes large portions of the trailer, the bus,  
11 and clearly the aftermarket.

12 Where that is not the case would be where  
13 there's a qualification process and then it would be  
14 dependent upon whether or not companies are qualified, but  
15 as the testimony indicates versus where they were in 2012,  
16 virtually every trailer manufacturer has qualified, either  
17 directly or required to use them by fleets. And whereas,  
18 there were no OEM truck manufacturers who had qualified them  
19 back in 2012, you have three of the companies -- three of  
20 the four truck companies who have qualified them as of  
21 today and two of those companies have added their product  
22 into their aftermarket distribution. So, they are not  
23 selling, the two of the truck companies for the aftermarket  
24 sales and that's usually the starting point because the  
25 aftermarket sales have to be the same price as they sell to

1 OEM with a mere addition of packaging, so those would be the  
2 reasons and we think the purchasers have correctly  
3 identified it. There are few customers who view these  
4 issues as favoring the domestic, but the vast majority of  
5 purchasers found them to be comparable.

6 COMMISSIONER WILLIAMSON: I was just wondering  
7 why -- I guess for the OEM bus market the Chinese have been  
8 in there in a bigger way than they have been in the OEM  
9 truck market and I was just curious what is the difference?  
10 I've spent a lot of time on buses over the last 10 years.

11 MR. HOFLEY: Yes, sir, I would characterize your  
12 answer that -- I mean it's the same wheel. Whether it's on  
13 a truck, a bus, or a trailer, it's essentially the same  
14 wheel. Why they've had better penetration on the school bus  
15 you know one of the three major school bus manufacturers  
16 have a Chinese wheel. And then of the top five trailer  
17 manufacturers two of those manufacturers have a standard  
18 Chinese wheel, but essentially, it's the same wheel.

19 MR. RISCH: I may add, if you look at the 17  
20 points of comparability between the two, although you find  
21 14 of the 17 are fully alike that would maybe beg the  
22 question of maybe what is different for the trailer or the  
23 bus segment versus the truck.

24 What one could point to is that there must be  
25 some meaningful factor in maybe the areas that are not

1       alike, so I would point that the Chinese were indicated to  
2       have favorability on the pricing side, so that may have been  
3       their tipping point on that side, may stress that maybe  
4       buses or municipalities have a little bit more budget  
5       constraints, so they may be more price sensitive than  
6       others.

7                   COMMISSIONER WILLIAMSON: Okay, good, thank you.

8                   Mr. Hefner, I was wondering if you could address  
9       the question, from your vantage point, the efficiencies and  
10      improvements that you've seen in the factor. We've talked  
11      about -- I think the Respondents have raised questions about  
12      capacity utilization numbers and I think someone -- I forget  
13      who it was -- there's a difference between investing in,  
14      say, new equipment or -- you've got to still do the  
15      maintenance and investment and that's been down. And so  
16      what I'm getting at is what's happening in the factory in  
17      terms of how your company's trying to stay totally  
18      competitive.

19                  MR. HEFNER: Well, we've loosened up a lot of  
20      work rules that we had in our contract over the years. They  
21      can't invest the money that's needed for new investment  
22      because of the constraints put on us by the volume in the  
23      plant. So, we've got with management and come up with some  
24      ideas as to how we can reroute the workforce, loosen up work  
25      rules. They have put some investments in the plant for a



1 new project that's going on to make it a little bit cheaper  
2 to make our product in there, but they can't put the  
3 investments in there that we need and that they know we need  
4 to really move us where we need to be as far as being as  
5 efficient as we need to be.

6 We have picked up a great deal of efficiency  
7 over the years just by working with management and taking  
8 what resources we do have available and utilizing them to  
9 the best that they possibly can.

10 COMMISSIONER WILLIAMSON: Okay.

11 MR. STEWART: Commissioner, if I could just add,  
12 one of the more -- one of the stranger comments in the brief  
13 of the opponents was the claim about capacity. It  
14 apparently is the premise of the Chinese Respondents that  
15 the only country allowed to have more capacity than is  
16 needed in a single market is China because 60 percent of  
17 what they produce they export. So, presumably, it must mean  
18 that their market can't absorb it, but if a domestic  
19 producer has more capacity than is needed in the U.S., even  
20 though there are large markets north and south of us, that  
21 means that there's something wrong with the companies.  
22 That's an absurd concept that was presented and it's not the  
23 only one that has been presented in their brief, but that  
24 one was particularly galling to me. You know if you think  
25 about other industries that you've looked at, things like

1 steel where they have capacity like 1.2, 1.3 billion tons  
2 and a domestic demand of 7, 800 million tons, we're not in  
3 that same situation.

4 COMMISSIONER WILLIAMSON: Okay, Mr. Polk?

5 MR. POLK: If I might, I'd like to comment. The  
6 Akron facility is over 90 years old. It began as the old  
7 rim plant for the Goodyear Tire and Rubber Company and so in  
8 a facility that's 90 years old there's a lot of investment  
9 for sustaining the operation. We have been able to automate  
10 on a limited basis some of our operations and when we're  
11 handling products as heavy as commercial vehicle wheels  
12 ergonomic improvements are important for our workers in the  
13 facility, so we focused some investment there. We've  
14 focused investment on repairing the roof and some of the  
15 basic investments needed just to keep the business going.

16 But overall, we've not had the opportunity to  
17 justify an investment in significant new technology to  
18 upgrade, for example, the paint system as I mentioned in my  
19 testimony is a multi-million dollar investment that we have  
20 not been able to justify based on the business that we have  
21 been faced with after the depressed pricing and impact on  
22 volumes.

23 COMMISSIONER WILLIAMSON: How would that,  
24 improving paint system improve your competitiveness because  
25 Mr. Hefner also mentioned the paint system?

1                   MR. POLK: Well, to have that internalized in  
2 the facility is -- you know we would realize efficiencies of  
3 manufacturing flow. Currently, we ship our products up to  
4 Cleveland, Ohio to be finished there and shipped back before  
5 we deliver them to customers, so there's additional  
6 logistics costs that are involved, as well as the cost of  
7 operating the paint system itself.

8                   COMMISSIONER WILLIAMSON: Okay, thank you. And  
9 my yellow light is on too, so thank you for those answers.

10                  CHAIRMAN JOHANSON: Commissioner Broadbent.

11                  COMMISSIONER BROADBENT: Thank you, Mr.  
12 Chairman. I want to welcome the witnesses for coming today;  
13 particularly, Mr. Hefner and Mr. Polk from Akron. I went to  
14 high school out there, so it's fun to hear you guys come and  
15 tell me what's going on. I think I remember that Goodyear  
16 plant and all the rubber production out there. How long has  
17 Maxion owned that plant?

18                  MR. POLK: Maxion has acquired that facility in  
19 2012 as a result of the global acquisition of Hayes Lemmers  
20 and the facility was part of Hayes Lemmers and prior to that  
21 Motor Wheel Corporation following the spinoff from Goodyear.

22                  COMMISSIONER BROADBENT: Yes, got it. Okay,  
23 interesting.

24                  I'm looking in the staff report. I think Table  
25 II-2 says that both of your companies produce steel wheels

1 all over the world. Are you all filing unfair import cases  
2 against China in other markets where you produce?

3 MR. POLK: I'll take that one first. Yes, we  
4 are. We have several, as was mentioned, we've just started  
5 the process with the European Commission for commercial  
6 vehicle wheels and then other markets, we are also pursuing  
7 actions against Chinese manufacturers of other wheels,  
8 including aluminum wheels for passenger car applications.

9 COMMISSIONER BROADBENT: Mr. Risch.

10 MR. RISCH: Yeah, just to reiterate -- I would  
11 say, as Don said, there is a recent case that's been put in  
12 the European Commission. So that's the predominant  
13 geography in which we play outside of North America, so yes.

14 COMMISSIONER BROADBENT: I mean, is this one of  
15 those cases where it's sort of classic Chinese overcapacity  
16 flooding the market with product? Mr. Stewart.

17 MR. STEWART: This is a targeted industry within  
18 the Chinese government in terms of their development  
19 programs. As we identified in the CVD portion, it is a  
20 priority sector that receives funding, extra benefits, that  
21 sort of thing. So there is a lot of capacity as part of  
22 their auto sector buildup, if you will. And so, yes, we  
23 believe that there's a lot of excess capacity.

24 We had identified that there are thirty-six  
25 producers in the petition, where there are four companies

1 who responded to questionnaires in the final. You actually  
2 have had data from seven companies between the prelim and  
3 the final, and we identified data from an eighth company.  
4 And it's very clear there are a lot of others who have been  
5 shipping into the U.S. that you don't have any data for. So  
6 we, yes, we think there's a lot of excess capacity, and we  
7 flagged that both in the petition and I think in our  
8 prehearing brief.

9 COMMISSIONER BROADBENT: Okay. Let's see. I  
10 guess, I did have one question, Mr. Polk. Is there a case  
11 against China and Brazil at this point?

12 MR. POLK: Currently not an active case, but we  
13 have begun discussions and, in fact, we've had meetings on  
14 that earlier this week. So we're in the embryonic phase of  
15 evaluating the potential of making a case in Brazil.

16 COMMISSIONER BROADBENT: Okay. Thank you. Mr.  
17 Stewart, I know that the law requires that the Commission  
18 take into account Commerce's dumping margins when we make  
19 our determination. I'm trying to kind of figure out what  
20 we're supposed to be taking into account when we get these  
21 high triple-digit margins that we've been getting so often.  
22 I mean, how does it make sense to dump at 231% rate on a  
23 sustained basis?

24 MR. STEWART: Well, you'd probably get a better  
25 answer from the respondents this afternoon as to the logic

1 of what they do. I think the reason that the margins become  
2 that high are because of the distortions in the economy.  
3 From the company's point of view, I'm sure they don't  
4 perceive that their actions are as irrational as they are to  
5 Western market participants. But if you look at the issues  
6 that arise, it's because internal prices for raw materials,  
7 sometimes for labor, for energy, for land, all are  
8 artificially low.

9 And so if you're just running the numbers, you  
10 could say something that costs a buck is only costing you  
11 thirty cents, and so you ship it out at thirty cents and, in  
12 our system, it would be evaluated as a dollar. And if  
13 that's the case, you would have a 200% dumping margin that  
14 would be found.

15 COMMISSIONER BROADBENT: Okay. In the  
16 respondents brief, it states that domestic producers have an  
17 advantage in the OES aftermarket because OES is the  
18 aftermarket of the OEM manufacturers. And U.S. wheels  
19 should be exact -- I think I'm not gonna do that question.  
20 I just read the wrong one, excuse me.

21 Has increased truck and trailer production in  
22 Mexico reduced U.S. demand for steel wheels in the OEM  
23 market?

24 MR. POLK: In the Mexican market, during the  
25 period of investigation, we've seen no significant change in

1 Mexican volume requirements. So there's been no significant  
2 shift that way. The largest trailer manufacturer that does  
3 exist, you know, is the Korean company, Hyundai trailer,  
4 whose the largest trailer manufacturer serving the U.S.  
5 market, and they've been down in Mexico for a long time,  
6 continue to grow their business from there and export  
7 product into the U.S. market. So really, no changes during  
8 the period of investigation that we can see.

9 COMMISSIONER BROADBENT: Okay. Do you all  
10 produce in Mexico?

11 MR. POLK: We have a facility that produces in  
12 Mexico, a long way away from the border area. And so really  
13 it's not feasible from a logistic standpoint to serve that  
14 facility from our Mexican operation.

15 MR. RISCH: Accuride Corporation does have a  
16 manufacturing facility in Monterrey, Mexico, and maybe just  
17 to fully develop that point that Don is hitting on, is that,  
18 if there's any change in regards to production, I would say  
19 that Hyundai has gained share in the trailer market. And so  
20 being able to produce those in Tijuana and then bring all of  
21 them into the States, it kind of gets around the spirit of  
22 what we're looking at today. So there's an increased number  
23 of imports that are coming in on the finished trailer,  
24 rather than being produced in the United States.

25 MR. STEWART: And it's the case that Hyundai

1 largely uses Chinese steel wheels, but they are not part  
2 of-- they've not been reported in the case as the  
3 manufacturing's down in Mexico.

4 COMMISSIONER BROADBENT: Right. Okay. Has  
5 demand for aluminum wheels negatively impacted demand for  
6 steel wheels over the period of investigation?

7 MR. RISCH: As the only producer of both aluminum  
8 and steel, I'm in a good position to answer that for  
9 Accuride Corporation. I would say there's maybe a modest  
10 change through the period of investigation, but not  
11 significant. Generally, that has not changed, I guess, the  
12 decision that OEMs make or fleets make on what they want on  
13 their vehicles has not changed much, so it would be an  
14 insignificant change.

15 MR. POLK: We would support that as well from the  
16 Maxion side.

17 COMMISSIONER BROADBENT: Okay, thank you. Mr.  
18 Stewart, on Page 65 and 66 of your prehearing brief, you  
19 state that the focus of the pricing trend analysis should be  
20 on the 2015, 2017 period.

21 MR. STEWART: That is correct.

22 COMMISSIONER BROADBENT: How do we make a finding  
23 of price depression or suppression if there was not a  
24 cost-price squeeze over that period of time?

25 MR. STEWART: Well, the statute says that you can



1 give it less weight and/or that the improvements to the  
2 domestic industry should be viewed as flowing from that. It  
3 doesn't say that you cannot consider information that shows  
4 up in that time period. And so what we know happens in that  
5 time period is that in the first five months of 2018, you  
6 have a rapid increase of imports, which continues with  
7 downward pressure. And when you look at the interim period,  
8 you also have significant increase in costs of raw materials  
9 to the domestic industry. And they're not able to pass that  
10 through.

11 So that is part of the period and it shows the  
12 cost-price squeeze, and while you can give lesser weight to  
13 some of the trends, that is a real issue that's there, which  
14 we believe you have a right to look at and help support  
15 that. Moreover, my own view is that the Commission has  
16 never been limited to looking at price depression or  
17 suppression simply by making a comparison of all sales  
18 against COGS. You can have price depression at individual  
19 accounts and we've identified a lot of those in our  
20 prehearing brief. You can have price suppression at  
21 individual accounts even if you don't have price suppression  
22 at other accounts.

23 COMMISSIONER BROADBENT: Okay. What were some of  
24 the causes of increased demand in the aftermarket?

25 MR. HOFLEY: Yes, ma'am. I'll field that one.

1 Weather predominantly is directly proportional to demand in  
2 the aftermarket. I mean, after a winter, and especially,  
3 you know, the weather that we're experiencing right now,  
4 where we have high temperature fluctuations and the roads  
5 deteriorate and you have potholes results in the attrition  
6 of wheels.

7 And then I would offer you one of the challenges  
8 in the industry is driver retention. So there's a lot of  
9 inexperienced drivers out there and they're curbing wheels,  
10 or they're taking a turn too tight and breaking wheels. So  
11 those are two of the new biggest demands for wheels in the  
12 aftermarket.

13 COMMISSIONER BROADBENT: Great. Thank you very  
14 much.

15 CHAIRMAN JOHANSON: Commissioner Schmidtlein.

16 COMMISSIONER SCHMIDTLEIN: Okay, all right.  
17 Thank you. I'd like to thank all the witnesses for being  
18 here, as well, today. So I want to start with something  
19 that's in the staff report that is not discussed in your  
20 brief, or I think, the respondents' brief. Which is at Page  
21 5-4, where the Staff reports that in regards to the  
22 purchasers' questionnaires--and this is not bracketed--that  
23 all sixteen responding purchasers reported that their  
24 contracts with domestic producers require that U.S.  
25 producers must meet prices from other suppliers.

1                   And twelve of fifteen purchasers reported "using  
2                   prices of Chinese wheels to obtain price reductions, rebates  
3                   and other benefits from domestic producers of steel wheels."  
4                   So I guess my question is, when you look at that, and then  
5                   you look at the lost sales/lost revenue data that we  
6                   obtained, only one purchaser reported that U.S. producers  
7                   had to reduce their prices, right?

8                   So the question is, why is there a disconnect?  
9                   Does it have to do with the fact that this is asking about  
10                  rebates and other benefits? And lost revenue is really  
11                  asking about very specific instances where they can identify  
12                  that the prices were reduced?

13                  MR. STEWART: I thought that in our prehearing  
14                  brief and a number of the confidential affidavits that we  
15                  had, we had lots of examples of the companies reducing their  
16                  prices or being forced to lower their prices to meet  
17                  competition. That's true. Certainly in long-term  
18                  contracts. In the aftermarket most of the contracts, not  
19                  all, but most of the contracts are short-term or spot  
20                  market. So you wouldn't have that necessarily on some of  
21                  those.

22                  But we agree that there are clauses in the  
23                  contracts that require you to meet competition in many  
24                  cases. And that there's a lot of price depression that has  
25                  occurred because of that at individual accounts. And it can

1 occur in multiple-year contracts after a year or two years  
2 that the contract's been in existence. And we've provided  
3 examples of that in our pre-hearing brief.

4 So I can't respond as to why purchasers would not  
5 have acknowledged that they do that. But they do indicate  
6 that they use prices to beat down domestic prices.

7 COMMISSIONER SCHMIDTLEIN: But is this concept of  
8 rebates or other benefits, is that something that the  
9 industry witnesses that you are typically discussing with  
10 purchasers? Or does it really just revolve around the  
11 simple price?

12 MR. RISCH: Yeah, it could be both. Depending on  
13 the OEM or the large group that you're talking to, generally  
14 you're talking about invoice price, rebates, marketing  
15 incentives, other ways to promote. So generally you can  
16 talk about any number of things that lead to a net price.  
17 However, maybe the respondents were focusing on one aspect  
18 of it, that may lead to some kind of disconnect.

19 COMMISSIONER SCHMIDTLEIN: And so in your all's  
20 experience have you found that when the purchasers have used  
21 Chinese product to leverage down the prices, were you  
22 discussing these other concepts in terms of rebates and  
23 other benefits? Or was it mostly a question about price?

24 MR. RISCH: I would say nothing was excluded and  
25 it's all about getting to that net price regardless of which

1 method it's coming from.

2 MR. KOMINARS: I would agree with Mr. Risch's  
3 comment. They look at the total spend on an annual basis  
4 and they use all mechanisms to leverage that. So it could  
5 be price, it could be rebate, it could be marketing expenses  
6 as Mr. Risch mentioned.

7 COMMISSIONER SCHMIDTLEIN: Okay, all right. So  
8 Mr. Stewart, you mentioned price depression and that this  
9 can be seen in some accounts, but not other accounts. So  
10 one of the questions I have, to make sure I understand  
11 exactly what you all are arguing, is -- you're arguing that  
12 there was price depression over the course of the entire  
13 POI, not just the interim period.

14 MR. STEWART: Well --

15 COMMISSIONER SCHMIDTLEIN: Prices went up in the  
16 interim period. You are doing price --

17 MR. STEWART: We understand the way the  
18 Commission normally looks at price suppression, which is to  
19 do a comparison between the average price and the cost of  
20 goods sold to see whether or not the cost of goods sold  
21 percentage is going up or not, all right. And if you look  
22 at that, and you look at the industry as a whole between  
23 2015 and 2017, you would come to the conclusion that there  
24 is not a cost-price squeeze between 2015 and 2017 as I  
25 recall the staff report.

1                   You do get that in 2018 and so you have the  
2                   question, what does that attest to? And the statement from  
3                   Mr. Risch is if you take a look at their sales, from the  
4                   pricing data, all right, what you would see in 2018 is that  
5                   on their largest product, which is Pricing Product 1, right,  
6                   that there's an actual decline in price in interim 2018  
7                   versus full year 2017 or interim 2017, against rapidly  
8                   increasing costs. So that is an example for part of the  
9                   period where you have clear price depression on what is a  
10                  very substantial part of their overall business.

11                  And now on Pricing Product 2, which is  
12                  aftermarket, and which is the largest aftermarket category  
13                  where you have pricing product, and where the vast majority  
14                  is done on a spot basis, you have price suppression because  
15                  prices do not cover the increase in raw materials. So that  
16                  is an exemplar of that. We have supplied in the prehearing  
17                  brief in terms of individual accounts, information where  
18                  there were price reductions forced to be taken in the middle  
19                  of contracts, and the way companies think about that is  
20                  that's price depression.

21                  A negotiated price of 100, at year-end, to meet  
22                  the Chinese, I'm forced to come down to 95 and if that isn't  
23                  price depression, they don't know what that term should  
24                  mean, other than the kind of the global approach that you  
25                  take that has obviously a whole lot of factors that are

1 involved with it.

2 COMMISSIONER SCHMIDTLEIN: So, okay. So I  
3 understand the argument about price suppression. If you're  
4 looking at the four pricing products for price depression,  
5 do you think that these four pricing products support a  
6 finding of price depression --

7 MR. STEWART: Yes.

8 COMMISSIONER SCHMIDTLEIN: -- taking into account  
9 demand trends, right? So, you know, the actual numbers are  
10 bracketed, but we can talk about it a little bit. You have  
11 two OEM products and you have two aftermarket, right?  
12 Demand goes down in OEM and it fluctuates, but goes up in  
13 aftermarket, right? So --

14 MR. STEWART: There's down and up in OEMs.

15 COMMISSIONER SCHMIDTLEIN: Does it go down and up  
16 in OEM, too? Okay. So when I look at these pricing  
17 products, right, I see that in -- it was down in 2016, then  
18 back up in 2017. And in -- one, two, three, not in four,  
19 that's a question I've been -- the first three, you know,  
20 Products 1, 2, 3, prices go up. So, you know, they're not  
21 as high as they were in 2015.

22 MR. STEWART: Yeah, but you --

23 COMMISSIONER SCHMIDTLEIN: But when you look at  
24 it, and this is my question, how do we separate out the  
25 demand effect? You know, what's happening with demand?

1 Because when you look at what's happening with prices, it  
2 looks like they sort of track what's going on with demand,  
3 right? Demand goes down, prices go down and then demand  
4 starts to come back up and prices actually tick back up in  
5 2017.

6 MR. STEWART: I think you have to --  
7 Commissioner, I believe that the best way to do that is to  
8 overlay steel prices -- and we had, I thought, in our  
9 prehearing brief, included a chart that looked at Chinese  
10 and U.S. prices, as well as steel prices. And what you see  
11 is that there's a fundamental disconnect on the steel  
12 prices, that it tracks fairly well until you get to 2018,  
13 and 2018 you have a significant increase in raw material  
14 prices and that is due, in part, to the 232 and its effect  
15 on domestic prices of steel, as well. And so you have a  
16 significant increase. And so you have --

17 COMMISSIONER SCHMIDTLEIN: And I'm really focused  
18 on depression, right? So I'm not talking about --

19 MR. STEWART: My point on depression was, we work  
20 with each company separately and so each company has a  
21 different story.

22 COMMISSIONER SCHMIDTLEIN: Okay.

23 MR. STEWART: If you look at Accuride, and it's  
24 not in the staff report, since the staff report looks at --

25 COMMISSIONER SCHMIDTLEIN: Total.



1           MR. STEWART: -- the combination, right? But if  
2 you look at the Accuride data from the questionnaire and, as  
3 was stated by Mr. Risch, and you take a look at Pricing  
4 Product 1, you will see for theirs, that there is a  
5 reduction in their average price for Pricing Product 1 in  
6 interim 2018, compared to full year 2017.

7           COMMISSIONER SCHMIDTLEIN: Is that the whole  
8 basis of a price depression argument? I mean, because we  
9 have four products, so --

10          MR. STEWART: I was trying -- well, first off,  
11 all, if you look at the volumes, you will see that with  
12 Pricing Products 1 and 2, for domestics, will constitute the  
13 vast majority of volume. So looking at Product 4 is not  
14 terribly relevant in terms of the volume effect. I know  
15 what the numbers are and we'll be happy to address it  
16 post-hearing when I can address the numbers.

17          COMMISSIONER SCHMIDTLEIN: Okay. So, and I know  
18 my time's up, but just to finish this thought. So for  
19 instance, you're right, Products 1 and 2 are the biggest  
20 volume. And a couple of the witnesses have testified today  
21 that the aftermarket is particularly price-sensitive, right?  
22 So when you look at the aftermarket Product 2, you see  
23 demand fluctuates in the aftermarket, right?

24                 It goes down in '16 and back up in '17, and you  
25 see the price for U.S. goes down in '16 and then it comes

1 back up in '17. And this is notwithstanding the fact that  
2 Chinese volume is increasing substantially in '17. So  
3 that's one of my questions, right? Is, I guess, how do we  
4 -- we've got a price-sensitive product in the aftermarket.

5 Why do we see what looks like price for the U.S.  
6 seems to be tracking demand, and you know, these are my  
7 questions. How is it able to go up, notwithstanding the  
8 fact there is a significant volume of Chinese products  
9 surging in in 2017? That's --

10 MR. STEWART: We'll do that post-hearing.

11 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

12 CHAIRMAN JOHANSON: Commissioner Kearns?

13 COMMISSIONER KEARNS: Thank you again to all the  
14 witnesses for appearing here today. Appreciate your  
15 testimony.

16 I heard what you all have said concerning  
17 competition from subject imports in the truck OEM segment,  
18 and I want to get kind of into this market segmentation  
19 issue. But before I do that, would you all agree that  
20 relative to the other segments of the market, domestic  
21 producers face less competition in trucks than in these  
22 other segments?

23 MR. STEWART: Truck OEM?

24 COMMISSIONER KEARNS: Yes.

25 MR. STEWART: There are no imports at the moment

1 in truck OEM. So if your view is simply there cannot be  
2 competition without imports, then the answer would be 'yes.'

3 COMMISSIONER KEARNS: Right.

4 MR. STEWART: We presented a lot of information  
5 in the pre-hearing brief that showed the actual effect of  
6 the Chinese being qualified at OEM truck accounts, and what  
7 that has done to loss of revenue for the domestic industry.  
8 So there is real competition, but there are no imports.

9 COMMISSIONER KEARNS: Right. Okay, thank you.  
10 And so this question I'm going to ask of both Petitioners  
11 and Respondents. I was thinking about the segmentation  
12 argument a little bit more. It seems to me that  
13 segmentation, in the easiest case you would see--  
14 segmentation would suggest a negative determination is  
15 appropriate most clearly in cases where the U.S. industry is  
16 doing relatively badly in a segment in which subject imports  
17 are absent, or relatively absent. But the opposite seems to  
18 be the case here.

19 Here, in the segment in which there are no  
20 shipments of subject imports--truck OEMs--U.S. producers  
21 gained significant market share from 2015 to 2017, much  
22 better performance than in other segments of the market. In  
23 all the other segments in which the U.S. industry is present  
24 in fact, the U.S. industry lost market share due entirely to  
25 subject imports.

1                   And this is the only segment of the market in  
2                   which average unit values--we don't have pricing data--  
3                   average unit values remained essentially unchanged. In all  
4                   the other segments, the average unit values fell by much  
5                   more than the very slight decline we see in the truck OEMs.

6                   This hardly suggests that subject imports are  
7                   causing, or not causing material injury. It would seem to  
8                   suggest that we've got this kind of counter example over  
9                   here, truck OEMs, where the industry, the U.S. industry  
10                  seems to be doing much better than in the other segments  
11                  where it's facing much stiffer competition.

12                  So do you have any thoughts on that? Is that a  
13                  good way of looking at it?

14                  MR. STEWART: Well, Commissioner Kearns, we agree  
15                  that you can look at many of the segments and find increased  
16                  import competition and downward pricing pressures, and that  
17                  those would be supportive of an affirmative determination.  
18                  And we're aware that the Commission often looks at segments.  
19                  We're also aware that court cases have often said that your  
20                  first responsibility is to look at the industry as a whole,  
21                  which includes the markets as a whole. And there are many  
22                  court cases that say you can have an absence of imports in  
23                  some segment and it's not relevant if they're in the vast  
24                  majority of segments, or more than a majority of segments,  
25                  which obviously is here.

1                   So we will certainly address those issues  
2 post-conference, but we agree that if you look at the  
3 segments, that there are increased market penetration in  
4 most of the segments. Truck, obviously being one where the  
5 domestic industry is only competing largely with itself in  
6 terms of shipments from related operations, by and large,  
7 on the OEM truck at this point.

8                   COMMISSIONER KEARNS: I'm sorry? Could you say  
9 that last piece again?

10                  MR. STEWART: Sure. I mean if you look at OEM  
11 truck, you have the two domestic producers who have, you  
12 know, the percentage that's shown there. I don't know this  
13 for a fact, I haven't gone back and looked, but I believe  
14 that all of the rest of it flows from other imports, and the  
15 other imports are undoubtedly their own.

16                  COMMISSIONER KEARNS: Okay.

17                  MR. STEWART: And as was raised at the  
18 preliminary, for example in Accuride, if a customer wants  
19 their product but prefers to bring it up from Mexico because  
20 it's a lower freight charge, they may do that. And so some  
21 of the imports reflect that. So I would say that you  
22 probably have a situation where the domestic in that  
23 situation is--the percentages that are there, but the  
24 related parties are probably the rest.

25                  COMMISSIONER KEARNS: Okay, thank you. So again

1 another question kind of related to segmentation and  
2 barriers to entry. Respondents allege at page 16 of their  
3 brief that even if the Chinese supplier is qualified with an  
4 OEM, there are still numerous barriers to it making actual  
5 sales. Can you respond to those arguments?

6 MR. STEWART: Yeah, well they make a number of  
7 contradictory statements. One is that the smaller people  
8 can't afford to do the things that you need to do to sell to  
9 OEMs. But elsewhere they say there's only four companies  
10 that count, and all of them are large companies. And only a  
11 few of them have responded to questionnaires. So presumably  
12 it's not problematic for them.

13 And so the difference between 2012 and now is  
14 that they're qualified in virtually OEM account. And we've  
15 documented the truck side, but in the trailer side it's not  
16 really contested. And that is without even including the  
17 largest trailer manufacturer down in Mexico that is almost  
18 exclusively Chinese product. And in bus, obviously they  
19 have captured business as well.

20 So it is clear that some Chinese producers are  
21 qualified at OEs and don't have problems meeting the  
22 requirements. A claim that smaller companies may not chase  
23 after that business may or may not be true. Since the  
24 smaller companies by and large have not responded, I would  
25 say that that's questionable. We will supply information in

1 the posthearing that would take a look at some of the  
2 smaller foreign producers who may have responded either at  
3 the prelim or the final in terms of who their customers  
4 were.

5 COMMISSIONER KEARNS: Okay, thank you.

6 And this question I think is for Mr. Hofley. You  
7 had some interesting testimony this morning. We're trying  
8 to get a better sense of how committed the domestic industry  
9 is to the aftermarket, putting real numbers on that, and I  
10 think you did that to some extent this morning.

11 There are 14 employees that you mentioned in your  
12 testimony. Are those 14 employees dedicated exclusively to  
13 the aftermarket, or no?

14 MR. HOFLEY: Yes, sir. And I would share with  
15 you, much to the schagrin of my wife and children, I spend  
16 probably 150 to 160 nights per year on the road. And the  
17 vast majority of those visits are to fleet and aftermarket  
18 customers. That's been the story of my life for more than I  
19 care to remember.

20 COMMISSIONER KEARNS: Okay, sorry to hear that.  
21 And so 14 employees in the aftermarket. How many employees  
22 does Accuride have serving OEMs?

23 MR. HOFLEY: We have four full-time employees  
24 dedicated to the OE, sir.

25 COMMISSIONER KEARNS: Okay. And then you said, I

1 think earlier maybe in response to Chairman Johanson's  
2 question, that 50 percent of, I thought it was your time, is  
3 spent on the aftermarket, and the rest is on OE, so 50-50  
4 basically is split that way? Is that right?

5 MR. HOFLEY: I would characterize it this way,  
6 sir, that so I have four people calling on the tractor OEs  
7 full time, and then the balance of the team is on the  
8 aftermarket and fleets. I personally do ride-alongs with  
9 all my team, but I would just, if you took the aggregate of  
10 the number of full-time employees and the time they spend,  
11 you know, it's well over 50 percent of the time is dedicated  
12 to the aftermarket.

13 COMMISSIONER KEARNS: Okay, so a better way of  
14 looking at--yeah, I think so. So basically it's roughly  
15 whatever 14 divided by 14-plus-4 is in terms of the amount  
16 of time Accuride spends on serving the aftermarket?

17 MR. HOFLEY: Yes, sir.

18 COMMISSIONER KEARNS: Right. And I guess part of  
19 the reason why that is is there's just a lot more--there are  
20 a lot more customers in the aftermarket than there in the  
21 OEM market?

22 MR. HOFLEY: Sir, it's our position that the  
23 fleets and the aftermarket are actually the drivers. You  
24 know, they're the end customer, whether it's a tractor OE or  
25 a trailer OE. At the end of the day, it's a fleet or an



1 aftermarket customer that is everybody's end customer. So  
2 that's why we dedicate the majority of our time at that  
3 demographic.

4 COMMISSIONER KEARNS: Okay. Thank you.

5 I want to talk a little bit about lighter wheels.  
6 I know this was a bigger issue in the last investigation,  
7 but--and there doesn't seem to be much question from the  
8 Respondents that Chinese producers increasingly produce  
9 lighter weight wheels. It's a very different case than it  
10 was a few years ago.

11 But I'm curious. How has that--has that had an  
12 impact on your business? In other words, the fact that--I  
13 mean even if prices were the same, for example, over the  
14 period of time, if those--if the product is increasingly  
15 lighter wheels but at the same price as what you used to  
16 sell the heavier wheel at, you know, does that have some  
17 impact on the U.S. industry that is harder to see in the  
18 data we have?

19 MR. RISCH: This is Greg Risch. I would say  
20 that, yeah, you may not be getting all of it from just the  
21 base numbers themselves. So if the question is: Does the  
22 lighter weight wheels, the heavier concentration of those,  
23 is that meaningful? I would say they were all somewhat  
24 moving in a stream in that direction. So everybody's  
25 trying to take a little bit of weight out, and so that has

1       been the case on the imports as well.

2                   COMMISSIONER KEARNS:   Okay, so both U.S.  
3       producers and Chinese producers are moving towards lighted  
4       weight wheels?

5                   MR. RISCH:   Sure.   That is the standard.

6                   COMMISSIONER KEARNS:   Okay.   Okay.   And is that  
7       because the Chinese are kind of pushing you in that  
8       direction?   Or it's really just both sides, the customer is  
9       pushing in that direction?

10                  MR. RISCH:   Yeah, I think if you just look at the  
11       regulations that are placed onto the fleets, whether it be  
12       reduced stopping distance for safety, fuel enhancements, all  
13       that is going to be accomplished by lighter vehicles.   So  
14       the components on which we participate and which we sell and  
15       the ones we're talking about today absolutely applies.

16                  COMMISSIONER KEARNS:   Okay, thank you.

17                  MR. POLK:   That's a trend that's for the global  
18       industry.   Weight reduction is a desirable trend in any of  
19       the big global markets.

20                  COMMISSIONER KEARNS:   Okay, great.   Thank you.

21                  CHAIRMAN JOHANSON:   In which of the segments that  
22       we have discussed--truck, bus, trailer, OEM, aftermarket--do  
23       aluminum wheels compete most closely with steel wheels?

24                  MR. RISCH:   That's a tough one, because you've  
25       got--they exist on all levels and all segments of our

1 markets. It depends on what the fleet is hauling, and what  
2 geography they are, and what might make sense for them,  
3 aluminum versus steel, but they do exist in each.

4 CHAIRMAN JOHANSON: In what way would geography  
5 impact that?

6 MR. RISCH: Just in regards to maintenance,  
7 maintenance practices and how--you just think about, are you  
8 running in Maine in the winter? Are you running in Arizona  
9 in the winter? Vehicles and the parts that we supply steel  
10 with aluminum wheels, they're maintained differently. And  
11 so it may have an impact on their decision on which to  
12 invest in.

13 MR. HOFLEY: I'll expound on that, sir. So, you  
14 know, some fleets--taker Pensky, for example, I mean they're  
15 Coast to Coast, North to South borders. They may have  
16 certain geographies of their fleet where they're specifying  
17 steel, and then, like Mr. Risch said, if it's the upper  
18 Midwest or New England where it's a more corrosive  
19 environment, they may be more prone to use an aluminum  
20 wheel because the belief is that it's less prone to the  
21 corrosion risk of a steel wheel.

22 CHAIRMAN JOHANSON: Okay, that makes sense.  
23 Thanks, Mr. Hofley.

24 Also on page 26 of Respondent's brief they  
25 mention that aluminum wheels contribute to curb appeal. But

1 I assume that's not very important for trailers, is it? I  
2 know you probably want your truck to look nice, but at the  
3 end of the day it's really probably not that big of an issue  
4 for a driver, correct?

5 MR. RISCH: I would say that economic payback is  
6 much more important.

7 MR. HOFLEY: Yes, sir, and I would also  
8 characterize our--some fleets, I mean it's like consumers  
9 that they're passenger tires being more cognizant of the  
10 appearance of their automobile. There are fleets out there  
11 that are more interested in a bright and shiny wheel,  
12 therefore they go with an aluminum wheel as opposed to  
13 steel. Personal preference.

14 CHAIRMAN JOHANSON: Okay, thanks.

15 Do prices for steel wheels in one segment of the  
16 U.S. market affect the prices in other segments?

17 MR. RISCH: I think that's a fair point. I would  
18 say that you can't get away with a large disparity between  
19 markets, necessarily. If you just think about the  
20 aftermarket industry, this industry is very close. If you  
21 go to any of the trade group association meetings and you  
22 see everybody knows each other. So if you think you're  
23 going to give somebody a nickle in North Dakota, don't think  
24 that guy in Georgia is not going to hear about it within an  
25 hour or two. So it's a pretty tight market. So in the

1 aftermarket, absolutely.

2 On the truck side, again you've just got a  
3 handful of players. So there's not much disparity there.  
4 All of the truck manufacturers have service arms,  
5 dealerships, as you would see them, so they talk. And those  
6 dealerships are competing with the rest of the aftermarket,  
7 or distribution network, so it's a pretty tight network.

8 MR. KOMINARS: This is Matt Kominars from Maxion  
9 Wheels, just to add on to Mr. Risch's testimony.

10 When you mentioned that the aftermarket consists  
11 of independent distributors, and also OES, and so you would  
12 expect that through the OES channel the OEM is very aware of  
13 the prices they're paying from the imported product. So  
14 certainly the aftermarket prices are well known by the  
15 direct OEM customer.

16 In addition, you have the dealer networks. And  
17 you have a dealer network where they might see a  
18 domestically made product being sold at--let me rephrase  
19 that--a imported product sold down the street from them at a  
20 significantly lower value than the domestically made  
21 product. So it is very easily known.

22 MR. HOFLEY: There are no secrets in our  
23 industry, sir.

24 CHAIRMAN JOHANSON: Okay, thanks. Appreciate it.  
25 Getting back to the actual use of steel wheels,

1       what is the life expectancy of a steel wheel on a U.S.  
2       highway? The reason I'm bringing this up is, I've been  
3       driving for decades now, and I've replaced my tires many  
4       times but I've never replaced a steel wheel. And I couldn't  
5       contemplate when I would do that unless I were to wreck my  
6       car.

7               MR. RISCH: Commissioner, you just nailed it.  
8       You know, as long as you maintain the wheel, and barring any  
9       kind of crash, that wheel should last the life of the  
10      vehicle.

11             CHAIRMAN JOHANSON: But we're also talking about  
12      trucks, which probably put on, I don't know, probably  
13      200,000 miles a year. I don't know how many miles they  
14      would go a year. Is there wear and tear involved with that?

15             MR. RISCH: Only if you would abuse it or, you  
16      know, do things you shouldn't be doing.

17             CHAIRMAN JOHANSON: So the wheels should last the  
18      lifetime of the trailer and/or the truck?

19             MR. RISCH: Properly maintained and properly  
20      driven, correct.

21             MR. HOFLEY: Yes, sir. It goes back to my  
22      comments to Ms. Broadbent that the two most common causes  
23      for replacement in the aftermarket, or demand in the  
24      aftermarket, is weather, pot holes, and then again one of  
25      the key issues in the industry today is driver retention.

1       So there's a lot of inexperienced drivers out there breaking  
2       wheels.

3                 CHAIRMAN JOHANSON: I've actually read about  
4       that, the whole issue of driver retention. So the  
5       aftermarket--and I know this is covered elsewhere--is really  
6       not that major, compared to let's say tires.

7                 MR. RISCH: I think it is fair to say that tires  
8       and fuel would certainly be a much higher cost, as well as  
9       the cost of the driver itself and the initial purchase of  
10      the vehicle that's going to drive the major economics.  
11      Replacing wheels is not going to happen to the extent of  
12      replacing tires. Those go much more often.

13                CHAIRMAN JOHANSON: Okay, and I'm bringing up  
14      tires just because that's my pedestrian knowledge of things  
15      that go around on a car. I think about the tire and not the  
16      wheel, as much.

17                MR. HOFLEY: Sir, you actually bring up a good  
18      point, because the two are inextricably linked, tires and  
19      wheels. Like Mr. Risch said, the three highest costs to a  
20      fleet are, number one, fuel; number two, tires; number  
21      three, drivers. And typically when they go in every year to  
22      replace their tires, what they're getting from the 25 top  
23      commercial tire dealers in the country, they get back a  
24      tire wheel assembly. And of those top-25 commercial tire  
25      dealers, the majority of them are buying Chinese wheels.

1                   CHAIRMAN JOHANSON: Okay, Mr. Stewart?

2                   MR. STEWART: If you go back and you look at  
3 your record in either truck and bus tires or BVL T tires,  
4 you'll find that the aftermarket is about 80 percent of  
5 demand. You can compare that to the data you have in this  
6 record and would confirm that aftermarket is a smaller piece  
7 of the puzzle than would be true on tires. It's still a  
8 very significant part, but it's not as large.

9                   CHAIRMAN JOHANSON: Alright, thanks for your  
10 responses.

11                   Often when we see pricing products' data like we  
12 have here, Petitioners use the term "foreign fighter" to  
13 explain the relationship between market shares that do not  
14 move to the extent that we might expect and that  
15 profitability suffers from falling U.S. prices, does the  
16 foreign fighter story fit here?

17                   MR. RISCH: We did for some time have a product  
18 like that, but as time passed, as competition increased in  
19 regards to the pricing of those products it wasn't feasible  
20 to continue, but otherwise, that does come up from time to  
21 time.

22                   CHAIRMAN JOHANSON: Okay. And I was wondering  
23 why was the scope narrowed as compared to the 2011 to 2012  
24 scope for this investigation? Are imports of smaller wheels  
25 less of a concern to your industry now?



1           MR. STEWART: Well, since a different law firm  
2 was handling the case, I can't give you an exact answer as  
3 to the earlier case. This is a case that deals with a  
4 particular product. That was a much broader case that was  
5 dealing with off-the-road wheels as well as these truck  
6 wheels and that was also dealing with a certain portion of,  
7 I think, the light truck -- a truck business and that  
8 involved other manufacturing facilities.

9           This case is involved around the commercial  
10 truck portion of the market and so it's, internally, a more  
11 consistent case, a simpler case to understand. Perhaps  
12 that's an indication that I'm a simpler lawyer and viewed it  
13 that way.

14          CHAIRMAN JOHANSON: Okay, I won't comment on  
15 that.

16          MR. RISCH: Commissioner, I've got five kids and  
17 when they get in trouble it's generally all five of them,  
18 but I can get down to the focus of the one who's really  
19 causing it. So, I would say that narrowing the focus to  
20 maybe the larger problem or the glowing problem that was the  
21 appropriate thing.

22          CHAIRMAN JOHANSON: Okay, thanks. The yellow  
23 light's on, so I'm going to turn to Commissioner Williamson.

24          COMMISSIONER WILLIAMSON: Okay, thank you.

25          Commissioner Schmidtlein spent a lot of time

1 talking about the pricing products and I want to go back to  
2 that. I may go over some of the questions again, but  
3 sometimes they might be coming from a different angle.

4 At page 67 of your pre-hearing brief, you show  
5 the products subject to price and volume changes between  
6 2015 and 2017 for both subject imports and the domestic-like  
7 products. In looking at those numbers, you see that volume  
8 changes very significantly. There's significant changes in  
9 volume, but the pricing changes don't -- the pricing doesn't  
10 seem to change all that much and I was wondering how do you  
11 explain this? And if you want to do it post-hearing, you  
12 can.

13 MR. STEWART: My memory of what I have in the  
14 confidential brief is not that great any more,  
15 Commissioners, so we'll do it in the post-hearing, if that's  
16 okay.

17 COMMISSIONER WILLIAMSON: Okay, thank you.

18 Now, let's take a look at the interim period --  
19 interim 2018 -- and could you explain your position on  
20 subject import volume price effects and impact in the  
21 interim and how that figures into the material injury  
22 analysis?

23 On the one hand, you state that subject imports  
24 are suppressing prices in interim 2018; however, you also  
25 argue that subject imports are pulling out of the domestic

1 market in the interim period; particularly, due to the  
2 filing of the case, so that's my question.

3 MR. STEWART: Well, we start with where we  
4 started in the brief, which is, first, because there's  
5 obviously a change in behavior by the Respondents following  
6 the preliminary determination at the Commission under the  
7 statute you have a right to give lesser weight to what's  
8 there and so we've identified that in the brief and believe  
9 that you should do that.

10 What the record shows since the staff obtained  
11 monthly data in terms of imports is that there was very  
12 rapid growth in imports through May. And if you look at the  
13 percent of sales that are spot versus percent of sales that  
14 are contract, you will see that a lot of the shipments from  
15 the domestic producers in 2018 are reflecting of contracts  
16 that were either negotiated in 2017, re-negotiated perhaps  
17 in 2018 or spot prices in the front part. And what you see  
18 there is that the domestic industry has prices that are  
19 locked in that do not permit them to recover the costs that  
20 they are incurring as they go through the first three  
21 quarters of 2018 where there's a rapid increase in the steel  
22 prices.

23 Now, we have a number of confidential exhibits.  
24 I believe they're one to three, but there may be some others  
25 in the petition that go through specific OE accounts where

1 the companies took price hits to maintain business. So,  
2 they were selling at "X" and after the contract  
3 re-negotiations they were taking "X" minus, alright. Those,  
4 of course, would be reflected in prices that you see in the  
5 following year.

6 So, since everything is not spot it means that  
7 to understand the price effects you oftentimes have to go  
8 back before the particular period, but there also was a huge  
9 increase in the first five months and that product as out in  
10 the market and causing problems throughout, so on the  
11 pricing side there's certain effects. On the market share  
12 and those things, you have a right to give it less and to  
13 assume that the improvements are due to the filing of the  
14 cases. And as both cases have testified, there are large  
15 volumes of product that customers came to them after the  
16 filing of the case to see if they could quote on and a lot  
17 of additional business that went to the domestic producers  
18 after the two prelims.

19 COMMISSIONER WILLIAMSON: Okay. So, are you  
20 basically saying there was one effect during the first two  
21 quarters of the interim period and maybe something else  
22 happening in the third quarter?

23 MR. STEWART: Well, on the pricing I think that  
24 the effect would kind of translate throughout, but in terms  
25 of the import volume -- I mean if you look at -- you have

1 two pictures, right? You have a 26.6 percent increase and a  
2 47.1 percent decline and you combine the two it's a  
3 relatively small change in the overall interim in terms of  
4 imports from China, right? That's what the numbers --  
5 that's what your numbers show. So, it is the case that in a  
6 market that wasn't growing that fast in the first five  
7 months you have a hell of a lot of products coming in from  
8 China. That is going to have effects in the marketplace  
9 certainly in those five months, but could very well carry on  
10 through the later four months as well. And we have  
11 identified what we can to help you understand that in terms  
12 of sworn statements and that sort of thing in the  
13 pre-hearing brief. But it's also the case that if I had a  
14 three-year contract that was negotiated in 2017 under intense  
15 competition from the Chinese and I lowered my price two  
16 dollars a wheel or three dollars a wheel that will carry  
17 through for the length of that contract and that will show  
18 up in 2018 whatever volume gets shipped under that contract  
19 in 2018.

20 COMMISSIONER WILLIAMSON: Okay, thank you.

21 Post-hearing if it's already in the staff report  
22 just point to it about what percentage of the domestic's  
23 contracts are long-term versus short. It may already be in  
24 the staff report, but if not --

25 MR. STEWART: It is in the staff report. And

1 because there's just two companies it's confidential in  
2 terms of what the aggregate is.

3 COMMISSIONER WILLIAMSON: Okay, good. Thank  
4 you.

5 When did the domestic industry begin to see an  
6 increase in the hot-roll steel prices and when was the  
7 industry able to pass on those increases to customers?

8 MR. RISCH: Well, I guess I can point back to  
9 certain actions taken by the government to change tariffs  
10 regarding imports of raw steel.

11 COMMISSIONER WILLIAMSON: Yes, we're familiar  
12 with those.

13 MR. RISCH: Right, right, you may have heard of  
14 those, so the domestic producers, obviously, took advantage  
15 of that. And they saw that as relief for themselves and so  
16 we, in turn, got higher prices. So, if you can imagine  
17 during the period of investigation and to date as raw  
18 material prices have increased significantly; yet, imports  
19 were coming across prior to the relief that we got roughly a  
20 year ago, then the disparity between the two was growing.  
21 In other words, our costs were going up significantly and  
22 the imports' costs was not, so that lead to some of the  
23 problems during that period of investigation.

24 COMMISSIONER WILLIAMSON: Okay.

25 Now, how are raw material prices typical -- raw

1 material price increases typically passed on to contract  
2 customers? What is the typical lag and was it any different  
3 than the last year?

4 MR. RISCH: They vary. But no, I would say  
5 there's no changes like through the period of investigation  
6 or currently in regards to practice, but they vary from  
7 three to six months.

8 MR. STEWART: It is not the case that there are  
9 not typically clauses that are supposed to address raw  
10 material changes and so that is true. But what that does  
11 not reflect is other provisions in contracts that may  
12 require you to meet competition clause that Commissioner  
13 Schmidtlein was referring to from the staff report that's in  
14 a lot of the contracts.

15 And so the reality is is that during this time  
16 period, as you have increasing steel prices, the industry  
17 has not been able to recapture the increased cost. And  
18 while the clauses exist in the contracts and there will be  
19 some upward movement, if you also have downward movement in  
20 the base price or in the annual review that says you're no  
21 longer competitive, you need to give me a deeper discount,  
22 then at the end of the day you will not recover your raw  
23 material cost and that is what's happened in this time  
24 period. And the staff report does have, I believe, a  
25 confidential table that shows steel prices that was taken

1 from, I think, American Metal Market or one of those  
2 services for you that kind of shows the movement and steel  
3 prices are always volatile and they were volatile in this  
4 time period as well, but you see a sharp increase in the  
5 second and third quarter of 2018.

6 COMMISSIONER WILLIAMSON: You referred to a  
7 "rock and feather" phenomenon in what appears to apply to  
8 this industry. I guess there are some industries where when  
9 raw material prices go down -- when prices go up -- if raw  
10 material prices go up the product prices go up quickly, but  
11 when raw material prices go down prices fall slowly and  
12 there are some industries where the prices might -- when raw  
13 material prices go down the product price goes down quickly  
14 and this gets to the question of do the domestic producers  
15 of the product have some pricing power or is it the  
16 purchasers? How would you describe this industry?

17 MR. RISCH: Well, I can only describe it from my  
18 perspective is that, as both of the Petitioners have  
19 testified, we have serious underutilized capacity within our  
20 plants. So, you may only have two domestic producers, but  
21 we're both eager to gain more share and produce, so a very  
22 competitive market. And as Mr. Stewart was saying, you know  
23 the prices do fluctuate with the raw materials, but there's  
24 a much bigger picture going on. Our customers, regardless  
25 of market, they don't mind getting passed on raw materials



1 as long as everybody is moving the same, so high tide  
2 raises all boats. That's fine unless somebody is not rising  
3 with it and that would be the imports. So, that's the  
4 problem that it creates, so you always have that third data  
5 point saying, okay, yeah, I'll give you your "X" percent for  
6 the rising raw material; however, you're not competitive  
7 because these guys haven't increased it. So, you still face  
8 it regardless.

9 COMMISSIONER WILLIAMSON: Okay, thank you.  
10 Thank you for those answers.

11 CHAIRMAN JOHANSON: Commissioner Broadbent?

12 COMMISSIONER BROADBENT: Yes, I just had a  
13 couple of extra questions here. Operating income margins  
14 over the full period were affected by SG&A expenses. Can  
15 you explain how the domestic industry's SG&A expenses  
16 changed and how it affects our analysis of profitability?

17 MR. RISCH: I would say that for Accuride we  
18 have to be much smarter about our SG&A. If you just think  
19 about how competitive our business is and the segments that  
20 we face in business we not only had to be smarter and be  
21 very judicious about how we spend, but at the same time  
22 competition is growing and the pricing pressure is great and  
23 so we actually need to be out there more. So, it's a little  
24 contradictory of we may need to pull back on SG&A to  
25 maintain some profitability; yet, if you pull back on your

1 selling points, as Mr. Hofley will tell you, the people that  
2 we have out there if you curtail that you may lose touch and  
3 lose market share that way too. So, it's a double-edged  
4 sword in regards to how SG&A plays into what we're going to  
5 do for operating income. It could be a very short-term to  
6 cut and a long-term bad guy.

7 MR. POLK: From the Maxion Wheel side, we've got  
8 a strong focus on SG&A and have reduced significantly SG&A  
9 for the business. We try to maximum the synergies between  
10 our different business units where we have centralized  
11 functions and we can serve multiple divisions or multiple  
12 businesses from a central resource, so we've made good  
13 progress on SG&A cost reduction over the last years.

14 MR. STEWART: Commissioner, we will try to take  
15 a look at it post-hearing and see if we can flush it out for  
16 you.

17 COMMISSIONER BROADBENT: Okay, that'd be  
18 helpful. Thank you.

19 In the preliminary conference, it was stated  
20 that domestic producer contracts may contain provisions that  
21 allow for the pass through of input cost. How common is it  
22 for sales contracts to contain a pass through provision? Is  
23 the domestic industry generally able to adjust their prices  
24 during the course of the contract to account for changes in  
25 the price of steel?

1           MR. RISCH: Commissioner, I would say that they  
2           are very common in long-term contracts, multi-year  
3           agreements very common to have that. If you go back to  
4           2001, there's been a lot of volatility within the markets,  
5           but that really doesn't tell the entire story because as Mr.  
6           Stewart referenced, without getting too detailed, there are  
7           other clauses in agreements that you have to maintain  
8           competitiveness. So, whereas, again you might have to or  
9           you might be able to pass on raw material increases  
10          contractual you also must be competitive. So, if a certain  
11          competitor, whether it's an import or not, is not raising  
12          their prices due to raw materials it's going to be pretty  
13          unlikely that I would be able to pass those on as well.

14          MR. STEWART: In the pre-hearing brief, there  
15          are a couple of confidential affidavits that go through some  
16          actual examples of mid/long-term contract reducing prices  
17          which are kind of the things Mr. Risch was referring to.

18          MR. KOMINAKS: I would agree with Greg's  
19          comments. We see clauses on the multi-year agreements, but  
20          those are very often offset, as we've spoke earlier about  
21          the competitive clauses. So, you have a net effect that you  
22          can see in our data that we submit.

23          COMMISSIONER BROADBENT: Okay. And then I had a  
24          -- I can't resist this question, given all the trucking  
25          expertise that is before me today. It's a little far

1        afield, but the USMCA, the new Mexico NAFTA trade agreement  
2        allows for the equal treatment of cross-border trucking  
3        services, but also permits the United States to limit  
4        Mexican cross-border trucking services if the United States  
5        determines that limitations are required to address material  
6        harm or threat of material harm to U.S. suppliers,  
7        operators, or drivers. Do you foresee any effects on the  
8        domestic steel wheels industry if the USMCA trade agreement  
9        is ratified?

10                MR. RISCH: I would say that there could be some  
11        fluctuation; however, I don't think it's very likely. You  
12        know all the major OEMs have facilities in both Mexico and  
13        the U.S. That's primarily where they are. If I think about  
14        when I started my career at Accuride, there were numerous  
15        truck OEM facilities in Canada and in the north and they  
16        have geographical moved south over the time, but they  
17        commonly will place the game in regards to what makes most  
18        economic sense, depending on regulations, productivity, et  
19        cetera, raw material prices between the U.S. and Mexico to  
20        date. So, we don't see too much of a fluctuation in that.  
21        It doesn't change too much through time, only if there were  
22        significant legislation that made a big change there I guess  
23        you could see some, but I think that's pretty unlikely.

24                MR. POLK: From the Maxion side, we don't expect  
25        to see a major move on that. Under the previous NAFTA

1 agreement, there were provisions there for greater  
2 participation in the American market from truckers on the  
3 Mexican side, and we don't see much change under the new  
4 agreement that's gonna affect our business.

5 COMMISSIONER BROADBENT: Okay, good. Mr.  
6 Chairman, that concludes my questions, and I wanna thank the  
7 witnesses.

8 CHAIRMAN JOHANSON: Commissioner Schmidtlein.

9 COMMISSIONER SCHMIDTLEIN: Okay. Just a few more  
10 questions. Before I move on from the pricing products, for  
11 the OEM pricing products, do you all know if those  
12 industries--Mr. Stewart, maybe you're the best one to answer  
13 this, since this is all the pricing stuff that's  
14 bracketed--but do the OEM pricing products we have align  
15 with particular segments of the OEM market? That we have  
16 broken out otherwise?

17 MR. STEWART: The answer is that they would cover  
18 them all.

19 COMMISSIONER SCHMIDTLEIN: Okay. So we can't say  
20 Product 1 associated mostly with --

21 MR. STEWART: No.

22 COMMISSIONER SCHMIDTLEIN: -- trailer, and --  
23 okay. Okay. A few minutes ago, you all were talking about  
24 foreign suppliers being qualified. How do you know which  
25 foreign suppliers are deemed qualified? How is that

1 information transmitted within the market? Is that  
2 word-of-mouth? The purchasers? Or --

3 MR. STEWART: Let me start before the business  
4 people take it over. We have, in the prehearing brief, and  
5 one of the first exhibits, factual information that's a  
6 document that would show how we would know, with regard to  
7 at least one of the truck OEMs that they were qualified. At  
8 the preliminary conference, both Jingu and Sunrise, the two  
9 major Chinese producers who are here today, indicated that  
10 they have been qualified at one of the OEM truck suppliers  
11 each.

12 And, of course, where product starts to show up  
13 at OEM trailer or OEM bus, and it's Chinese product, you've  
14 realized that they've obviously been qualified and I think  
15 Mr. Kominars' statement was that he's aware of at least  
16 eleven trailer manufacturers who have qualified because the  
17 product is in the standard position, which means that it is  
18 one that's being recommended. Or that they're facing fleets  
19 that are instructing the trailer manufacturers to use  
20 particular Chinese wheels. But I'll turn it over to the  
21 people.

22 COMMISSIONER SCHMIDTLEIN: Okay.

23 MR. RISCH: Yeah, I would say that it's pretty  
24 simple. It's called leverage that the OEMs play on you.  
25 And so certainly, if they weren't qualified, it would bring

1 the leverage, right? So they certainly have made it known  
2 by letting us know, "Hey, you've got a competitor here  
3 that's got a low price," you know, so if I were to say,  
4 "Well, it doesn't really matter because they're not  
5 qualified." "Oh, yes, they are."

6 Furthermore, without getting into details, when  
7 they are in the same hallway, when you're in a Round Robin  
8 auction process that's going on, and they're there, they're  
9 physically there, that tells you they're qualified. They're  
10 playing in the game.

11 COMMISSIONER SCHMIDTLEIN: Okay.

12 MR. KOMINARS: Just to add on, imagine for a  
13 moment you're in negotiation with a truck OEM at the  
14 tail-end of a team, as my testimony alluded to, and there's  
15 an importer in the same negotiation and that contract is for  
16 the subsequent years, one would assume that you would be  
17 qualified to supply, if you were indeed participating in  
18 that "process".

19 COMMISSIONER SCHMIDTLEIN: Okay.

20 MR. MCGIVNEY: Good morning. This is Dan  
21 McGivney with Accuride. I think the competitive landscape  
22 for the truck OEM market can be defined by three factors:  
23 Number 1, they are qualified, Number 2, they are supplying  
24 to the OEM service groups. So the same buyers that we are  
25 dealing with for production are in many cases the same

1 buyers that are buying those same wheels for their service  
2 segment. And Number 3, they are actively negotiating as Mr.  
3 Kominars testified. We do see them actively participating  
4 in those negotiation sessions.

5 COMMISSIONER SCHMIDTLEIN: So you just mentioned  
6 the truck OEM section -- and I think you stated before, Mr.  
7 Stewart, they are qualified for truck OEM, but they're not  
8 actually winning any sales in that segment. Is that  
9 correct? I mean they're not importing there. So --

10 MR. STEWART: That's correct, at least as far as  
11 the import statistics and the report from the customers  
12 have.

13 COMMISSIONER SCHMIDTLEIN: But you are seeing  
14 them compete for those sales, actively competing for those  
15 sales?

16 MR. STEWART: Yeah, one of the exhibits shows --  
17 confidential exhibit, I'll identify it in the post-hearing,  
18 but there is an example where one of the foreign competitors  
19 received a contract that gave the OEM truck company the  
20 option of buying 100% of their wheels from that foreign  
21 supplier. That's been in the record since the petition was  
22 filed.

23 So that's a pretty clear indication that, whether  
24 the company chose to give it or not, it would give an awful  
25 lot of leverage in terms of downward pricing. We also have



1        affidavits that look at individual accounts and the price  
2        discounts that were asked and that were given, in part,  
3        because of the competition that was coming in from qualified  
4        Chinese producers. And that's just on the OEM truck side.

5                COMMISSIONER SCHMIDTLEIN: So you don't see --  
6        there isn't the case where Chinese producers who aren't  
7        qualified, are sort of promoting their product in  
8        anticipation of getting qualified at some point in the near  
9        future? And that product is also having an effect on price?

10               So in other words, my question is, if the  
11        producer isn't qualified, do you agree that their prices are  
12        irrelevant?

13               MR. RISCH: I would say that they're less  
14        relevant. However, where they are qualified, even though  
15        they have not won the volume in certain segments, I would  
16        say that that's maybe a result that we have given our pound  
17        of flesh and we have given the prices taken to be able to  
18        keep the business. So that's certainly the depression  
19        prices and suppression as well.

20               COMMISSIONER SCHMIDTLEIN: Okay.

21               MR. POLK: But as they become qualified, you  
22        know, the way into the OE account is through the OE service  
23        end of things first. So they're qualified. The OE takes a  
24        chance on them to dip their toe in the water, see how they  
25        do for a while, given them some OE service business and, you

1 know, the next step is gonna be their first production  
2 contract. So when they're in there, qualified, playing in  
3 the OE service channel, their prices are out there and those  
4 are used as part of the OEM negotiation. And they're  
5 physically there, participating in, recently in those OEM  
6 negotiations. So it's --

7 COMMISSIONER SCHMIDTLEIN: Okay.

8 MR. POLK: -- it's a matter of time.

9 MR. HOFLEY: I'd like to make one comment --

10 COMMISSIONER SCHMIDTLEIN: Mm-hmm.

11 MR. HOFLEY: If you recall my answer to Mr.  
12 Kearns question, at the end of the food chain are the  
13 fleets. The fleets are everybody's end user. That's our  
14 customer's customer's customer. And in their eyes, the  
15 wheels are comparable. And they're qualified. And they'll  
16 make the determination.

17 And I can tell you, despite our best efforts with  
18 the fleets, having them establishing relationships,  
19 visiting, having them visiting our plants, in their eyes,  
20 there's no difference in the wheels. And so they will be  
21 the one that dictate, you know, to attract a trailer OE what  
22 they want.

23 COMMISSIONER SCHMIDTLEIN: Okay. All right.  
24 Thank you for that. Okay. Let me ask a couple questions  
25 about some of the respondents arguments. One of the

1 arguments that the respondents make has to do with the  
2 importation by domestic producers, separate product. And so  
3 in particular, they're arguing that the volume of those  
4 importations is effectively injuring the domestic industry,  
5 right? So the domestic industry is injuring yourself. Can  
6 you respond to that argument?

7 MR. STEWART: Thank you, Commissioner. We, in  
8 fact, responded to it in the testimony of our witnesses.  
9 First, in the case of Maxion's, their testimony at the  
10 preliminary conference indicated they had been importing a  
11 small amount from China, that they stopped in 2015, so  
12 there've been no imports by Maxion since 2015.

13 And the data that Accuride presented in their  
14 U.S. importer's questionnaire and in the questionnaire for  
15 their recently acquired company, the data is, they're going  
16 back to 2015, but Accuride didn't have control of either of  
17 those entities and had no -- they were unrelated businesses  
18 in the case of Mefro, until June of 2018, so the entire  
19 period would be relevant, and in the case of KIC, until  
20 mid-2017. So they're looking at data from '15 and '16 and  
21 at least part of '17, had anything to do with Accuride.  
22 Yes, we supplied the data so you would have the data, which  
23 we would have access to once we acquired the companies. So  
24 the answer to that is, it's kind of a red herring issue.

25 COMMISSIONER SCHMIDTLEIN: Okay, all right. And

1       then, I have two questions. I think these are probably best  
2       for the post-hearing. One is, the respondents did some  
3       analysis of three of the confirmed lost sales in their  
4       brief. It's at Pages 40 to 42. Could you respond to those  
5       arguments and analysis in your post-hearing? Because it's  
6       all confidential.

7               MR. STEWART: Sure. We will --

8               COMMISSIONER SCHMIDTLEIN: I don't think you'll  
9       be able to do it now. And then my last question has to do  
10      with the--I don't think this has been asked--the financial  
11      performance of the domestic industry. And again, I'm  
12      guessing you're gonna have to respond to this post-hearing,  
13      because it's confidential. There's only two producers.

14              How should we consider the financial performance  
15      of the domestic producers, given that they seem to be  
16      doing--I mean you could call it, you know, they seem to have  
17      their best year or close to their best year when subject  
18      imports peaked?

19              And I know you gave an answer before about the  
20      recent amendment to the statute, but just in that, you know,  
21      obviously, it's not a basis on which to go negative, but as  
22      a factual matter, why is it that we see their financial  
23      performance such as it is, when subject imports are peaking?

24              MR. STEWART: We will respond to that in a  
25      post-hearing.

1 COMMISSIONER SCHMIDTLEIN: Okay, all right.

2 Thank you.

3 CHAIRMAN JOHANSON: Commissioner Kearns.

4 COMMISSIONER KEARNS: Thank you. You argue that  
5 the Chinese product is used by Daimler and Paccar for their  
6 private label aftermarket needs. Do you know how long they  
7 have done so? And is their use limited to the aftermarket  
8 as opposed to OEM applications?

9 MR. MCGIVNEY: I believe Alcar has been using  
10 Chinese imports since previous to 2015, may go as far back  
11 as 2013. I believe Daimler has been using Chinese imports  
12 since late 2017, more recent than Paccar.

13 COMMISSIONER KEARNS: And is it limited to the  
14 aftermarket?

15 MR. MCGIVNEY: It is. It is their aftermarket  
16 private label brand. Paccar's has their own private label  
17 brand, they refer to as TRP. Daimler's private label brand  
18 is referred to as Alliance.

19 COMMISSIONER KEARNS: Okay. And how relevant is  
20 the aftermarket use if it hasn't led to the penetration of  
21 the OEM sector?

22 MR. MCGIVNEY: In our experience with other  
23 commodities outside of the scope of the products here, it's  
24 been our experience that in our industry, it's very common  
25 for the OEMs to use a qualified source in the service

1 segment first, gives them experience, establish the  
2 relationship and then just move that supplier into the OEM  
3 production position.

4 COMMISSIONER KEARNS: Okay, but I mean, at least  
5 in the case of Paccar, it's been, you know, roughly four  
6 years and they still haven't moved in.

7 MR. HOFLEY: Sir, I'd like to think it's because  
8 of our sales efforts being present and being there  
9 frequently.

10 COMMISSIONER KEARNS: Okay. All right.

11 MR. STEWART: Commissioner, it's also the case  
12 that there's some information in one of the confidential  
13 affidavits that's in our prehearing brief that would be  
14 helpful to you in that regard.

15 COMMISSIONER KEARNS: Okay, thank you. All  
16 right. Trailer OEM sector. Subject imports' share of the  
17 trailer OEM sector was not large and was almost unchanged  
18 over the POI. Wouldn't this be a sector where I'd expect to  
19 see a lot of market share growth if subject imports are  
20 competing the way you describe?

21 MR. STEWART: We would disagree with the concept  
22 of whether or not there is large market share. If you look  
23 at the market share that the Chinese have in trailers and  
24 you look at the vast majority of cases that you have, it  
25 would be higher than the market share of the vast majority

1 of industries that you look at where you make affirmative  
2 final determinations.

3 So it may be smaller than some of the other  
4 markets, but that doesn't mean that it isn't significant.  
5 There also is some growth that is reflected in the data.  
6 Again, you have the problem in this case that you have data  
7 that suggests that there is much more rapid growth in  
8 imports than is reflected in your importer data.

9 And that is, unfortunately, not the staff's  
10 fault. It's just a question of who responded, who didn't  
11 respond. And how does that data compare to what you've  
12 gotten from your foreign producers. And there is a  
13 disconnect there. So obviously market share would be  
14 dramatically higher if there was a much higher growth rate,  
15 in fact, that is occurring.

16 And for the foreign producers, obviously, there  
17 is a much higher market growth than what is reflected in the  
18 importer data, which suggests there's a lot of other foreign  
19 producers and a lot of other U.S. importers who are not part  
20 of the database.

21 So, the fact that you have some market share  
22 growth and the fact that the market share that's there is  
23 already significant in our view, it is supportive of an  
24 affirmative determination.

25 COMMISSIONER KEARNS: Okay, thank you. How has

1 market segmentation changed since the 2012 case? And have  
2 those changes had any -- if there have been changes, have  
3 they had any impact on your businesses?

4 MR. STEWART: Well, let me just start, since we  
5 had a different scope and there were different products,  
6 it's a little hard to say. You all have -- the Staff  
7 collected somewhat different information in terms of  
8 "segments" this time than was true before, all right. But,  
9 you know, the biggest difference is if you looked at what  
10 was stated in the hearing by one of the Commissioners in  
11 2012 that the market share was between 10.5% and 10.9% at  
12 the aggregate level.

13 And you compare that to the market share that  
14 exists in this case, the first answer would be, it is a  
15 dramatically different case and it's a dramatically  
16 different market penetration that exists in this case and  
17 existed in that case. You've broken out OEM truck into bus  
18 and other, which is basically specialty truck. And so you  
19 have information on those and you have market penetration in  
20 both of those that shows up in the staff report.

21 COMMISSIONER KEARNS: Okay, thank you. I wanna  
22 talk about the post-petition effect. It seems a bit --  
23 contradictory is too strong of a word -- but help me  
24 understand how it is that post-petition you see a drop in  
25 imports, and you said because of the petition, and yet,



1 that's when we really see a cost-price squeeze. How are  
2 those things consistent with one another?

3 MR. STEWART: Thank you, Commissioner Kearns. It  
4 is a sign of my aging that my efforts to explain this two or  
5 three times has not been successful today. So let me see if  
6 I --

7 COMMISSIONER KEARNS: Or maybe how new I am here.  
8 Maybe I'll blame that --

9 MR. STEWART: Let me see if I can do it again.  
10 The reason we raised the post-petition issue is that you  
11 have a statutory authority to reduce the relevance that you  
12 give. And I would agree that conceptually it sounds odd  
13 that one would say give it less effect, but look at the  
14 cost-price squeeze issue. All right? That seems to be  
15 contradictory, as you stated.

16 But this case, unlike most, you don't simply have  
17 interim data. Your staff and what they collected, collected  
18 monthly data, and what the monthly data shows is that for  
19 the first five months of the interim period, there was a  
20 huge surge in imports. A surge that is almost twice the  
21 rate that existed over two years in the one-year time period  
22 that you're looking at, 26.6 versus the 14.6 that was  
23 previously recorded. So you obviously have a big ramp-up of  
24 imports at the beginning of the time period.

25 The mapping of when you made your decisions and

1 when imports drop off is also pretty clear. It happens  
2 after you make your preliminary determination and kind of  
3 goes close to zero after Commerce renders its preliminary  
4 CVD determination. So that supports the invocation of the  
5 statutory principle that you have the right to give it  
6 lesser weight, and to assume that any positives in the data  
7 to the domestics, flow from the filing of the petition. So  
8 we make that point.

9           It is also the case, because of the peculiarities  
10 of this market and that you have significant multi-year  
11 contracts, that multi-year contracts means there's some  
12 contracts cut in the first five months of 2018 or cut in  
13 2018 or cut in 2016 that would have continuing effects  
14 through the interim period where adverse effects would  
15 continue to replicate themselves, and our point was that in  
16 the interim period when you have a sharp increase in cost,  
17 which you obviously do in the raw materials, as you can see  
18 in the financials, the industry was not able to recover  
19 that.

20           Both companies have testified to that and  
21 explained that that's due to a variety of factors, including  
22 the competition clause that exists in long-term contracts  
23 where, yes, you may be able to pass on raw materials, but  
24 not if it's gonna make you uncompetitive with prices in the  
25 marketplace.

1           And so in the 2018 interim data, you in fact have  
2           a cost-price squeeze, looking at the COGS as a percent of  
3           sales and it is not simply something that will recover over  
4           time with the pass-through provisions or the indexing  
5           clauses that exist with long-term contracts.

6           Neither exists there, nor does it exist in the  
7           spot market as our people have testified.

8           COMMISSIONER KEARNS: Okay, thank you. The last  
9           question I have, and this can be addressed in the  
10          post-hearing if you don't have it handy, but with the truck  
11          OEM sector, I wanted clarification about the last page of  
12          Exhibit 2 of your brief, which is labeled Appendix A. Was  
13          that an original appendix to the May 2017 letter that  
14          precedes it? Is it the same time?

15          MR. STEWART: I don't have the confidential  
16          version with me. So let me confirm that post-conference.

17          COMMISSIONER KEARNS: Okay, great. Thank you. I  
18          have no further questions.

19          CHAIRMAN JOHANSON: I have just two more  
20          questions. What has been the effect of the Section 232  
21          tariffs on steel and aluminum in the U.S. steel wheels  
22          market?

23          MR. POLK: Section 232 determination with the  
24          increase on foreign-supplied material resulted in  
25          significant increases in the costs of domestic material.

1 And so we felt that with a significant increase in our  
2 domestic costs virtually immediately.

3 MR. RISCH: Commissioner was your question on how  
4 did it impact aluminum?

5 CHAIRMAN JOHANSON: And steel.

6 MR. RISCH: Okay. It would impact steel.

7 CHAIRMAN JOHANSON: Right, not aluminum.

8 MR. RISCH: Right, right.

9 CHAIRMAN JOHANSON: Understand.

10 MR. RISCH: As protection was given, domestic  
11 producers took advantage to allow them to raise prices. So  
12 therefore, we took that.

13 CHAIRMAN JOHANSON: Okay, thanks. Steel wheels  
14 from China are currently subject to a 10% ad valorem duty as  
15 a result of USDR's Section 301 investigations. These duties  
16 were imposed in September 2018 at the end of the period of  
17 investigation. How should we take these duties into account  
18 in our analysis?

19 MR. RISCH: Pretty insignificant in regards to  
20 the period of investigation and the subsequent data that  
21 you've gathered. But as I testified, with the currency  
22 devaluation comparability of 8% to 10%, it's negligible.

23 CHAIRMAN JOHANSON: Do we want to take these into  
24 consideration if we were to look at threat?

25 MR. STEWART: Let me jump in to that, since

1 that's more of a legal question, Chairman Johanson. I think  
2 you have two things on the 301. First, it's been limited to  
3 10%. We know and include it in our pre-hearing brief  
4 articles that looked at the Chinese government targeting  
5 their exchange rate to basically help companies cope with  
6 the tariffs that the United States was imposing under 301.

7 And the result that you had a 8% to 10% decline,  
8 I think Ambassador Lighthizer and testimony at Ways and  
9 Means said it was 7-8%, I don't know if that was a longer  
10 time period. So I think the net effect is, we have higher  
11 costs in the steel sector, which contrary to what our  
12 distinguished opponents would say, didn't affect prices in  
13 China.

14 The 232, it's kind of an oxymoron that 232  
15 tariffs added in the U.S. and that affected prices of steel  
16 upwards in China, but no, I don't think so. And the 301,  
17 which has been basically offset by currency devaluation, so  
18 we would think that both of those are going on. If  
19 anything, it suggests that the industry is more vulnerable  
20 because there's higher prices on steel, either no changes in  
21 the prices of the wheels based on 301, or very little  
22 effect. So that makes the industry more vulnerable, not  
23 less.

24 CHAIRMAN JOHANSON: Okay, thank you, Mr. Stewart.  
25 That concludes my questions. Commissioner Williamson.

1                   COMMISSIONER WILLIAMSON: Okay. Just one  
2 question. Since both companies are part of a larger global  
3 organizations, I was just wondering, how do domestic  
4 producers make their investment decisions? Are the  
5 decisions made at the steel wheel level or at the  
6 organizational level?

7                   MR. POLK: In the case of Maxion Wheels, we  
8 request our local operations in Ohio and the other  
9 operations to submit their strategic investment priorities  
10 for the year as part of our annual planning and strategic  
11 development process. We approve projects proposed by the  
12 local operations every year, and that's part of the global  
13 investment strategy that we have. But it's the local  
14 priorities determined by Akron plant management that will be  
15 given the priority for those investments.

16                  MR. RISCH: Commissioner, I would say I feel like  
17 a little bit of a novice being that we've just become a  
18 little bit more international or global in the more recent  
19 history. So as Mr. Stewart had stated, when we acquired the  
20 Mefro business last summer in 2018, you know, we had a very  
21 distinct plan on what we were going to accomplish and how we  
22 were gonna invest in that and what we were gonna do with  
23 that business.

24                  So today, we haven't got into the global question  
25 of where the best allocation of funds are. But similar to

1 Mr. Polk's testimony, each facility would propose thoughts  
2 of what they would like to invest in and then they're  
3 assessed at my level.

4 COMMISSIONER WILLIAMSON: Okay, thank you. Thank  
5 you for those answers and I have no further questions.

6 CHAIRMAN JOHANSON: Commissioner Broadbent. Do  
7 any other Commissioners have questions? All right. No  
8 other Commissioners have questions. Do Staff have any  
9 questions for this panel?

10 MR. THOMSEN: Craig Thomsen, Office of  
11 Investigations. Staff have no questions for this panel.

12 CHAIRMAN JOHANSON: All right. Do respondents  
13 have any questions for this panel? All right. Respondents  
14 have no questions. Then, I'd like to thank you all for  
15 appearing here this morning. We appreciate it. We will now  
16 take a recess for lunch. We will return at 1:30. And I  
17 would like to remind everyone to not leave any business  
18 confidential information in the room as the room is not  
19 secure. So we'll see you back here at 1:30.

20 (Where upon a lunch recess was taken, to  
21 reconvene this same day at 1:30 p.m.)

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23  
24  
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1 A F T E R N O O N S E S S I O N

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

3 CHAIRMAN JOHANSON: You all may proceed whenever  
4 you would like.

5 MR. EMERSON: This is Eric Emerson with Steptoe &  
6 Johnson. Thank you, Mr. Chairman. I would like to start  
7 with testimony from Tom Cunningham, the President of the  
8 Cunningham Company.

9 STATEMENT OF TOM CUNNINGHAM

10 MR. CUNNINGHAM: My name is Tom Cunningham. I'm  
11 the President of the Cunningham Company. This is my fourth  
12 time testifying in front of this Commission. Thank you  
13 again for this opportunity.

14 Our company imported and distributed Chinese  
15 steel wheels during the Period of Investigation. Before I  
16 formed the Cunningham Company, I worked for Accuride for 29  
17 years. After retiring, I created a steel wheel import  
18 business in 2008 because I saw an opportunity to serve the  
19 U.S. steel wheel aftermarket.

20 The Commission made a negative injury  
21 determination in 2012, and the key facts supporting that  
22 determination still hold true today.

23 Market segmentation. In the previous  
24 investigation I testified that the U.S. steel wheel market  
25 is highly segmented. Today the market continues to have



1 three segments: Truck OEs, trailer OEs, and the  
2 aftermarket. Ninety-eight percent of the Cunningham  
3 Company's sales are to the aftermarket, so I am going to  
4 begin with that segment.

5 The aftermarket is a true value-sensitive market  
6 because fleets are its end users. The aftermarket consists  
7 of various players. Many OEMs have parts or service  
8 divisions that resell wheels in the general market. These  
9 are referred to as OES, or the aftermarket arm of the OEMs.

10 Imports do not play a significant role in the  
11 truck OES market segment, and only a few trailer OEMs have  
12 OES businesses. The non-OES aftermarket, the largest  
13 segment of the aftermarket, includes tire and rim  
14 distributors who sell a variety of truck and trailer parts.

15 There are tire-wheel mounters who buy wheels from  
16 us, put tires on those wheels, and then sell the tire-wheel  
17 assembly to the smaller trailer manufacturers. And then  
18 there are fleets like FedEx that when they need a  
19 replacement wheel, they would go to the aftermarket to buy  
20 that wheel.

21 Import steel wheels continue to be concentrated  
22 primarily in the non-OES portion of the aftermarket, just  
23 like in 2012. The types of products available in the  
24 aftermarket are similar to what was available in 2012, but  
25 these wheels are lighter than before.

1 Chinese wheels are predominantly 22-5-8 1/4 with  
2 weights ranging from 71 to 82 pounds. Petitioners wheels  
3 have also gotten lighter, down to 65 pounds. Imports are  
4 able to compete in the non-OES aftermarket segment for a  
5 number of reasons.

6 One is because Chinese steel wheels are  
7 corrosion-resistant and last in inventory without rusting.  
8 Since 2008, my TCC steel wheels made in China by Jingu have  
9 had the global standard three-coat paint finish. That's a  
10 zinc phosphate pretreat epoxy E-coat powder top coat. That  
11 paint system provides five times the corrosion protection  
12 over Accuride's former standard paint.

13 They only use the primer E-coat on their wheels.  
14 Accuride converted to the global standard three-coat process  
15 in 2016. Please look at Exhibit 1, the DOT Office of  
16 Defects investigation from May 2015, DOT FE15-002.

17 This investigation was generated by NHTSA, the  
18 National Highway Traffic Administration, because of customer  
19 complaints about Accuride wheels cracking. Customers were  
20 seeing--and this is a quote--"failures due to wheel rust  
21 even before the first tire change."

22 Rust is not just cosmetic; it's also a safety  
23 issue. All of these wheels had Accuride's standard one-coat  
24 primer paint. Accuride was late to correct the painting  
25 system to meet these global market standards. Accuride's

1 reputation in the aftermarket is still not recovered. It  
2 was testified earlier how long should a steel wheel last.  
3 We say up to 20 years.

4 The Cunningham Company, number two, provides  
5 value-add wheel products to help improve distributors'  
6 margins. An example is our galvanized wheel. In 2013, the  
7 Cunningham Company introduced galvanized steel wheels from  
8 China. Our galvanized steel wheels are priced high but  
9 provide superior value to the industry.

10 Please look at my exhibit number two. It's a  
11 picture of galvanized wheels. There's no paint on these  
12 galvanized wheels. Our galvanized wheels have a zinc  
13 coating which offers superior corrosion resistance over any  
14 available paint system. Some top U.S. fleets are running  
15 TCC, my wheel, galvanized wheels because of the excellent  
16 long-term cost savings. Galvanized wheels do not need to be  
17 repainted or replaced due to rust.

18 Accuride does not offer galvanized wheels.  
19 Galvanized wheels are another example of Chinese wheels  
20 leading innovation in the wheel industry to fight corrosion.

21 Number three, there is no qualification process  
22 to speak of in the aftermarket, unlike the OEs, which we'll  
23 now turn to.

24 The OEM segment is the second segment we're  
25 talking about. Truck and trailer OEMs predominantly use

1 domestic wheels. Chinese wheels are predominantly imported  
2 for sale in the aftermarket. That was true in 2012 and it  
3 remains true today.

4 Accuride and Maxion enjoy 100 percent of the U.S.  
5 OE truck business, which includes Navistar, Vaccar,  
6 Volvomack and FreightLiner. Accuride and Maxion also enjoy  
7 a large majority of the U.S.-owned OE trailer manufacturing  
8 business which include Wabash, Great Dane, and Utility.

9 The OEM truck and OEM trailer segments account  
10 for a significant majority of the overall U.S. market demand  
11 for steel wheels. OEMs prefer U.S. products over import  
12 products for a number of reasons.

13 Number one, they want in-country production.  
14 OEMs prefer supplier plants located close by and do not want  
15 to deal with shipping uncertainties.

16 Number two, a strategically located regional  
17 backup source of production. In case the domestic plant has  
18 a problem, they want to be able to go to another place. So  
19 OEMs also prefer Accuride and Maxion because each has a  
20 backup source of production in North America. Accuride and  
21 Maxion each have plants in Mexico.

22 The third reason is in-country service. Accuride  
23 and Maxion have substantial local sales forces and  
24 technicians who can provide immediate service, and have  
25 built up strong relationships with the OEMs.

1                   Number four, OEMs want no exchange-rate  
2                   fluctuations in their day-to-day dealings.

3                   Number five, they want no tariff, tax, or duty  
4                   issues.

5                   Number six, no transportation complications.  
6                   OEMs do not want timing uncertainties. They want  
7                   just-in-time delivery as essential. A \$150,000 truck  
8                   running down a production line can't stop because the wheels  
9                   didn't get there.

10                  Number seven, lightest product availability.  
11                  Accuride's steel wheel is 65 pounds. The lightest Chinese  
12                  steel wheel is about 69 pounds--I hope I said "65" for  
13                  Accuride. Four pounds is significant in the OE truck  
14                  market.

15                  And number eight, OEMs want access to multiple  
16                  components. Accuride and Maxion offer a large range of  
17                  products, not just steel wheels but also aluminum wheels,  
18                  hubs, drums, slack-adjusters, and other truck and trailer  
19                  components.

20                  The changes since 2012 investigation: While most  
21                  of the market dynamics have stayed the same since the  
22                  previous investigation, there have been some changes.

23                  For one, there's been a significant migration of  
24                  truck and trailer production to Mexico. U.S. trailer  
25                  production decreased by approximately 33,000 trailers from

1 2015 to 2017. At typically 8 wheels per trailer, that loss  
2 translates to 264,000 wheels. Accuride and Maxion both have  
3 steel wheel plants in Mexico serving U.S. and Mexican truck  
4 and trailer demand. If Accuride and Maxion's U.S. shipments  
5 of steel wheels have declined, the migration of OE  
6 production to Mexico is a big reason why.

7 Another market dynamic is that aluminum wheels  
8 have come to dominate the OEM segment, particularly in Class  
9 8 trucks and trailers. Aluminum wheels have gained  
10 popularity because they look great and weigh as little as 40  
11 pounds.

12 Maxion's Mr. Kominars testified in the 2018 staff  
13 conference in the primary investigation about OE truck  
14 demand for steel wheels, quote, "The effect of steel wheels  
15 is less pronounced because a large portion of Class 8 trucks  
16 are sold with aluminum wheels."

17 We agree. Although the shift to aluminum has  
18 meant fewer sales opportunity for steel wheels, it is  
19 difficult to see how this has been a problem for Maxion and  
20 Accuride because they and Alcoa are leading the shift to  
21 lighter aluminum wheels. Accuride produces aluminum wheels  
22 in the United States and in Mexico, and Maxion also offers  
23 aluminum wheels.

24 Lastly, I think it's important for the Commission  
25 to understand that Accuride and Maxion are global wheel

1 producers who think in terms of their global operations, not  
2 just U.S. operations.

3 As an example, this month Maxion has been  
4 approaching my U.S. customers and offering their steel  
5 wheels made in Turkey, not domestic product, and not even  
6 with no presence of the Chinese.

7 In conclusion, in 2012 the Commission determined  
8 that Chinese imports were not harming or threatening the  
9 U.S. industry. The key facts supporting that decision  
10 remain true today.

11 The changes that have occurred since 2012 will  
12 also support a negative determination. I appreciate the  
13 opportunity to testify, and I'm available for any questions  
14 you might have. Thank you.

15 STATEMENT OF AMANDA WALKER

16 MS. WALKER: Good afternoon. My name is Amanda  
17 Lee Walker and I am the Chief Operations Officer of Trans  
18 Texas Tire, or TTT, as we call ourselves.

19 I have been working for TTT for 15 years, and  
20 I've been in the automotive market for 20 years. I have  
21 testified in previous steel wheel investigations in 2001,  
22 and in the preliminary investigation of this case.

23 I would like to thank you for the opportunity to  
24 clarify aspects relevant to this investigation and to  
25 present information for your consideration.

1           TTT has four assembly facilities located in Mount  
2 Pleasant, Texas, Sikeston, Missouri, Hampton, Iowa, and  
3 Macon, Georgia, and two distribution centers, one in Marion,  
4 Indiana, and Riverside, California. We employ a total of  
5 210 people in our assembly facilities.

6           TTT's primary economic activity is tire and wheel  
7 assemblies for utility trailers, livestock trailers,  
8 recreational vehicles. We purchase steel wheels and tires,  
9 and we mount and deliver a high cosmetic value, structurally  
10 sound mounted assembly to customers. We also sell some  
11 steel wheels separately, but that's not really our core  
12 business.

13           The overwhelming majority of our business related  
14 to the subject merchandise is focused on the aftermarket--  
15 although we do sell modest quantities to what is referred to  
16 as OES, or Original Equipment Service.

17           From the 2012 investigation and the preliminary  
18 phase of this case, the Commission should be already aware  
19 of the segmentation in the United States market.

20           One area in which the domestic producers have  
21 unquestioned dominance is for the sales to truck  
22 manufacturers. In our experience, wheels for new trucks are  
23 almost always supplied by Maxion and Accuride as both  
24 original equipment and replacement wheels. I believe that  
25 that is largely because of product liability insurance



1 costs. Chinese wheels are really never used on the drive  
2 axle. This practice also extends to the trailer component  
3 of a new truck build where Maxion and Accuride wheels are  
4 almost always used as original equipment.

5 Demand in the OEM steel wheels market is directly  
6 affected by the number of trucks and trailer produced.  
7 Because of this, we see lots of differences in demand.

8 As to the trailers where there have been  
9 increased demand over the POI for last-mile trucking, we  
10 think about people like who are delivering for like Amazon  
11 or Jet-dot-com. That true last-mile segment. It is down  
12 overall. It's just not that robust.

13 However, the Nation's trucking fleet is aging.  
14 And as that occurs, the need for repairs definitely  
15 increase. And with it, there is a large increase for  
16 replacement wheels.

17 By contrast, Class 8 new truck production in the  
18 United States has been declining, in part because this  
19 production has largely moved to Mexico. And, because  
20 domestic producers are heavily focused on this area of the  
21 market, this shift has affected Maxion and Accuride's U.S.  
22 activities, and has required them to make strategic  
23 adjustments such as increasing the importance placed on the  
24 aftermarket in the United States. This is a difficult  
25 transition for them, as many of the aftermarket customers

1 have had bad experience with domestic producers.

2 Aftermarket demand is more consistent year after  
3 year, and any variability will be based on the changes on  
4 GDP and the over-the-road fleet size. So it could change.

5 We also have wanted to support the American  
6 industry. However, our continued efforts since 1999,  
7 domestic wheel producers have largely refused to sell wheels  
8 to Trans Texas Tire. As I mentioned in the preliminary  
9 phase of this investigation, some months after I testified  
10 before the Commission in 2012 about the domestic industry's  
11 refusal to supply to us, Accuride for the first time offered  
12 to sell us wheels. Those terms of sale were not suitable  
13 for us, and we declined that.

14 If you look at the brief, you can also see they  
15 only wanted to sell us heavy wheels. They don't want to  
16 sell us the good ones, the lightweight wheels.

17 We didn't believe that this situation was unique  
18 to TTT. We believe that the U.S. producers have largely  
19 ignored smaller trailer producers in favor of larger OEMs  
20 like Great Dane, Utility, Stoughton and Wabash, and have  
21 neglected the aftermarket when the wheels they need to  
22 satisfy the OEs, they naturally, you know, tend to yield to  
23 the demand of larger producers. This is essentially what  
24 has allowed companies like ours to succeed at the  
25 aftermarket level.

1           In addition, we understand that the domestic  
2 industry has imposed a number of conditions on their sales,  
3 how they take their product to market. Some of these  
4 conditions of sale are to their own detriment.

5           First, the U.S. producers typically require  
6 minimum quantities to be purchased before they will accept a  
7 customer's order. Our Chinese suppliers don't operate that  
8 way. They know that there are many different types of  
9 customers in the United States, especially in the  
10 aftermarket segment, that can't meet the rigorous minimum  
11 requirements from Accuride and Maxion.

12           Secondly, U.S. producers likewise require  
13 customers to pick up their orders at production facilities,  
14 or have strict requirements on the return of packaging  
15 material, like how they get the product. The flexibility in  
16 the terms of sales and the conditions of delivery from  
17 Chinese suppliers has allowed us to succeed in the  
18 aftermarket.

19           Third, U.S. producers are less willing to produce  
20 smaller lots of extremely specialized wheels, like 22.5x9,  
21 22.5x7.5, and they are completely unwilling to even kind of  
22 discuss the availability of specialized colors. For  
23 instance, we have made Maersk blue and k-line red. They  
24 don't want to talk about those things. My experience is the  
25 Chinese suppliers will add value for customers.

1           To be certain, both Accuride and Maxion both are  
2 present in the aftermarket and make sales to, you know,  
3 continuing customers. But it is in our view the business  
4 practices and commercial strategy that have almost certainly  
5 prevented them from making greater inroads into the  
6 aftermarket segment.

7           As TTT was historically unable to obtain supply  
8 from domestic producers, we were forced to look abroad. In  
9 2003, we established a relationship with a very high-quality  
10 steel wheel producer located in China. This producer was  
11 able to supply us with good quality wheels, meeting our  
12 customers' high standards at a reasonable price.

13           We and our customers are extremely pleased with  
14 the wheels we have purchased from China, but they are often  
15 not cheap. In fact, our landed cost plus duty and  
16 transportation costs and a reasonable profit is believed to  
17 be comparable or even sometimes higher than the prices at  
18 which the same wheels are sold by Accuride and Maxion.

19           In the past we have actually lost key contracts  
20 to Accuride on price, and in attempting to requote these  
21 jobs prospective customers have informed us that our Chinese  
22 origin wheels are just too high. We would be happy to share  
23 more of these details in post-conference brief.

24           The Commission should also be aware that the  
25 Petitioners are both members of larger global enterprises.

1 Since the preliminary investigation, the market position of  
2 the Petitioners is more consolidated. In 2017, Accuride  
3 bought KIC, and on the website it says it's a platform for  
4 strategic growth in the global commercial vehicle components  
5 industry.

6 Last year they also acquired Mefro Wheels, which  
7 is a producer based in Germany that actually owns plants in  
8 China. They are consistently importing Chinese wheels into  
9 Mexico, our neighbor, and before this case was filed  
10 imported into the United States as well.

11 The fact that they are a larger global enterprise  
12 means that they have deeper pockets for investment, if  
13 necessary. In the preliminary phase of this investigation,  
14 Maxi9on declared that they had insufficient--or did not have  
15 sufficient resources to invest \$5 million in a paint line  
16 for the Akron plant. TTT since has gone out and requested  
17 quotes for our own paint line, and we received a myriad of  
18 prices between \$1.8 million and \$3 million, with the  
19 highest being a producer in Indiana at \$5 million. This  
20 amount isn't particularly significant for global  
21 corporations such as Maxion, which has been consistently  
22 able to buy smaller wheel corporations able to gather  
23 capacity and capability.

24 Accuride and Maxion are global producers of steel  
25 wheels. They are cannibalizing the domestic market to the

1 benefit of their own multinational corporate goals. These  
2 are business decisions. These are not injuries caused by  
3 imports.

4 I sincerely doubt that Maxion or Accuride are  
5 suffering any injury caused by imports from China under the  
6 current market situations. Chinese imports grant the  
7 necessary supply for specific segment of the steel wheels  
8 that Accuride and Maxion have decided not to prioritize in  
9 their business strategies. Costs and market restrictions  
10 make it clear that there is no threat of injury to the  
11 American corporations. Instead, they are the ones  
12 performing strategic business engineering as global  
13 producers, neglecting American plants in favor of their own  
14 imports.

15 I am happy to answer any questions you have.  
16 Thank you.

17 STATEMENT OF DAVID SAYLOR

18 MR. SAYLOR: Good afternoon. My name is David  
19 Saylor. I'm the Executive Director of the International  
20 Department of Zhejiang-Jingu Company, Ltd. Thank you for  
21 the opportunity to testify today.

22 Jingu is a Chinese producer and exporter of  
23 steel wheels, including the wheels covered by this  
24 investigation. I've worked for Jingu for over seven years  
25 and for much of that time served as the technical director

1 of the company. I've extensive experience in the design and  
2 manufacture of steel wheels. Today I will talk about  
3 Jingu's production and sales operations for steel wheels  
4 with 22 1/2-inch and 24 1/2-inch diameters.

5 In China, Jingu has four facilities that  
6 manufacture subject steel wheels with a combined annual  
7 capacity of roughly two million wheels. At three of these  
8 facilities we produce 22.5-inch diameter truck wheels. At a  
9 fourth facility located in Jinchou we also make smaller  
10 diameter wheels for light and medium class vehicles, but in  
11 much lower volumes.

12 Jingu has other steel wheel facilities in China,  
13 but these facilities produce small diameter wheels for  
14 passenger car and off-road vehicles. We do not have the  
15 capability to produce subject steel wheels at those  
16 facilities. Looking forward, we're investing in modernizing  
17 our production facilities and engaging in research and  
18 development. We're constructing a new high-end facility in  
19 Chunkou Town, which will include production of 22 1/2-inch  
20 steel wheels; however, this facility will not operate  
21 commercial until 2020.

22 Like most other Chinese producers of steel  
23 wheels, Jingu focuses on doing business in China, which has  
24 a huge market for wheels. The volume of Jingu shipment of  
25 steel wheels in China is roughly double the volume of

1 shipments to the United States. Our home market sales of  
2 steel wheels increased in 2018 compared to 2017 because  
3 commercial truck production in China was at a high in 2018.

4 Jingu has also been working with OEMs in China  
5 to develop steel wheels for their manufacturing operations.  
6 Our relationship with OEMs in China have been successful  
7 because although qualification processes are required they  
8 are not nearly as rigorous as for the U.S. OEMS. Moreover,  
9 Jingu enjoys a well-established brand in China and we can  
10 offer local OEMs quick delivery and on site technical  
11 support.

12 We also export large volumes of subject wheels  
13 to third country markets, such as Southeast Asia, the EU,  
14 Brazil, Canada, and Mexico. In fact, in 2017, the volume of  
15 Jingu shipments to third countries was more than double the  
16 volume of shipments to the United States. Moreover, Jingu  
17 shipments of steel wheels to third country markets increased  
18 significantly from 2015 to 2017. Based on sales orders, we  
19 projected our shipments to third country markets will  
20 continue to increase in 2019; particularly, in Europe.

21 With respect to the U.S. market, Jingu and  
22 Sunrise are two primary exporters of 22 1/2-inch and 24  
23 1/2-inch steel wheels to the United States. Nevertheless,  
24 Jingu's shipments of subject steel wheels to the U.S. market  
25 decreased from 2015 to 2017 and continued to decrease in the



1 first nine months of 2018 compared to the same period in  
2 2017.

3 Most of Jingu's U.S. sales go to the  
4 aftermarket, but competition with third country producers  
5 has resulted in a decrease in shipments to the aftermarket.  
6 Jingu has continued to focus on the aftermarket segment of  
7 the U.S. market. This is because entry into the aftermarket  
8 is not as rigorous as for OEM segments. As discussed during  
9 the preliminary investigation and similar to the  
10 investigation in 2012 that ended in a negative  
11 determination, Jingu has made no commercial sales to the  
12 U.S. truck manufacturers and limited commercial sales to the  
13 U.S. trailer manufacturers.

14 Truck OEMs requires potential suppliers to  
15 undergo difficult and lengthy qualification processes.  
16 First, truck OEMs engage in pre-qualification activities,  
17 such as an assessment survey and review of our proposed  
18 business plan. Most Chinese producers do not even attempt  
19 to pass this initial phase.

20 Next, truck OEMs typically require the producer  
21 to undergo a factory inspection, satisfy an overall quality  
22 examination, develop tooling for the specific OEM, undertake  
23 trial production and pass the OEM test. Each OEM has a  
24 different emphasis for qualification of wheels. One truck  
25 OEM, for example, conducted a very extensive audit of our

1 production facilities. A team of six experts and  
2 engineering quality and operations visited Jingu for nearly  
3 one week. The audit was exhaustive and very intrusive.  
4 Because of many months of preparation and our plant  
5 improvements we were able to pass this audit with a list of  
6 outstanding concerns. We had to undertake many expensive  
7 actions to maintain the qualified status of our plant. To  
8 date, we remain unqualified overall for sales of OEM truck  
9 wheels to this OEM.

10 With another truck OEM, obtaining full approval  
11 for paint performance required many months of paint testing  
12 and several iterations of process improvements. Jingu has  
13 never experienced the level of careful and detailed  
14 examination and testing with our Chinese domestic OEMs that  
15 we experienced with the truck OEMs of the United States.

16 Moreover, qualification does not guarantee sales  
17 to a U.S. truck OEM. To date, Jingu has qualified with only  
18 one truck OEM, Packer, which took 18 months. But although  
19 Jingu qualified in 2015, we still have not made any OEMs  
20 sales to Packer.

21 Overall, Jingu has made only small volume sales  
22 on a trial basis for testing purposes to truck OEMs. We  
23 found that truck OEMs preferred domestic producers, that  
24 domestic producers of truck wheels are very well established  
25 as suppliers and offer an extensive range of truck wheel

1 sizes and they have coast-to-coast technical and sale  
2 support. For instance, Accuride's ability and lately  
3 Maxion's ability to offer aluminum and steel wheels to the  
4 U.S. truck OEMs is convenient for the vehicle engineers and  
5 purchasing staff of the OEMs. Jingu does not enjoy the same  
6 range of wheel sizes and we do not supply aluminum wheels  
7 nor do Chinese producers have well established technical and  
8 sale support that can provide the attention that U.S. OEMs  
9 expect.

10 With U.S. trailer OEMs, Jingu has had only  
11 modest success. We primarily sell to Vanguard, which is  
12 owned by a Chinese company, CIMC, with which China has a  
13 well established business relationship in China. Without  
14 CIMC, I doubt Jingu would've been able to sell steel wheels  
15 to Vanguard. Otherwise, Jingu has made only low volume  
16 sales to trailer OEMs which predominately buy from domestic  
17 suppliers.

18 Overall, truck and trailer OEMs strongly prefer  
19 U.S. producers for a variety of reasons, including local  
20 production, longstanding sales relationships with domestic  
21 suppliers, and also domestic producers offer a wider variety  
22 of products. Each of these factors adds value for the truck  
23 and trailer OEMs and these OEMs are willing to pay a premium  
24 for these services.

25 This concludes my comments. Thank you for your

1 time and I'm happy to answer your questions.

2 STATEMENT OF BENJAMIN LEE

3 MR. LEE: Good afternoon everyone and  
4 Commissioners. Thank you for the opportunity to testify  
5 today. My name is Benjamin Lee and I'm Sales Manager of  
6 Sunrise International USA. I have served in this role since  
7 2014 and I have nine years of experience in this industry.

8 Sunrise produce steel wheels ranging from 12  
9 inches to 24.5 inches that are treated with epoxy e-coat and  
10 powder top coating. We produce wheels mainly for our  
11 consumption in the Chinese market, but also for export to  
12 the rest of Asia, the Middle East, Europe, and United  
13 States. During the 2015 to 2018 period, we focused heavily  
14 on the Chinese market and export the vast majority of our  
15 wheels to market other than the United States.

16 Exports to the United States made up only a  
17 minority of our total production of subject merchandize.  
18 Our wheels production is so heavily focused on the Chinese  
19 market because demand for steel wheels in China is very  
20 robust as caused by the high demand of vehicle production,  
21 particularly truck production in China. Actually, the China  
22 truck production is about three times of the U.S. It's a  
23 heavy market.

24 For every year of the POI, Sunrise sales channel  
25 was substantially larger in the United States to the United

1 States. We project our domestic market to remain strong in  
2 the coming years. For the sales that Sunrise does make into  
3 the United States, we are focused most exclusively on the  
4 aftermarket. This is the case with Chinese producers of  
5 steel wheels. This focus and dedication to the aftermarket  
6 has set us apart from the U.S. producers which primarily  
7 serve the OE market and only consider aftermarket when OE  
8 demand is stopped.

9 Over the period of the investigation, Sunrise  
10 only made commercial sales to one OE manufacturer, a bus  
11 manufacturers, and we did so at very steady quantities since  
12 even before the 2012 investigation of this product. The  
13 reason that Sunrise is focused on the aftermarket is because  
14 we're unable to become qualified by OE manufacturers. The  
15 qualification process to supply OE manufacturers is rigorous  
16 and contains extreme technical requests that we sometimes  
17 cannot meet.

18 Then even if we do successfully complete the  
19 difficult process of qualification, there is no guarantee of  
20 sale. Historically, we became qualified with one OE truck  
21 producer, That's Packer. It was in 2010 we became  
22 qualified and we supply -- wheels to the U.S. It's not to  
23 their plant. It's a warehouse, but they reject every wheel,  
24 so no way we sell to them and since then no OEM.

25 But even with those companies, we have not had

1 commercial success. During the POI, we didn't sell a single  
2 wheel to a truck OEM and stopped selling in 2017 to  
3 Vanguard. Therefore, given our disappointing track record  
4 with OE manufacturers and the difficulty of becoming  
5 qualified, we and other Chinese producers have opted to stop  
6 selling to these OEMs. Thus, we have very little ability to  
7 increase our sales to this part of the domestic industry.  
8 As far as future shipments into the United States, we are  
9 not planning on growing capacity or exports. Sunrise  
10 already enjoy high capacity utilization. We are not able to  
11 easily ship production capacity between products as tube cap  
12 and tubeless wheel production and workmanship are highly  
13 differentiated, so they cannot share the same production  
14 line. As a result, we cannot easily increase our production  
15 of wheels.

16 Finally, the implementation of Section 301  
17 tariffs currently at the 10 percent and threatening to  
18 increase to 25 percent adds an additional cost to importing  
19 into the United States. These costs are simply too high for  
20 us to sell into United States market profitable and further  
21 deters us from considering the United States as a viable  
22 export market.

23 Thank you. Your questions are welcome. Thank  
24 you.

25 STATEMENT ERIC C. EMERSON

1           MR. EMERSON: Good afternoon. My name is Eric  
2 Emerson. And I'm with Steptoe & Johnson. I'm appearing  
3 here today with my colleagues, Tom Trendl, Judy Wang and  
4 Marcia Pulcherio on behalf of Xiamen Sunrise Wheel Group.

5           I'd like to summarize the key legal arguments  
6 regarding conditions of competition, volume effects and  
7 price effects. And then my colleague, Mr. Trendl will  
8 address impact on the domestic industry and threat. Our  
9 prehearing brief discusses a number of important supply and  
10 demand considerations in this proceeding, but in the  
11 interest of time, I'd like to focus on one condition of  
12 competition.

13           It should affect virtually every aspect of the  
14 Commission's analysis. And that is the highly segmented  
15 nature of the U.S. steel wheels industry, which many of the  
16 witnesses today have already mentioned.

17           In the preliminary, the Commission noted that the  
18 share of the markets held by imports in each of the five  
19 market segments was different from the imports' overall  
20 market share, and expressed an interest in exploring this  
21 issue further in the final investigation.

22           In response, we spent a substantial portion of  
23 our brief on the issue of attenuated competition and the  
24 differences in import and domestic market shares in each of  
25 these five segments. By contrast, petitioners devoted about

1 a page and a half to this topic.

2 Now, that's understandable since market  
3 segmentation significantly undermines petitioners' causation  
4 arguments. The reason that a segmented analysis undermines  
5 those arguments is because looking at overall market share  
6 trends implies competition where none exists.

7 Looking at overall market share data suggests  
8 that all Chinese wheels compete equally with all U.S. origin  
9 wheels to all customers. But the segmented shipment data  
10 collected by the Commission demonstrate precisely the  
11 opposite. For that reason, the Commission must look at  
12 competition within each segment in order to understand the  
13 real impact of Chinese wheels on the domestic industry as a  
14 whole. And we here, of course, we do agree with  
15 petitioners' counsel that the Commission's determination  
16 must be made as to the entire industry, though the manner of  
17 making that decision is up to the Commission.

18 Segmentation is not the only condition of  
19 competition relevant to the Commission's analysis. Our  
20 prehearing brief discusses a number of other factors, such  
21 as the rise of nonsubject aluminum wheels and the shift of  
22 truck production down to Mexico, but in the interest of  
23 time, I'm going to leave those to the brief and we, of  
24 course, would be pleased to answer any questions you have on  
25 those topics.



1           Turning now to volume, the Commission should  
2           conclude that the volume of subject imports is not  
3           significant, either absolutely or relative to domestic  
4           production or consumption. I've distributed a confidential  
5           slide deck. I hope it's on your dais there.

6           Before looking at subject imports relevant shares  
7           in each segment, the Commission needs to consider certain  
8           facts regarding the source of steel wheel imports into the  
9           United States. Slide 2--the slide numbers are in the bottom  
10          right-hand corner, a little hard to read, sorry--Slide 2  
11          shows total subject shipments during the POI and Slide 3  
12          shows total subject shipments into the aftermarket.

13          We would ask the Commission to focus on the top  
14          segment of each year's shipment volume, which represents the  
15          portion of subject imports for which the domestic industry  
16          itself was responsible, or for companies with which they are  
17          now affiliated. All the specific data are confidential.

18          The domestic industries' share of shipments of  
19          Chinese wheels, particularly in the aftermarket, is  
20          meaningful. And I would also note that the domestic  
21          industry has imported steel wheels from nonsubject sources  
22          as well, and those are summarized on Table 3-9 of the  
23          Commission's Staff Report.

24          In some of the briefing material, the petitioners  
25          have argued that they have brought in wheels in order to be

1       able to compete with the Chinese industry, and I think our  
2       point here is that, no, in fact, we believe that these  
3       companies are operating as global entities and trying to  
4       rationalize their production and distribution on a global  
5       basis.

6                       And in fact, Mr. Monroe confirmed basically the  
7       same point earlier this morning when he said, "We"--this is  
8       Accuride, I believe? Yes, Accuride--said, "We also import  
9       some wheels from our Mexico and Canada facilities to  
10      rationalize production capabilities and accommodate  
11      purchaser preferences based on freight costs to a  
12      customer." Demonstrating that really, Accuride is looking  
13      at their supply in the United States on a global basis, not  
14      simply supplying the U.S. from the U.S. as they had  
15      testified.

16                      But even taking the data reported as the  
17      Commission, meaning treating all Chinese imports as if they  
18      were competitive with the domestic industry, Slides 4  
19      through 8 illustrate U.S. subject and nonsubject market  
20      shares on a segment-specific basis for each year of the POI.  
21      These charts illustrate a few important facts which are  
22      explained in greater detail on Pages 33 to 37 of our  
23      prehearing brief.

24                      Slide 4. In the OEM truck segment, which is one  
25      of the larger segments of the U.S. market, the domestic

1 industry faced no competition from subject imports  
2 whatsoever during the POI. And this is because, as Mr.  
3 Saylor and Mr. Lee explained, relatively few of any Chinese  
4 producers are fully qualified to sell to customers in this  
5 segment. And even if a supplier is qualified, that doesn't  
6 necessarily mean that they will make sales. Now,  
7 petitioners have argued that the presence of potential sales  
8 has adversely affected prices in this segment in the market.  
9 And I will talk about that in a minute and why that is, in  
10 fact, not correct.

11 Slide 5 illustrates market shares in the OEM  
12 trailer segment where the domestic producers maintained a  
13 steady majority of sales throughout the POI. This market  
14 segment is particularly critical since it was, in fact, the  
15 largest market segment during the POI. Subject imports as  
16 to truck and bus, which are Slide 6 and 7, subject imports  
17 were somewhat more present in those markets, but those were  
18 the two smallest market segments during the POI. Moreover,  
19 at least in the OEM Other segment, there are some special  
20 circumstances regarding those subject imports that we  
21 described in our prehearing brief at Page 34.

22 Finally, in the aftermarket, at Slide 8, which is  
23 where subject imports are principally found, the market  
24 shares throughout the POI are static from the beginning to  
25 the end of the POI. Petitioners' lack of greater success in

1 this segment of the market is likely a result of the fact  
2 that this segment is not a priority for them. And that many  
3 participants in the aftermarket view the domestic producers  
4 as less reliable or less accommodating than subject  
5 producers, as the Commission has just heard from Ms.  
6 Walker.

7 Now what's really remarkable about all of these  
8 charts, Slides 3 through 8, is that particularly for the OEM  
9 truck, OEM trailer and for the aftermarket segments, the  
10 segments accounting for the vast majority of consumption  
11 during the POI, the domestic industries' market share was  
12 effectively static. It was exactly the same from beginning  
13 to the end of the POI.

14 Petitioners have made a lot about the interim  
15 period and why the Commission should disregard developments  
16 in the interim period. I believe that we have a negative  
17 determination based solely on developments from 2015 to  
18 2017. Simply look at before they filed the petition. Their  
19 market shares are nearly identical.

20 Mr. Hofley said Chinese producers are seizing  
21 market share throughout the POI, particularly in the  
22 aftermarket, but Slide 8 is hardly a slide that shows  
23 subject importers seizing market share.

24 Finally, on an absolute basis, the volume of  
25 subject imports has not been significant. Trends in import

1 shipments in the truck OEM and trailer OEM segments over the  
2 POI clearly support a negative finding. The only segment  
3 showing a meaningful increase in absolute volumes is in the  
4 aftermarket, but there the imports simply kept pace with  
5 increasing demand as is reflected on Slide 8.

6 Let me turn to price. Just as the volume of  
7 subject imports does not support an affirmative  
8 determination, neither do their prices. In the preliminary  
9 determination, the Commission concluded that subject imports  
10 did not contribute to price depression or suppression and  
11 the facts of the final investigation support that conclusion  
12 as well.

13 In the preliminary phase we explained the close  
14 relationship between the price of steel wheels and the price  
15 of hot-rolled steel used to produce those wheels. The  
16 Commission recognized this relationship and stated that,  
17 "Domestic prices appear to have been affected by trends in  
18 raw material prices and demand over the POI."

19 Slide 9 illustrates price trends over the POI for  
20 the subject merchandise. As we explain, the appropriate  
21 baseline for a price trends analysis is the first quarter of  
22 2016, which is what you see on Slide 9, when the price for  
23 hot-rolled steel, to which the price of steel wheels is  
24 closely tied, was at its lowest point.

25 Since that time, prices have steadily increased,

1 matching petitioners per-wheel cost of raw material. This  
2 reflects the fact that many producers, including  
3 petitioners, as testified this morning, have cost-tied  
4 contracts that allow them to pass through their cost  
5 increases, though sometimes with a three to six month lag,  
6 as was also testified to this morning.

7 But even if the Commission were to consider price  
8 trends over the entire POI, as reflected in Slide 10, prices  
9 have either remained essentially flat or increased slightly  
10 from the first quarter of '15 to the last quarter of 2018  
11 for which you have data. These charts confirm the  
12 Commission's preliminary conclusion that there was no price  
13 suppression or depression over the POI and certainly none  
14 caused by subject imports.

15 Petitioners claim that subject imports have  
16 caused adverse price effects in segments of the market where  
17 they were not, in fact, present. According to petitioners,  
18 "Major U.S. OEM and aftermarket customers, including OEM  
19 truck companies, have used Chinese prices to extract  
20 concessions from domestic suppliers, forcing domestic  
21 suppliers to reduce their prices and forego price increases  
22 to maintain their business." That was a big theme of their  
23 testimony this morning was that there was price pressure in  
24 some of these markets where they have historically  
25 insulated.

1           At Pages 50 to 53 of our prehearing brief, we  
2           address why this argument is not factually supportable. The  
3           bottom line is that while purchasers may have used a threat  
4           of sales by Chinese suppliers as a means to wring price  
5           concessions from the domestic industry, Chinese producers  
6           were not, in fact, in a position to make sales to those end  
7           users.

8           Not only are most Chinese suppliers not qualified  
9           to sell to OEMs, they also lack the important supply chain  
10          infrastructure described by Mr. Cunningham in his testimony.  
11          And I'd like to commend that to you. That's a very  
12          important point we'd like to talk about, hopefully in  
13          question and answer later on is the issue of qualification  
14          and really, what does that mean for the real ability to make  
15          sales to OEMs.

16          The only remaining price issue is underselling.  
17          In the preliminary, while declining to find price  
18          suppression or depression, the Commission concluded that  
19          underselling caused the domestic industry to lose market  
20          share. Respectfully, we find that conclusion to be  
21          incorrect.

22          The discussion we've just gone through on market  
23          shares and the slides I've shown you, as illustrated in  
24          Slides 4 through 8, just demonstrates that subject imports  
25          did not, in fact, take market share from the domestic

1 industry. If petitioners' arguments about price sensitivity  
2 were correct, and I guess, and again, Mr. Kominars testified  
3 this morning that "price is king."

4 If that were true, one would expect to see major  
5 shifts in market share from domestic to imported product  
6 with margins of underselling as you've seen. Or major  
7 downward price trends during the POI, but, in fact, neither  
8 of these occurred.

9 The Commission saw the same situation in the 2012  
10 case when it found underselling, yet nevertheless concluded  
11 that subject imports had not resulted in significant volume  
12 effects or significant price effects. Even if the facts of  
13 this case are slightly different from those in 2012, the  
14 logic of the Commission's 2012 determination applies here  
15 with equal force.

16 Finally, before Mr. Trendl addresses the impact  
17 of subject imports on the domestic industry, I'd like to  
18 call the Commission's attention to the nature of the two  
19 companies comprising the domestic industry.

20 As the Commission found in the preliminary phase,  
21 both Accuride and Maxion are related parties under Section  
22 7714 of the Act. Since the time of the preliminary  
23 investigation, Accuride has merged with Mefro Wheels, or  
24 acquired Mefro Wheels, more properly, a European steel  
25 wheels producer with production operations in China, among



1 other countries, meaning that this relationship has only  
2 grown stronger.

3 Today, both of the U.S. companies coming before  
4 you represent only a fraction of their global parents'  
5 overall commercial activities. While Accuride's worldwide  
6 data are not publicly available and were not submitted to  
7 the Commission, publicly available data from Maxion's  
8 Brazilian Corporate parent, suggests that its production of  
9 the domestic like product represented less than 15% of the  
10 company's global production activity in recent months. And  
11 the specific figures are in our prehearing brief. Both  
12 companies were also involved, we would say, extensively in  
13 the import of subject and nonsubject wheels. And again, the  
14 specific data are at Chart 3-9 in the Staff Report.

15 Now, we are not arguing that these companies  
16 should be excluded from the domestic industry on the grounds  
17 that they're related parties. Rather, we're asking the  
18 Commission to consider the arguments that petitioners are  
19 making in a broader corporate context. For example,  
20 petitioners argue that they were forced to import product in  
21 order to compete with unfairly priced Chinese imports. But  
22 neither petitioner has provided any evidence that, from an  
23 overall corporate perspective, U.S. production is  
24 necessarily favored over non-U.S. production.

25 It is equally possible that both global entities

1 would prefer to service the U.S. market using production  
2 from their foreign subsidiaries, regardless of the presence  
3 or absence of Chinese imports in the U.S. Market. And,  
4 indeed, Mr. Monroe testified to that very fact this morning.  
5 "We also import some wheels from our Mexico and Canada  
6 facilities to rationalize production capabilities and  
7 accommodate purchaser preferences."

8 Petitioners are effectively asking the Commission  
9 to assume that absent Chinese import competition, both  
10 companies would have increased their U.S. production, but  
11 they have offered no proof that this is the strategy of the  
12 overall global entities to which each petitioner belongs.  
13 With that, I'm gonna turn this over to my colleague, Mr.  
14 Trendl, for discussion of impact.

15 STATEMENT OF THOMAS J. TRENDL

16 MR. TRENDL: Good afternoon, Chairman Johanson  
17 and Commissioners. My name is Tom Trendl. I'm with  
18 Steptoe, and I appreciate the opportunity to appear before  
19 you today on behalf of the Sunrise Group, a foreign producer  
20 opposed to the petition and this investigation, as you  
21 probably figured out by now.

22 As Mr. Emerson stated, I will address the lack of  
23 material impact subject imports have had on the U.S.  
24 producers and a complete absence of any threat of material  
25 injury. As the domestic industry in this investigation

1 consists of two companies, Accuride and Maxion, I am mindful  
2 of confidentiality issues and for this reason, you'll see  
3 appended to the exhibits Mr. Emerson referred to, there'll  
4 be three additional exhibits which I'll refer to which are  
5 entirely confidential.

6 As alluded to today by questions from each of the  
7 Commissioners, let's first look at the domestic industries'  
8 profitability metrics, which in my view, are pretty telling.  
9 The reality, as reflected in the prehearing report, is that  
10 the domestic industries' gross profits, operating income,  
11 net income, operating net income ratios, all increased from  
12 2015 to 2017.

13 Please see Confidential Slide 11, which provides  
14 the details for that. These data are also reflected on Page  
15 57 of our prehearing brief. As you see in that slide, there  
16 are significant and positive trends in profitability which  
17 demonstrate quite the opposite of what one would call  
18 indicative of material injury.

19 And why did the domestic industry perform so well  
20 across these various elements? One big reason as we heard  
21 about earlier today is declining costs, and specifically raw  
22 material costs. In this robust and growing profitability  
23 picture is obviously tough for the domestic industry to  
24 square with their material injury argument.

25 So what do they do? First, they don't dwell on

1 profitability very much, or at all. Instead, they focus  
2 more on operational and productivity factors, which I'll  
3 address in a moment. And I'm happy to answer questions  
4 about the change in law.

5 But I submit that a domestic industry's robust  
6 and growing profitability is a matter quite important here,  
7 and shouldn't -- the extremely strong correlation between  
8 raw material costs and profitability itself indicate that  
9 subject imports are not having the material impact  
10 petitioners claim.

11 Second, petitioners attempt to dodge the sort of  
12 strongly profitable industry problem by claiming they would  
13 be even more profitable without subject imports. And this  
14 is something the Commission noted in the preliminary  
15 determination, that there is no basis to include that it was  
16 subject imports that held back further gains in  
17 profitability.

18 The Commission has already preliminarily found  
19 that subject imports did not suppress or depress prices.  
20 And to the extent that additional volumes have contributed  
21 to profitability, petitioners could have sold those from  
22 their U.S. facilities rather than engaging in the import  
23 activities Mr. Emerson just discussed.

24 In lacking a deteriorating profitability-based  
25 argument, petitioners focused their decline in

1 volume-related production and shipment data is their main  
2 focus for arguing for a material injury finding. The  
3 Commission cited these issues in the preliminary  
4 determination and it certainly bears re-examination here.

5 In the preliminary determination that Commission  
6 observed and found relevant that the domestic industries'  
7 production and shipments fell by a larger percentage while  
8 subject imports increased their market share. But there are  
9 two critical factors to consider in this regard. One, the  
10 overall decline in demand from 2015 to 2017. And two,  
11 respondents' arguments as set forth by Mr. Emerson about the  
12 important role market segmentation plays, which essentially  
13 insulates petitioners from competition with subject imports  
14 in a large percentage of the market.

15 In this regard, respondents urge the Commission  
16 to recognize that a percentage of petitioners decline in  
17 production and shipments in the preliminary phase POI, when  
18 the OEM truck segment with subject imports do not compete.

19 In addition, as explained on Page 60 of our  
20 prehearing brief, there were declines in U.S. truck and  
21 trailer consumption. Importantly, the results of a  
22 meaningful movement by petitioners of truck and trailer  
23 wheel production to Mexico. Finally, there's been a growing  
24 shift to the use of aluminum wheels which consequently  
25 impacted the demand for steel wheels.

1                   But taking a step back, and I think more  
2                   importantly, the very trends that gave the Commission  
3                   concern in the preliminary phase of this investigation have  
4                   all been reversed in this final phase. Please see Slide 12,  
5                   which includes interim data. One, look at the domestic  
6                   industries' production. Increased and on pace to exceed  
7                   pre-POI levels. Shipments also increased, also on pace to  
8                   exceed pre-POI levels. Market share, similar trend.

9                   Petitioners prehearing brief cites a number of  
10                  indicators of volume-based evidence of injury. But they  
11                  focus exclusively on the 2015 to 2017 period. For example,  
12                  Pages 74, 75 of their brief, and earlier in their testimony  
13                  today. These reversals and, in fact, they try to dismiss  
14                  2018 data as we heard this morning.

15                  But as explained in our prehearing brief on Page  
16                  60 to 61, these reversals cannot be explained, or I think  
17                  the term counsel used was "presumed" to be an effect of this  
18                  trade action. Consumption has increased in 2018. And this  
19                  is projected to exceed even 2015 levels and this has had a  
20                  positive effect on all of the volume factors in 2018.  
21                  Clearly, this has nothing to do with whether or not this  
22                  petition was filed.

23                  Another very important factor to consider in  
24                  assessing the volume impact of subject imports is the role  
25                  of nonsubject imports. Specifically by the U.S. producers

1 who filed this action. Much of this data is confidential,  
2 but I direct your attention to the slides Mr. Emerson  
3 presented, as well as Slide 13, which details the  
4 substantial role domestic producers have had in imports of  
5 steel wheels to the United States.

6 As Mr. Emerson mentioned, this is a choice the  
7 companies made. To import from their non-U.S. plants,  
8 rather than produce in the United States. So not a small  
9 percentage and they chose the former. These are large  
10 global producers which can easily supply from Brazil or  
11 Mexico or Canada or wherever at the expense of their own  
12 U.S. operations and they've done so. The U.S. has been a  
13 small part of their global infrastructure and their  
14 financial interests.

15 Quite understandably, likely this is centered  
16 outside the United States. Maxion, in fact, held an  
17 investor call two days ago, which we'd be happy to discuss  
18 the details of which, if you want. The relevance from an  
19 impact perspective is that petitioners themselves, adversely  
20 impacted their domestic operations by importing competing  
21 steel wheels from their non-U.S. affiliates. The impact of  
22 petitioners' own imports on petitioners' own U.S.  
23 operations cannot not be put at the feet of Chinese  
24 suppliers.

25 There are other factors that are mentioned as

1 well, including capacity utilization and employment data.  
2 And I'll quickly look at those. First, the domestic  
3 industries' capacity figures, as we argue in our brief on  
4 Page 62 and 63, are wholly unrealistic and not remotely  
5 probative and useful in assessing injury in this  
6 investigation. The domestic industries' total capacity  
7 bears zero relationship to U.S. consumption is therefore  
8 not a useful indicator of the health of the U.S. industry  
9 here.

10           Petitioners also present employment data as  
11 evidence of their material injury. The data do not support  
12 petitioners' contention. Every job's important. Absolutely  
13 every job is important. But the number of production  
14 workers in this case, when you look at the data, is so small  
15 that extracting percentage for probative value and the  
16 various factors such as wages paid, can be a bit distorted.  
17 That said, as we present on Page 63 of our prehearing brief,  
18 you will see that the employment data does not, in fact,  
19 demonstrate material injury.

20           A lot has been said this morning about lost sales  
21 and lost revenue. Petitioners attempt to make this the  
22 centerpiece of their material injury case. These data are  
23 entirely confidential, of course, and as I believe  
24 Commissioner Schmidlein touched on this morning, in our  
25 prehearing brief of Pages 39 to 43, we go through a number



1 of examples, three of them specifically, where we look at  
2 whether or not they make sense, factually or logically, and  
3 we submit that they do not. And we ask that you consider  
4 this carefully.

5 Finally, in my limited time that's left, I'm  
6 gonna touch on some threat issues. We address this  
7 extensively in our brief at 66 to 75. So I'll just  
8 highlight a few points here. One, subject import prices  
9 will not depress or suppress U.S. prices in the near term.  
10 In fact, prices rose over the POI and there's no indication  
11 that this will reverse in the imminent future.

12 Section 301 duties currently at 10% and  
13 potentially rising to 25% prevent prices from declining and  
14 make the U.S. market, in fact, a less attractive market as  
15 Mr. Lee testified to earlier today. Chinese suppliers  
16 already operate at a fairly high capacity, approximately 82%  
17 and thus there's little likelihood of substantial increases  
18 in production or export to the United States.

19 The Chinese industry is not adding substantial  
20 new capacity in the near term. Third country markets and  
21 the home market are much larger markets for Chinese  
22 production. The U.S. has not been a principle export market  
23 for Chinese steel wheels, nor will it be in the near future.

24 Market segmentation and the certification process  
25 which I hope we could get in some good discussion about, as

1       you had this morning, effectively serves as a barrier for  
2       exports for Chinese wheels for a very large percentage of  
3       the U.S. market. You've heard from the two major producers  
4       about that, and I hope we can discuss it further.

5               Low inventory levels indicate there's not a  
6       supply storage available for sales in the United States.  
7       The potential for shifting production from nonsubject to  
8       subject products is essentially zero.

9               And finally, petitioners are healthy, profitable  
10       companies, well-funded, and part of a global enterprise,  
11       particularly well-suited to the development of new or next  
12       generation products or painting plants or whatever they  
13       want. They're not vulnerable. Thank you. And with that, I  
14       will conclude our affirmative testimony. And my red light's  
15       on. We will be happy to answer any questions you may have.  
16       Thank you.

17               CHAIRMAN JOHANSON: Thank you all for appearing  
18       here today. We will now begin Commissioners' questions with  
19       Commissioner Williamson.

20               COMMISSIONER WILLIAMSON: Thank you, Mr.  
21       Chairman. And I want to thank all of the witnesses for  
22       coming today and presenting your testimony.

23               Let's start off with a couple of questions about  
24       the OES portion of the market. How can we distinguish the  
25       OES portion of the aftermarket from the rest of the

1 aftermarket? Is there any data on the record to help us  
2 with this?

3 MR. EMERSON: This is Eric Emerson. I don't  
4 know if we can -- I don't know if there is specific data on  
5 the record to distinguish between the data for OES versus  
6 the overall aftermarket, but the witnesses, Ms. Walker and  
7 Mr. Cunningham, can certainly provide some additional detail  
8 about any differences between OES sales and other, if you  
9 will, normal aftermarket sales, if that would be helpful.

10 COMMISSIONER WILLIAMSON: Okay.

11 MR. CUNNINGHAM: If you could look at OES as  
12 being the aftermarket arm of the OEM producer the -- let's  
13 say, for example, truck, the truck OES really wants to sell  
14 truck parts -- transmissions, engines, tune-ups --  
15 important things that go into a truck. In that scheme, a  
16 steel disc wheel is very low on the totem pole as far as  
17 space to take up, inventory dollars to put in. So, if you  
18 take that OES, it's a very, very small percentage of the OE  
19 -- I'm sorry, aftermarket steel wheel industry.

20 If you bring it down a notch or two from non-OES  
21 customers that's the business they're in. They sell truck  
22 parts. They sell trailer parts. They don't have the end  
23 with the OEM to have exclusive -- part car products is an  
24 example and that's where more of the steel wheel aftermarket  
25 volume would be. I hope that was clear.

1                   COMMISSIONER WILLIAMSON: Yes, I think it is,  
2 but are you confident that there are no subject imports in  
3 the OES trailer market -- you know wheels for trailers?

4                   MR. CUNNINGHAM: No, I'm not confident. I don't  
5 sell OES, but I can't speak for anyone else.

6                   MS. WALKER: Thank you for the question. Okay,  
7 it's like a 7-11 for truck parts. You know they'll have  
8 wiper blades. They'll have little light kits. They'll have  
9 a couple tires and wheels, but it is truly -- it's not like  
10 a Wal-Mart. It's little.

11                  COMMISSIONER WILLIAMSON: Are you talking about  
12 the OES?

13                  MS. WALKER: Yes, I'm talking about the OES  
14 aftermarket. You know we sell to one and I kind of don't  
15 like the confidentiality rule, so I'm going to tell you how  
16 many we sold. We sold two containers, each of 600 pieces.  
17 Not real material, not real high, but we sold them in  
18 Wisconsin. They went into their storefront and I think that  
19 when people damaged their wheels they called and said, hey,  
20 send me replacements.

21                  A lot of times the fleets will have an account  
22 with them, so they buy on the account. They're not calling  
23 on a credit card. You know it's not an online sale. It's,  
24 hey, I've got an account with you. Send me two. But it's  
25 not redundant. It's not giant amounts.

1 COMMISSIONER WILLIAMSON: Okay.

2 MS. WALKER: The giant amounts would be somebody  
3 like Fleet Pride, Aurora Parts. Those guys are true  
4 aftermarket guys, more commercial. Thank you, sir.

5 COMMISSIONER WILLIAMSON: Good. And because my  
6 next question was how big the OES market compared to is the  
7 remainder of the aftermarket and you said small. Anybody  
8 put some percentages on it?

9 MR. EMERSON: We'll try to address that  
10 question, Commissioner Williamson, in the post-conference  
11 brief.

12 I do want to -- I don't know where your  
13 questions are going. I did want to make a comment about the  
14 distinction between OES and OEM sales because I know that  
15 was made before, if I could just take 30 seconds to do that.

16 COMMISSIONER WILLIAMSON: Sure.

17 MR. EMERSON: One of the important points in Mr.  
18 Cunningham's testimony that I'm going to come back to quite  
19 often during our panel, if I could, is the importance -- is  
20 this issue of qualification. There's technical  
21 qualification to be sure, which most of the Chinese  
22 producers have not passed. But even beyond that, there's a  
23 certain commercial or supply qualification that these  
24 companies have to go through and Mr. Cunningham talked about  
25 the need for in-country production, the need for regional

1 production as a backup in case the in-country production is  
2 unable to deliver -- in-country service, just-in-time  
3 delivery, and so forth, those are important for an original  
4 equipment manufacturer who's running trucks down the line,  
5 producing trucks in their factory because if you don't have  
6 your wheels the whole production line shuts down. Something  
7 the Commission has seen in other cases like OTR tires and so  
8 forth.

9 COMMISSIONER WILLIAMSON: Yes, we've also seen a  
10 lot of times -- yes, that's all important, but then people  
11 start talking about price --

12 MR. EMERSON: Of course.

13 COMMISSIONER WILLIAMSON: -- and it seems to  
14 just fly away.

15 MR. EMERSON: But my point here is this, there's  
16 a real big difference between the OES sales, which are  
17 basically aftermarket sales, and the OEM sales. Petitioners  
18 were arguing that OES sales are kind of like the camel's  
19 nose under the tent, that if you can get in with an OEM  
20 producer on the OES side that eventually they can start  
21 buying you for the OEM production as well.

22 The two are very, very different, as Ms. Walker  
23 just explained. She has made sales to OES producers, two  
24 containers, very small amounts, no need for this kind of  
25 in-country infrastructure.

1 COMMISSIONER WILLIAMSON: Okay.

2 MR. EMERSON: So, I just wanted to make sure  
3 that that point was on the record.

4 COMMISSIONER WILLIAMSON: Okay, thank you for  
5 that.

6 Actually, I want to go to another question. You  
7 argue that the Commission should take in account the  
8 domestic industry's involvement in importation from all  
9 sources and this should be a critical consideration, and you  
10 do this at page 7 in your brief.

11 Looking at the table on page 7, I'm not sure  
12 that it makes the case that the low entrance of imports  
13 relative to domestic production is all that significant and  
14 how is this different from other investigations which relate  
15 -- where we have related parties and where the domestic  
16 producers is like, oh, I'm bringing in to supplement or I'm  
17 bringing in to stay price competitive and particularly, when  
18 you think about the trend as opposed to just the percentage.

19 MR. EMERSON: I'm sorry, Commissioner  
20 Williamson, the page number you gave again, 17?

21 COMMISSIONER WILLIAMSON: Page 7.

22 MR. EMERSON: Page 7?

23 COMMISSIONER WILLIAMSON: It's the table where  
24 you show what percentage of the --

25 MR. EMERSON: So, I don't have the confidential

1 data here because it is confidential.

2 COMMISSIONER WILLIAMSON: Is this all that a big  
3 a point when you think about all the other cases we've had  
4 and these percentages.

5 MR. EMERSON: We certainly believe so because --  
6 in particular, because in this case the Petitioners argument  
7 about impact really boils down to production and shipment.  
8 We've talked about the profitability of this industry,  
9 something that the Petitioners didn't talk to you about.

10 The core of their impact argument boils down to  
11 production and shipment and yet, you have a situation where  
12 these companies are electing to import from subject and  
13 non-subject sources in lieu of their own domestic production  
14 and in fact, Mr. Monroe talked about that today. So, I  
15 think in --

16 COMMISSIONER WILLIAMSON: Yes, I mean that was  
17 talking about Mexico was more convenient to do at the  
18 border. Compared to what we've seen about sometimes  
19 domestic producers importing you know this doesn't look  
20 particularly unusual.

21 MR. EMERSON: Well, from our perspective, we  
22 think it's a significant number. We also believe that Mr.  
23 Monroe said this morning that the importation was done also  
24 to rationalize production capabilities. I believe that that  
25 means to make sure that maybe the Mexico or Canada plant was



1 running at an optimal level relative to their U.S. plant. I  
2 don't know exactly.

3 COMMISSIONER WILLIAMSON: Maybe that the overall  
4 company was making the maximum amount of money.

5 MR. EMERSON: Exactly right and I think that's  
6 the point so that when the Commission is forced to make a  
7 decision whether there are any impacts the shipments that  
8 you see are "by reason of" subject imports, how can the  
9 Commission determine whether that impact was by reason of  
10 subject imports or by reason of a corporate decision made in  
11 Sao Paulo about the relative levels of production in the  
12 United States.

13 COMMISSIONER WILLIAMSON: Well, I guess I raised  
14 the question about the trends and also this has now been 12  
15 years and so we get this argument all the time. There's  
16 nothing that really jumps out here, so if there's anything  
17 that you can provide post-hearing --

18 MR. EMERSON: Sure.

19 COMMISSIONER WILLIAMSON: -- that substantiates  
20 this argument it would be helpful because I'm kind of  
21 underwhelmed by it at this point.

22 MR. EMERSON: Okay. Well, certainly, we want to  
23 overwhelm, so we'll certainly be happy to address that  
24 post-hearing. But really, even sort of leaving aside the  
25 argument about the import volume, we believe even just

1 taking the data on their face that the Petitioners are not  
2 injured by reason of subject imports for many of the reasons  
3 that Mr. Trendl discussed earlier. So frankly, while we  
4 think that this is an additional factor that could lead the  
5 Commission to a negative conclusion, honestly, even just on  
6 the face of the data we think a negative conclusion is  
7 warranted.

8 COMMISSIONER WILLIAMSON: Okay. Along the same  
9 lines, how can the Commission determine that the -- talk  
10 about broader corporate objectives? What is there on the  
11 record that say these producers aren't acting as domestic  
12 producers? I mean we've already talked about the imports  
13 and their answer to that is we're trying to do it to remain  
14 competitive.

15 MR. EMERSON: Well, again, I go back to Mr.  
16 Monroe's testimony, which I find to be particularly helpful  
17 on this point. I go back to the data in the record that  
18 show -- rationalizing production capabilities, that.

19 COMMISSIONER WILLIAMSON: But that means they  
20 were rationalizing and cutting down on their domestic  
21 production the total sales or domestic production. That  
22 might be one thing. Rationalizing if it's not doing --  
23 you're not changing your percentage as much -- it's  
24 different.

25 MR. EMERSON: But the quote from the witness was

1 "We also import some wheels from our Mexico or Canada  
2 facilities to rationalize production capabilities." I mean  
3 the testimony was tying it directly to imports.

4 COMMISSIONER WILLIAMSON: No, I heard the  
5 testimony. I didn't react the way you're reacting, but  
6 anyway my time has gone way over and I'll let others pick it  
7 up. Thank you for that.

8 CHAIRMAN JOHANSON: Commissioner Broadbent.

9 COMMISSIONER BROADBENT: Yes, I want to welcome  
10 the witnesses and thanks for attending today.

11 Mr. Emerson, is the demand in the OEM market  
12 declined over the period of the investigation and demand in  
13 the aftermarket increased why is that the domestic industry  
14 was unable to increase their shipments to the aftermarket to  
15 a greater extent such that they would not lose aggregate  
16 market share over the POI?

17 MR. EMERSON: First, I don't believe -- if you  
18 would take a look at our Slide 8, I don't believe that the  
19 domestic industry, in fact, did lose market share in the  
20 aftermarket over the POI. Whether the POI runs to 2017 or  
21 -- and that's on Slide 8 -- whether the Commission looks at  
22 the POI just in terms of the three full years or whether the  
23 Commission also adds the partial year the domestic industry,  
24 in fact, did not lose any market share during that period of  
25 time.

1                   COMMISSIONER BROADBENT: Right. But they were  
2 not able to gain any market share in the aftermarket.

3                   MR. EMERSON: Correct. But neither did -- the  
4 subject merchandize gained a slight amount of market share,  
5 but only relative to non-subject imports during the period.

6                   COMMISSIONER BROADBENT: Okay.

7                   MR. EMERSON: And just as Ms. Walker and Mr.  
8 Cunningham testified, there are also perception and  
9 reputational issues in the market where, as Ms. Walker  
10 testified and Mr. Cunningham as well, that the domestic  
11 industry is viewed as perhaps a less reliable supplier in  
12 the aftermarket for a number of different reasons and  
13 perhaps it was for those reasons as well that they were not  
14 able to capitalize on any increased demand.

15                   COMMISSIONER BROADBENT: Okay. How do we  
16 contend with the lost sales data in this investigation which  
17 seems to indicate that the space that subject imports have  
18 made for themselves in this market is really due to their  
19 low price point?

20                   MR. EMERSON: I'll take a crack at that as well.  
21 First, the lost sale data obviously is highly confidential,  
22 but both in the post-conference brief after the staff  
23 conference and in a pre-hearing brief, we addressed the top  
24 -- I want to say six maybe -- lost sales allegations and  
25 explained why each of those really doesn't make sense on

1 their face. That just, internally, looking at the  
2 questionnaire responses from those particular purchasers why  
3 their allegation doesn't really make sense. Maybe they  
4 misunderstood the question or it just doesn't track with the  
5 other data that they have put in their questionnaire  
6 response.

7 But I think, again, going back to the market  
8 share data, going back to our slides; particularly, in the  
9 aftermarket, Slide 8, it's just -- Slide 8 actually just to  
10 make sure that the Commission is clear comes directly from  
11 the pre-hearing report. We didn't fiddle with this data at  
12 all. It comes directly from the pre-hearing report. It  
13 does not show subject imports gaining market share. It does  
14 not support the Petitioners' argument. It just doesn't'.

15 COMMISSIONER BROADBENT: Right. But the  
16 domestic industry couldn't get into that market.

17 MR. EMERSON: The domestic industry has had a  
18 stable market share in that segment of that market from the  
19 beginning of the POI.

20 COMMISSIONER BROADBENT: But it's not been able  
21 to break into any new sales, though.

22 MR. EMERSON: The Chinese industry, the subject  
23 imports have gained market share only at relative to subject  
24 -- non-subject imports. Pardon me. We've not taken a  
25 point, I don't think, from the domestic industry in over the

1 whole POI.

2 COMMISSIONER BROADBENT: Right. I'm just saying  
3 that the domestic industry has been shut out from any  
4 improvement in that part of the market.

5 MR. EMERSON: Again, we would say it's because  
6 their principal focus is on other segments of the market,  
7 which are also quite significant where there's a fairly  
8 substantial volume there as well.

9 COMMISSIONER BROADBENT: Okay.

10 If U.S. producers have contracts that require  
11 reaction to competitive import prices in the market, as  
12 asserted this morning, wouldn't lower priced subject imports  
13 be causing price effects automatically?

14 MR. EMERSON: I guess I'll take this as well. I  
15 think that it's important -- and I'd like to have,  
16 particularly, Mr. Saylor jump in here as well. There's a  
17 question about the issue of qualification, as I mentioned  
18 earlier. I think, Commissioner Broadbent, when you're  
19 talking about loss of contracts, you're talking about with  
20 OEM customers, principally. And so, I'm assuming that when  
21 a purchaser is alleging that there's a lower priced sale in  
22 the market it's from a qualified supplier. If the supplier  
23 is not qualified, Chinese supplier is not qualified; its  
24 price is not necessarily relevant. And I think there was  
25 even, you know, effectively, an admission of that fairly

1 logical point earlier today.

2 And so I'd like to, if I could, give it to Mr.  
3 Saylor to talk a little bit about his experiences in the  
4 selling or attempting to sell to OEM and the difficulty that  
5 at least Jingu has had in that regard.

6 MR. SAYLOR: Thank you, Commissioner. With  
7 regard to getting qualified, it doesn't always mean you're  
8 qualified. In fact, one of the questions from the  
9 Commission with the Petitioners earlier today was how do you  
10 know someone's qualified and that really gets to the crux of  
11 it. If a customer tells you you're qualified, I suppose  
12 you're qualified. It still doesn't mean they'll buy from  
13 you and that's one of the sad truths in the whole matter.

14 Also, in prior testimony was talked about how  
15 Jingu being actively involved in bidding on a new contract  
16 with one of the OEM truck producers late last year. They  
17 had told us earlier in the year they didn't ever want to buy  
18 from us in North America and then we get invited to a  
19 bidding meeting and we were so excited just to have a polite  
20 presentation and be told we have no chance.

21 Now, I can imagine that a salesperson from North  
22 America who might have been there in some other room would  
23 think that we were some kind of threat because they think  
24 we're qualified and we're going to get business. We did  
25 too. We thought pennies fell from heaven, but it didn't

1       happen. They sent us away. And it's a very frustrating  
2       deal. We've worked on this for years. They won't buy.  
3       We've been qualified with Packer for almost four years now,  
4       but they won't buy.

5                   COMMISSIONER BROADBENT: So, why did they  
6       qualify you?

7                   MR. SAYLOR: I don't know, maybe to put  
8       impressions in the minds of sales managers for U.S.  
9       producers that there's some threat.

10                  MR. CUNNINGHAM: Could I address?

11                  COMMISSIONER BROADBENT: Mr. Cunningham.

12                  MR. CUNNINGHAM: Thank you. I worked for  
13       Accuride for 29 years. I know the world changes, but in my  
14       experience having Volvo and having these truck OEs you would  
15       never do a contract which says the lowest guy that walks in  
16       we're going to match their price. As I read the  
17       Petitioners' brief, I couldn't believe it. You just don't  
18       do that. What you typically do is say I will keep you  
19       competitive. And what that means is competitive with  
20       another wheel supplier who's equally qualified. And by  
21       qualified, I mean be in-country, my list earlier, be  
22       in-country supplier. The truck OEs want to have all of  
23       these.

24                  I hate to speculate, but I would say if I were a  
25       truck OE and you had an opportunity to be a supplier I'd



1       qualify you as quickly as I could so then I could bring you  
2       into the competitive mix. But the reality is because of the  
3       things that our Petitioners have done they've got that wall  
4       built there and they should know, frankly, better than to  
5       open the door because everybody's got a lower price and to  
6       have that in a contract to me is amazing and I hope that  
7       cleared it up a little bit.

8                   COMMISSIONER BROADBENT: Okay.

9                   This is for Mr. Emerson and Mr. Trendl. Do you  
10       agree that we can apply post-petition effects and also find  
11       price effects in interim 2018, as argued by Mr. Stewart this  
12       morning?

13                   MR. EMERSON: Let me start and I'll let Tom  
14       correct me if I go off the rails here.

15                   I was listening to Mr. Stewart's explanation of  
16       what was happening after the POI and I was equally confused  
17       I must say. Here's what I heard him to say, but I don't  
18       think it tracks. My understanding is that their argument is  
19       that there were contracts that were signed in 2017 at what  
20       he would say were suppressed or depressed prices that then  
21       carried over into 2018.

22                   Then in 2018 there was fairly significant run up  
23       of imports in the first few months of the year until the  
24       Commission's preliminary determination, until the  
25       Department's preliminary countervailing duty investigation

1 which turned off the spigot for subject imports. It was at  
2 that point that the domestic industry experienced a cost  
3 price squeeze when steel prices rose in the United States  
4 and the domestic industry was unable to raise its prices as  
5 a result.

6 Now, Mr. Stewart says the reason they could not  
7 raise their prices is because of subject import competition  
8 kept those prices down, but that doesn't make sense because  
9 as he admitted after the preliminary determination those  
10 imports were essentially not available in the market.

11 Moreover, to the extent we were talking about  
12 sales to OEM customers, they're looking at long-term supply  
13 and they're looking at Chinese companies that are subject to  
14 potentially 400 percent anti-dumping countervailing duty  
15 cash deposits. They are not viable competitors in the  
16 marketplace. I think a much better explanation is the one  
17 that the Petitioners themselves essentially alluded to,  
18 which is that the terms in those contracts that allow for  
19 increase raw material costs to be pass through have a three  
20 to six month lag and that's exactly what happened.

21 Do I think you can take into account  
22 post-petition information? You absolutely have the legal  
23 authority to do that. I think that there's a rational basis  
24 to believe that what you see after the petition for cost was  
25 not caused by the petition and so, yes, I do think that you

1       could take that into account here. Sorry, that was a long  
2       answer. I apologize.

3                   CHAIRMAN JOHANSON: Commissioner Schmidtlein.

4                   COMMISSIONER SCHMIDTLEIN: Alright, thank you.  
5       I'd like to thank all of you for being here as well today.

6                   Let me see, where to start? Let me ask a fact  
7       question with regard to this question about qualifications.  
8       So, just to make sure I understand with regard to Mr. Saylor  
9       and Mr. Lee, you are qualified with OEM manufacturers  
10      because I know that there were -- you spoke about some, so  
11      you're only qualified with one with Mr. Saylor and Mr. Lee.

12                  Now, I'm talking about any OEM, whether it's  
13      trailer, bus, other, truck of those it's only one.

14                  MR. LEE: On the truck, we qualified on one. We  
15      started the qualification process around 2008 and after two  
16      years --

17                  COMMISSIONER SCHMIDTLEIN: But I'm talking about  
18      any OEM, so OEM for trailer, OEM for bus.

19                  MR. LEE: Yes, truck, bus, and trailer.

20                  COMMISSIONER BROADBENT: Yeah -- or other, you  
21      know whether it's livestock trailers, whatever it is, right?

22                  MR. LEE: On truck only this one.

23                  COMMISSIONER SCHMIDTLEIN: So, how many others?  
24      I just want to make sure I'm getting the right answer.

25                  MR. LEE: Just one truck.

1                   COMMISSIONER SCHMIDTLEIN: Not just truck,  
2                   forget about truck, the other OEMs how many.

3                   MR. LEE: One truck, one trailer, one bus. The  
4                   trailer is Vanguard. Like Vanguard they don't need  
5                   qualifications precise.

6                   COMMISSIONER SCHMIDTLEIN: I see. Okay.

7                   MR. LEE: Because they're headquartered in  
8                   China, we have a good relationship with China headquarter,  
9                   so we just -- .

10                  COMMISSIONER SCHMIDTLEIN: Okay, interesting.

11                  Mr. Saylor, for your company.

12                  MR. SAYLOR: One truck, no bus, at least two  
13                  trailer. I don't know the exact number on trailer, but I  
14                  know of two major trailer.

15                  COMMISSIONER SCHMIDTLEIN: Okay. Let me just  
16                  follow up on your discussion about the meeting that you all  
17                  were invited to with regard to the truck OEM that you're  
18                  qualified to sell to. Why do you think you were invited to  
19                  that meeting and why did you go if you didn't think you had  
20                  a chance?

21                  MR. SAYLOR: The relationship with this OEM  
22                  stretched to another continent and many years ago and we  
23                  thought that this was some act of forgiveness. If you want  
24                  further details, I'd be happy to put it in the post-hearing  
25                  brief.

1 COMMISSIONER SCHMIDTLEIN: Okay, that might be  
2 helpful.

3 MR. SAYLOR: Yes.

4 COMMISSIONER SCHMIDTLEIN: Okay, thank you.

5 MR. LEE: I want to give more information about  
6 the truck manufacturer we qualified.

7 COMMISSIONER SCHMIDTLEIN: Okay.

8 MR. LEE: Actually, in the last it's not really  
9 qualified. In the qualified process, they said that we're  
10 okay to supply. When we supply around five thousands wheels  
11 from China to U.S., their warehouse and when they check  
12 wheels they said no because the package not good, the paint  
13 was destroyed, so reject our wheels. So, at the last it's  
14 not really qualified to supply them.

15 COMMISSIONER SCHMIDTLEIN: Okay, with regard to  
16 the truck.

17 MR. LEE: Yes, the truck.

18 COMMISSIONER SCHMIDTLEIN: The truck OEM?

19 MR. LEE: Yes.

20 COMMISSIONER SCHMIDTLEIN: Okay, alright. Thank  
21 you.

22 MR. LEE: Thank you.

23 COMMISSIONER SCHMIDTLEIN: Alright, let me  
24 switch gears a little bit and go back to this question about  
25 the related parties and the imports.

1                   Mr. Emerson, this morning I thought I understood  
2 Mr. Stewart to say that domestic producers have reported  
3 those and I believe even in your statement you referred to  
4 them as now affiliated. And his point, if I understood it  
5 correctly, and I don't have the exact -- I don't recall the  
6 exact dates that he mentioned, but one of the producers only  
7 became affiliated in 2018, I believe. And the other one --  
8 and I'm talking about subject, right -- for subject imports,  
9 not just imports from anywhere. The other one became  
10 affiliated sometime in 2017, maybe mid-2017.

11                   So, doesn't that sort of undercut your argument  
12 that they're importing all this time and injuring themselves  
13 if prior to those dates -- even though they are now  
14 affiliated and have reported those quantities that they were  
15 importing prior to those -- prior to that time since they  
16 had no control over what was coming in then or even  
17 theoretical or arguable control?

18                   MR. EMERSON: Certainly, any imports made prior  
19 to the time that they acquired those companies could be  
20 looked at differently from imports that were made after  
21 those companies were acquired, absolutely.

22                   I think our points in the Slides 2 and 3, which  
23 focus only on the subject -- that share of subject import it  
24 was really in service of the broader point which is that  
25 you're looking at, again, global companies that are

1 importing from a variety of different sources into the U.S.  
2 market and we think that -- really it was done in service of  
3 that. Our injury arguments, our impact arguments -- pardon  
4 me. Our causation arguments really don't depend on the fact  
5 that a certain portion of those imports from China were or  
6 were not related to controlled by the Petitioners in this  
7 case.

8 The market share slides that you see at Slides 3  
9 to 8 take all subject imports the same. They don't discount  
10 as if a percentage of them were controlled or not. So,  
11 perhaps it's a matter more of coloration than really going  
12 to the core of our causation argument.

13 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank  
14 you.

15 Alright, again, sort of switching gears to what  
16 we see in the pricing data. And so, my first question --  
17 let me refer back to that statement in the staff report that  
18 I pointed out to the Petitioners this morning having to do  
19 with the purchasers' responses where 12 out 15 purchasers  
20 say that Chinese prices are being used to leverage down the  
21 prices of domestic producers. And my question for  
22 Respondents' counsel is what should the Commission make of  
23 that?

24 MR. EMERSON: I think what's important for the  
25 Commission to look at in addition to that sort of, if you

1 will, antidotal data as the questionnaires were collected is  
2 really looking at the specific prices that you see  
3 particularly in -- you know, for example, in the product  
4 series, pricing series for products one through four. I  
5 don't think you see that sort of price suppression or  
6 depression that would be necessarily implicated -- implied  
7 rather by the narrative that you see on page V-4 of the  
8 questionnaire response. It's interesting antidotically  
9 that people would have responded that way, but I don't know  
10 that you see it actually coming into view in the pricing  
11 data.

12 I would also note that in the first part of that  
13 sentence all 16 responding purchasers reported that their  
14 contracts must meet prices from other suppliers. That at  
15 least the first part of that sentence could mean that  
16 Accuride's contracts with its suppliers mean that it has to  
17 meet Maxion's prices as well. The first part of that  
18 sentence, at least as I read it, does not specify that  
19 that's necessarily import sources.

20 COMMISSIONER SCHMIDTLEIN: I mean if you look  
21 over at the POI, right, prices did go down if you look from  
22 beginning to end and I know demand is softening in some  
23 segments, but you know not -- the aftermarket segment was  
24 pretty strong -- pretty consistent and then even grew at the  
25 end.



1                   MR. EMERSON: Right. And in our opinion and I  
2 think also the view of the Petitioners as well is that the  
3 price of steel wheels is very closely tied to the cost of  
4 their principal input. That steel wheel is majority steel  
5 and so it's not surprising to see that the price of these  
6 wheels is really affected by the price of the hot-rolled  
7 steel that goes into them.

8                   COMMISSIONER SCHMIDTLEIN: So, why do we see so  
9 much underselling in the pricing products and especially in  
10 light of -- I think you eluded to that in the aftermarket  
11 there's maybe a reliability, reputational issue with regard  
12 to the domestic suppliers. And if that were true  
13 consistently, right, if that was pervasive in the market, I  
14 wouldn't expect to see the more reliable product --  
15 arguably, right, the more reliable product being sold at so  
16 much less than the less reliable product.

17                   MR. EMERSON: Commissioner Schmidtlein, a very  
18 fair question and one we've been trying to tease through,  
19 ourselves. I'll let our witnesses take a crack at it, if  
20 they can.

21                   COMMISSIONER SCHMIDTLEIN: Okay. I mean, because  
22 I presume like you don't dispute that market forces, you  
23 know, market dynamics are at play here, right? Supply and  
24 demand affect the price of these products, and things like  
25 quality, reputation, that would go into demand for a

1 product, right?

2 MS. WALKER: Amanda Walker. Thank you for the  
3 question. You know, I have really mixed feelings about your  
4 question. I think availability and the availability to JIT,  
5 if someone has a quick need, is really important.

6 You know, if you're feeding off of a production  
7 line, you have to have a ticket for production, and then  
8 make it, and then deliver it, that's really different than  
9 coming from somebody's warehouse.

10 A lot of times we sell stuff with a tire. So  
11 it's a wholly owned product, it is an assembly product. And  
12 when someone needs it, they need it quite quickly. So we  
13 have to rely on large inventories. We have to rely on being  
14 able to deliver the product. But also there's a tendency--  
15 and I don't have a lot of experience with Maxion and I don't  
16 really have anything bad to say, but I have seen in  
17 situations where Accuride makes little kingdoms of people:  
18 Okay, you can have this product, but you may not have access  
19 to that product.

20 I mean, they mention it in their pre-brief about  
21 my inquiry. My inquiry was that the Chinese manufacturers  
22 were beginning to make lightweight wheels with spoke-spun  
23 centers, which is higher technology than the stamped center.  
24 The stamped center is low technology. My inquiry was about  
25 the lightweight wheel.

1                   And the--

2                   COMMISSIONER SCHMIDTLEIN: Well my question  
3 really goes to why don't the Chinese raise their prices,  
4 right? If the Chinese product is more reliable and has a  
5 better reputation, why aren't their prices higher? I mean,  
6 they're selling to somebody. They're selling to people in  
7 the aftermarket. I mean, they're competing in that segment,  
8 right? We have the data and we see.

9                   MR. CUNNINGHAM: Excuse me. Tom Cunningham. I'm  
10 going to try to take a shot at this.

11                   The aftermarket is far flung. It goes from a guy  
12 trying to sell one wheel in his little tire shop, to a  
13 fellow who is really large, puts tires on wheels and sells  
14 them to a relatively small trailer manufacturer.

15                   Within this large market, there's a lot of  
16 values, and there are a lot of people who say I don't care,  
17 I want--whatever the price is. My experience is that the  
18 market works better, my company works better if I sell off  
19 of value whenever I can. And that's why I brought up the  
20 point about that I had an eight-year opportunity to sell a  
21 much better painted wheel than my domestic competitor.

22                   Because of that, I use that as a value-add. When  
23 my competitor started making a really good painted wheel, I  
24 lost that advantage, I went to galvanized, which is much  
25 better than either one of the painted wheels.

1           So in my business, what I've always tried to do  
2           wherever possible is go where there's value. So a fellow  
3           who's just selling one wheel out of an aftermarket, his  
4           customer comes in, he doesn't know what the wheel is, he  
5           just says what's your price? And he gives him a price.

6           Keep in mind also that the dynamics that I'm not  
7           sure--I can't speak for everyone that imports Chinese  
8           wheels, but all I can do is speak for myself, and say that  
9           in the aftermarket everyone that I see a wheel to does  
10          something with it, marks it up, adds value, ships it  
11          somewhere and warehouses it. So pricing goes in different  
12          directions at the same time. That's the best I can tell  
13          you.

14          COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank  
15          you, Mr. Cunningham.

16          Thank you.

17          CHAIRMAN JOHANSON: Commissioner Kearns?

18          COMMISSIONER KEARNS: Thanks. That's a good  
19          jumping off point for where I was going.

20          So I understand, Mr. Cunningham, that you can't  
21          speak for the whole industry. I mean our staff has gathered  
22          data for the whole industry, and here's what I'm struggling  
23          with: I've heard the words "availability," "reliability,"  
24          "wheel weight," a number of these things, "quality,"  
25          suggestions that the Chinese is the superior product. But

1 that's just not what our data show.

2 In the aggregate here--it may be true for a  
3 couple of folks--but I'm looking, for example, at Table  
4 2-10-0--none of this is proprietary--in terms of  
5 availability, eight out of almost, you know, the clear  
6 majority say they're comparable, but some say U.S. is  
7 superior.

8 Wheel weight--I think, Ms. Walker, I think you  
9 had said that one of the U.S. suppliers didn't want to give  
10 you a lower wheel weight when you were looking to buy from  
11 them. This says, 8 say it's comparable on wheel weight, 4  
12 say U.S. is superior, only 1 says China is superior.  
13 Reliability of supply, 10 out of 14 say comparable; 3 say  
14 they don't think it's comparable, they think the U.S. is  
15 superior. So how do I add this up? It just seems to be  
16 completely contradictory to what you're telling us about  
17 your relationship in the aftermarket.

18 Maybe the answer is, well, this is aggregate  
19 data. This isn't just aftermarket. This is also OEM data  
20 compiled. But there aren't that many OEM producers relative  
21 to the aftermarket. So where do I go from there?

22 MR. CUNNINGHAM: Tom Cunningham. I'll try to go  
23 with that. Accuride makes a 65-pound steel disc wheel.  
24 Years ago it was 80 pounds. The race to get to the lightest  
25 wheel is understandable, and truck OES sees that as a huge

1 value. The lightest wheel I sell weighs 69 pounds. So the  
2 majority of them historically have been 80 pounds.

3 So it's where does the value lie? Now I  
4 testified in 2012 when we were here before that there was an  
5 availability issue. I'm not testifying to that today.  
6 Because of aluminum wheel taking over, and because of all  
7 the truck manufacturing going to Mexico, I see there's  
8 supply here. I don't see a problem domestically or import  
9 from a supply standpoint. So that's not a value-add anymore  
10 that I used to sell that I don't sell anymore.

11 I haven't completely answered your question, but  
12 I forgot what the rest of it was.

13 COMMISSIONER KEARNS: That helps. Let me let Ms.  
14 Walker jump in, and then I'll go further.

15 MS. WALKER: Commissioner Kearns, I'd like to  
16 correct the statement. My inquiries were made in 2011 and  
17 '12. I've made no inquiries in POI. We don't talk to them.  
18 And since '11 and '12, everybody has some version of a  
19 lightweight wheel.

20 Now it varies, but everybody is using better  
21 steel, and the center discs are lighter. It's not uncommon  
22 now.

23 COMMISSIONER KEARNS: Okay, but what you just  
24 said I think is consistent with what we heard from the  
25 Petitioners in their brief, which is that during the last

1 investigation when there was some concern I think among  
2 purchasers, that there may be an order put in place, some  
3 purchasers I think may have included--talking about you  
4 specifically, showed an interest in purchasing domestically,  
5 but as soon as we went negative, that interest from the  
6 purchasers, not from the domestic industry, from the  
7 purchasers, they were no longer interested. That's what we  
8 heard from them. And I think you're kind of confirming that  
9 that's the case.

10 MS. WALKER: Commissioner Kearns, thank you  
11 again. I had a sales rep who I didn't know passed away  
12 until I read the prebrief. I mean, I'm sorry they lost the  
13 sales person who contacted me, but they had done such a  
14 fantastic job keeping contact that I didn't know he passed  
15 away in '15. So I was never engaged, you know. We would  
16 have been interested. We still are interested. I'm going  
17 to give the guy from Denton my instructions on how to get to  
18 our facility in Mount Pleasant after this, because we're  
19 only about 120 miles apart.

20 COMMISSIONER KEARNS: Okay, thank you.

21 Mr. Cunningham, I guess what I was getting at, I  
22 was trying to get at the overall point of, you know, to what  
23 extent is the U.S. industry interested in serving the  
24 aftermarket. And I think some of these things, some of  
25 these factors go to that.

1           I am also trying to get at, there's this  
2       disconnect here. If you look at our data on  
3       substitutability, there seems to be a very clear  
4       substitutability between Chinese and U.S. product, according  
5       to purchasers, according to importers, and yet it's as if  
6       there is substitutability but there isn't substitution. For  
7       example, with truck OEMS even though price is all that  
8       matters--I'm exaggerating--and that they're comparable in  
9       just about every other way, and they're certified, or some  
10      of them are certified, they don't buy. And so I'm trying to  
11      figure out why that would be.

12           MR. CUNNINGHAM: Of course I don't have--I'm just  
13      a guy in the wheel business, and you've got that  
14      information. I'll just try to give you from my perspective  
15      what I see.

16           The 65-pound Accuride wheel is of low value to an  
17      aftermarket, typical aftermarket customer because his  
18      customer doesn't say how much does the wheel weigh? That  
19      same wheel at the truck OE is critically important because  
20      of the total weight of the vehicle, gas mileage and they're  
21      fighting every day to get lighter.

22           So the same wheel, the 65-pound wheel, has  
23      completely different dynamic of cost--I'm sorry, of price,  
24      depending on what market you go to. I can sell an 80-pound  
25      wheel to some segments of the aftermarket because they don't



1 care about weight.

2 MS. WALKER: Commissioner Kearns, I'd like to  
3 agree with Mr. Cunningham. And I'd also like to say that's  
4 why you see a lot of infiltration in the front end to  
5 aluminum. You're talking about 65 pounds versus 40.  
6 Everybody is cost conscious, but it's also about fuel  
7 efficiency. Everybody reads the news. We all know what the  
8 fluorocarbons do to us, and about the fuel.

9 So if you use less--

10 COMMISSIONER KEARNS: I don't know if everybody  
11 does, but--

12 MS. WALKER: Well, most people--

13 (Laughter.)

14 MS. WALKER: --but there are incentives to be  
15 green, and to use less fuel, and to be more efficient.

16 COMMISSIONER KEARNS: Okay, thank you.

17 Turning to segmentation, as I suggested this  
18 morning I wanted to ask both Petitioners and respondents  
19 this, but it would seem to me there's clearly segmentation  
20 in this market. We're obviously interested in that.

21 I guess what I would have thought is, in those  
22 segments where there is the least amount of competition  
23 between U.S. and China, I would have expected to see the  
24 U.S. condition better off vis-a-vis the other segments.

25 It seems to me that the opposite is what I see

1 when I look at the data, as I said this morning to  
2 Petitioners. Do you have any thoughts on that?

3 MR. EMERSON: Commissioner Kearns, it's Eric  
4 Emerson. Well I guess I would refer the Commissioner back  
5 to the slide deck that I passed, looking here in particular  
6 at slides 4, 5, and 8. So truck segment, trailer segment,  
7 and then the aftermarket.

8 I can understand why the Commissioner might want  
9 to use the truck segment, if you will, as sort of a control  
10 for why you might do well, but you'll see you've got  
11 importation from Mexico, which is a relatively significant  
12 share, as well as others, too. But you've got relatively  
13 static market shares here throughout the POI.

14 If you turn the page to the trailer segment, to  
15 slide 5, you've got essentially also effectively static  
16 market shares for the domestic industry in the trailer  
17 segment as well. I would say that they did just as well in  
18 the trailer segment, in terms of the movement of their  
19 market share, from beginning to end.

20 COMMISSIONER KEARNS: I guess I would just  
21 disagree with that. I mean, as I said this morning from  
22 2015 to 2017, you see, I'm pretty sure only in the truck  
23 segment do you see U.S. market share increase over 2015 to  
24 2017. In the other segments, I'm now realizing your data--  
25 let's see--no, that's right. That's what your table shows,

1 as well. That's the only segment where the U.S. market  
2 share gains, and there's no competition from China. So it  
3 does not seem to suggest that, if you look at the control,  
4 the control would suggest the U.S. industry would be better  
5 off if it weren't for unfairly traded imports in other  
6 segments.

7 MR. EMERSON: Yeah, I don't know that that's  
8 necessarily the implication you can draw. I think certainly  
9 as we've had testimony before, if you look at the other  
10 major exporter, the source of export here in the truck  
11 segment, I believe that those are imports that--

12 COMMISSIONER KEARNS: I think I can help you  
13 here, because I think I heard Petitioners say it this  
14 morning. I think they might be related to the U.S.  
15 producers.

16 MR. EMERSON: Thank you.

17 COMMISSIONER KEARNS: Yeah.

18 MR. EMERSON: Yes. So I'm not sure that really  
19 you've got real competition here in the first segment. I  
20 think it could be just trading off between the production  
21 rationalization that we heard about this morning. So I'm  
22 not really sure that the truck segment is the pure control  
23 that the Commissioner might like it to be.

24 COMMISSIONER KEARNS: Okay, I think that's a fair  
25 point. Although it is interesting that this is again kind

1 of like Commissioner Williamson was saying, this is kind of  
2 the opposite of what I would have expected if we have a  
3 concern over imports from Mexico.

4 In other words, you've got the U.S. producers  
5 gaining market share vis-a-vis themselves.

6 Okay, thank you. I'm sorry, my time has run  
7 out. Thanks.

8 CHAIRMAN JOHANSON: Thanks again for appearing  
9 here today.

10 What do you all see as the differences between  
11 the investigation before us today as opposed to the steel  
12 wheel investigation of 2012?

13 MR. CUNNINGHAM: Tom Cunningham. I was here for  
14 both so I will at least start. I see very little difference  
15 where we heard Petitioners talk about where the scope of  
16 wheel product is smaller. It's not really. The tub type  
17 industry is not in our business anymore. That's a  
18 multi-piece and a tube-type tire. Everything is tubeless  
19 now. So that was in the original 2012 and it's not today.  
20 It's not with good merit because there is no market.

21 The 8-inch is a very, very, very small market.  
22 It's not in there today.

23 CHAIRMAN JOHANSON: The 8-inch? Is that the  
24 smaller -- 18-inch?

25 MR. CUNNINGHAM: 8-inch.

1                   CHAIRMAN JOHANSON: 8-inch, okay.

2                   MR. CUNNINGHAM: Right. Did I say that right?  
3                   Yeah, 8-inch. 8-inch in width. It's not in the scope today  
4                   and it's with good merit that it's not. The Petitioners  
5                   justified this morning that off-road was in that scope and I  
6                   would say that no off-road was not in that scope in 2012.  
7                   So just to summarize quickly here that the scope between  
8                   2012 and today product-wise is just about the same.

9                   The market dynamics, the three segments are just  
10                  about the same. Actually the players are just about the  
11                  same. My percentage penetration in the aftermarket might  
12                  have been 100 percent in 2012 and it's 98 percent now. So  
13                  it's about the same. So, I hope that answers.

14                  What other categories could I maybe talk about?

15                  CHAIRMAN JOHANSON: Well, I'm just curious. The  
16                  Petitioners this morning stated that the scope no longer  
17                  includes smaller wheels? I'm not sure exactly what the  
18                  parameters were of that.

19                  MR. CUNNINGHAM: Yeah, it's they were such a  
20                  small segment, even back in 2012 that it was curious that  
21                  they were even in the scope. The Petitioners were basically  
22                  the same. The importers are the same. It's interesting.

23                  CHAIRMAN JOHANSON: I'm going to let Mr. Stewart  
24                  just very briefly talk about the parameters just in like one  
25                  sentence.

1                   MR. STEWART: One sentence it was like 18 inches  
2                   to 24 inches. So it included a lot of products that are  
3                   not in the scope today.

4                   CHAIRMAN JOHANSON: Okay, thanks for the  
5                   clarification. I let him speak because I'm trying to figure  
6                   out exactly what is at issue here.

7                   MR. EMERSON: Commissioner Johanson, if I could  
8                   hop in here. You know, certainly from our perspective and,  
9                   like Mr. Stewart, we were not counsel in the 2012 case so we  
10                  really don't have any visibility behind the public record of  
11                  what the Commission had in its determination but looking at  
12                  some of the very high level points between the 2012 decision  
13                  and here, for example, the Domestic Industry.

14                  Five producers as the Petitioners said in the  
15                  prior 2012 case but only two of them were major producers  
16                  and it's the two before you today or it was Accuride and --

17                  CHAIRMAN JOHANSON: Which gets to the whole issue  
18                  of the same, basically the same parties?

19                  MR. EMERSON: Basically the same parties. Three  
20                  of GKN, Topi and Titan were not only much smaller but they  
21                  served relatively narrow areas of the market so you are  
22                  really looking at the same two corporate entities. There  
23                  was a change in corporate entity but it has affected the  
24                  same companies that are here before you today.

25                  High segmentation in the marketplace, high

1       substitutability between the products as they said, very  
2       significant underselling found by the Commission in the 2012  
3       case, 49 of 51 quarterly price comparisons with underselling  
4       margins of 19.4 percent in that case. Not so different from  
5       what you've seen in this case too. But, again no volume  
6       impact, no price suppression, no price depression. Very  
7       steady market shares from beginning to end of the POI.

8                 Again, neither I nor Mr. Stewart have access to  
9       the confidential record but if you were simply to read the  
10      public conclusions here, the facts are highly parallel to  
11      what we have in this case.

12                CHAIRMAN JOHANSON: Okay, thanks Mr. Emerson and  
13      Mr. Cunningham. And to follow up on that, the Domestic  
14      Industry argues that there has been a significant trend  
15      towards imports of lightweight steel wheels from China since  
16      the 2012 investigations and they discussed this at pages 42  
17      to 43 of their brief. What do you all think of that  
18      characterization?

19                MR. CUNNINGHAM: This is Tom Cunningham. I would  
20      generally agree. The whole world is getting lighter from a  
21      transportation standpoint. I mean they're talking about  
22      maybe going to electric trucks, electric cars. They have to  
23      have lighter components so I would generally agree that  
24      these markets have moved Domestic and Import basically at  
25      the same rate. Accuride is now 65 pounds.

1           Most of the wheels that I import to the U.S. are  
2           71 to 80 pounds. Let's just grab 71. Used to be 80. The  
3           Accuride wheel used to weigh more in 2012. So I would  
4           agree. Both segments have moved down in weight.

5           CHAIRMAN JOHANSON: Yes, Ms. Walker?

6           MS. WALKER: Yes, I'm Ms. Walker. I have  
7           comments on the previous impact of this. You know, we were  
8           looking for the boogieman in 2012 and the boogieman was "oh  
9           my goodness the Chinese manufacturers are going to be able  
10          to make lightweight wheels". That happened but some of it  
11          was about their own demand.

12          Domestic and made in China required them to be  
13          more fuel efficient. That happened after '08. There were  
14          concerted pushes from their government to lighten up. But  
15          what really happened in the United States is we continue to  
16          look for the boogieman and it's not in China. He's here and  
17          he's an aluminum wheel and he weighs 40 pounds instead of 65  
18          or 67 and it's going to keep happening because of the  
19          requirements of trucking companies and fleets and people who  
20          buy trucks and people who own small fleets. It's going to  
21          keep happening.

22          Do you want to pay more money to run a 25-pound  
23          heavier wheel and I think the answer is no. But we can keep  
24          looking. We can do this every 8 years.

25          CHAIRMAN JOHANSON: So just to clarify, you're



1       contending that the real competition with steel wheels in  
2       the United States is more aluminum?

3               MS. WALKER: I think it's aluminum and I think  
4       that it's a little bit conceited to say okay, no those  
5       Chinese guys can't have better production plans, they can't  
6       put more investment in because we don't want them to make  
7       lightweight wheels. They have other markets that are  
8       diversified besides us in the United States and some people  
9       have requirements that they have to meet. It's really  
10      presumptuous to say don't make progress.

11             CHAIRMAN JOHANSON: Yes, Mr. Lee?

12             MR. LEE: This is Benjamin Lee from Sunrise. I  
13      have more information about the last question in the scope.  
14      Last investigation was a trial, the scope was 18 to 24.5.  
15      This scope includes 19.5, 22.5, 24.5. Only one size smaller  
16      than these tires. This 19.5 is very, very small in the  
17      market. 22.5 and 24.5 car wheels are I believe 99 percent  
18      of the whole U.S. truck and trailer industry and bus -- so I  
19      don't think it's a big difference in the scope from last  
20      time to this time.

21             CHAIRMAN JOHANSON: Okay.

22             MR. LEE: Their focus is on the 22 and the 24,  
23      which I believe is 99 percent of the whole industry.

24             CHAIRMAN JOHANSON: Okay, so once again you're  
25      stating that it's basically in effect the same scope, more

1 or less.

2 MR. LEE: Yes, about this question of the  
3 lightweight. Lightweight is the trend of the whole world.  
4 Europe, China, U.S. Like the trailer manufacturer in China  
5 CMC. They ship a lot of chassis to China. They require the  
6 whole weight of the chassis so they have to reduce other  
7 parts, power wheel, steel everything.

8 CHAIRMAN JOHANSON: Okay. Thanks, Mr. Lee. And  
9 the yellow light just came on so I'm going to turn now to  
10 Commissioner Williamson.

11 COMMISSIONER WILLIAMSON: Thank you. Okay, in  
12 page one of the Respondents' brief you state that within  
13 these market segments competition is highly attenuated. Do  
14 you mean that competition is highly attenuated even within  
15 this segment such as the aftermarket or trailer OEM and if  
16 so please give some examples?

17 MR. EMERSON: Commissioner Williamson.  
18 Apologies, no that really should be across these segments.  
19 It's attenuated. You've got sales in the OEM truck market  
20 for example. It's really a separate and different market  
21 from the market segment from the sales and the aftermarket  
22 for example. Within each market segment there is  
23 competition. I apologize if that was not written clearly  
24 enough.

25 COMMISSIONER WILLIAMSON: Okay, thank you. Okay.

1       Why are there different levels at the top anticipation of  
2       Subject Imports in the U.S. truck and trailer OEM segment  
3       also as opposed to the bus OEM segment? I think this  
4       morning you talked about the school buses, you know they are  
5       public entities that probably don't have as much money.

6                 MR. EMERSON: Right.

7                 COMMISSIONER WILLIAMSON: I don't know if there's  
8       other explanations.

9                 MR. EMERSON: Again, this is Eric Emerson. I  
10       look over to Mr. Lee as well. I think a big answer or part  
11       of the answer to that question, Commissioner Williamson, is  
12       in part the fact that the bus market, the bus segment and  
13       the OEM other segment are, in fact, quite small. Both of  
14       them are really quite small and you will see on slide 6 and  
15       7 the percentage of the market represented by each of these.

16                What I think that can mean is that a single  
17       contract can have a fairly big impact on penetration into  
18       each of those market segments. As Mr. Lee testified and he  
19       can follow up this morning, they constitute a fair chunk of  
20       the OEM bus shipments, subject shipments and that's only  
21       just for one contract to one relationship with one bus  
22       company that predated even the prior 2012 investigation.

23                So I think in part what we're seeing is you are  
24       just looking at a much smaller data set for each of those  
25       two market segments, such that a small number of shipments

1 can really eschew that in a way that you can't in the  
2 aftermarket, for example.

3 COMMISSIONER WILLIAMSON: Mr. Lee, do you want to  
4 say how you captured those segments? Or why?

5 MR. LEE: Bus sales, school bus and we start  
6 qualification around 2010 and one half a year later we  
7 started supplying in 2011 and it's very steady, it's flying.

8 COMMISSIONER WILLIAMSON: Okay and the  
9 manufacturer only makes primarily buses?

10 MR. LEE: Yes.

11 MR. CUNNINGHAM: Can I add to that?

12 COMMISSIONER WILLIAMSON: Sure.

13 MR. CUNNINGHAM: Tom Cunningham, thank you. It  
14 was curious to me in the wheel business you are always  
15 constantly looking at wheels and since I've been in  
16 Washington I've looked at your buses in the city and they  
17 all have aluminum wheels. So it's interesting the school  
18 bus market is primarily steel to your point about cost  
19 restrictions in education.

20 The buses across the country that run in cities  
21 are dramatically aluminum wheels. I wasn't surprised when I  
22 saw them but it was interesting. So that traditional bus  
23 market has moved from steel to aluminum.

24 COMMISSIONER WILLIAMSON: The city --

25 MR. CUNNINGHAM: The city buses.

1 COMMISSIONER WILLIAMSON: Public Transit buses?

2 MR. CUNNINGHAM: And Greyhound and that segment  
3 of the market.

4 COMMISSIONER WILLIAMSON: Okay, thank you. So  
5 Respondents argue that the Domestic Industry prior to the  
6 OEM sales and that in times of high demand for new builds  
7 the Domestic Industry may under-serve the aftermarket. When  
8 is the last time this has occurred? And do you argue that  
9 the Domestic Industry lacks the capacity to supply both the  
10 aftermarket and the OEM market?

11 MS. WALKER: On class 8, it's cyclical. It  
12 really depends on production output of our GDP of the United  
13 States. But there have been changes. My background before,  
14 I worked for my dad and the entire business in the wheel  
15 business, I worked for Yahoo and I watched, just like the  
16 rest of you, how we take delivery to things.

17 Last mile trucking is changing the trucking  
18 industry in ways that we never thought it would so people  
19 are needing to have more trailers, not more trucks because  
20 you're able to back up to a trailer and put it on and  
21 deliver again. You know, the surge has been for repair and  
22 maintenance and replacement of the trailer.

23 Also, I have some strange feelings about ELI.  
24 You know, last year most truckers went to, or correct  
25 truckers went to the electronic log books so there was a

1 couple months that there was a huge jump in replacement and  
2 repair. You know, they talk about seasonality --

3 COMMISSIONER WILLIAMSON: Replacement and repair  
4 of wheels?

5 MS. WALKER: Yes, of wheels. Making the trailers  
6 ready because drivers would time out on the truck and then  
7 you know it would be harder to make end deliveries, the last  
8 mile deliveries. I understand there are seasonality  
9 arguments and I pretty much agree with it too but I also  
10 think there are some underlying e-commerce things that are  
11 pushing this.

12 So, and I also feel like when --

13 COMMISSIONER WILLIAMSON: So, what does that say  
14 about the capacity of the domestic industry to service -- or  
15 what's -- how can the domestic industry service this market?

16 MS. WALKER: I'm not an expert, I don't know.  
17 I'm just saying that the industry is dynamic, and it is  
18 changing. You can see that how you order stuff for your  
19 home.

20 COMMISSIONER WILLIAMSON: Yeah, but I'm trying to  
21 get at the question of is the domestic industry, you know,  
22 underserving the after-market in times of high demand or  
23 change? What is the capacity as you service the  
24 after-market as well as the OEM market? Does anyone else  
25 want to comment on that?

1 MS. WALKER: That would have to be for post I  
2 think but thank you for the question.

3 COMMISSIONER WILLIAMSON: Okay.

4 MR. EMERSON: The only thing that I would add to  
5 that Commissioner Williamson, is that whether you've got  
6 increasing or decreasing demand in the OEM sector, that  
7 might give -- that might allow the domestic industry, let's  
8 say -- here's sort of a short-term or cyclical capability to  
9 be able to have more ability to satisfy, to sell into the  
10 after-market sector.

11 So, you might say well, if truck builds went  
12 down, that gives them more capability just selling for the  
13 after-market sector. I think what the after-market  
14 customers have said, certainly to us and here at the table,  
15 is that that's not the partner that they want. They want a  
16 partner who will be in the after-market even when truck,  
17 trailer builds are strong -- they don't to be, they don't  
18 want to play second fiddle to that OEM build.

19 COMMISSIONER WILLIAMSON: That's what I was  
20 asking, when was the time when the domestics were not  
21 servicing the after-market or weren't trying to? I'm just  
22 trying to substantiate the claim.

23 MR. CUNNINGHAM: Tom Cunningham, I will take a  
24 shot at it.

25 COMMISSIONER WILLIAMSON: Sure.

1           MR. CUNNINGHAM: I think -- I started my business  
2 to serve a select group of after-market customers, and at  
3 that time there was some -- I guess I'd say some  
4 under-service by the domestics. That was a long time ago.  
5 Today, I have business because of relationships, trust,  
6 friendships, delivering a powder-coated wheel, delivering a  
7 galvanized wheel -- nobody else has galvanized wheels, so  
8 are the domestics under-serving the after-market who  
9 requires better help because of rusty wheels?

10           So, to me it's not so much just volume and  
11 capacity as it is the perception of how you go about serving  
12 that after-market. So, today I would testify that the  
13 domestics are still underserving the after-market, but not  
14 so much because of volume or availability of just some steel  
15 wheel.

16           COMMISSIONER WILLIAMSON: Because they're not as  
17 good as you are, is that what you're saying?

18           MR. CUNNINGHAM: Yes.

19           MS. WALKER: Amanda Walker, no it's about a  
20 solution. You want to buy a solution. You don't want to  
21 just buy a wheel. I mean, you want to be able to pull from  
22 somebody's inventory. You don't want to have to order at a  
23 factory. You want a solution. You want to be cared for as  
24 a customer. I do.

25           COMMISSIONER WILLIAMSON: Yeah.



1 MS. WALKER: So, it's different. It's not better  
2 or good, it's just different.

3 MR. CUNNINGHAM: And I want to clarify my answer  
4 please. I promise, and it's not --

5 COMMISSIONER WILLIAMSON: No, you stated it very  
6 modestly, but that's what you said.

7 MR. CUNNINGHAM: I know, can we strike that? So,  
8 the point is perhaps I'm doing a better job of listening to  
9 the market.

10 COMMISSIONER WILLIAMSON: Okay, okay. Oops, no  
11 my times not up. One other quick question for Trans Texas.  
12 You cited an obligation regarding Trans Texas's difficulty  
13 in getting domestic production, and I was wondering do you  
14 have more recent examples, because I think that was a while  
15 ago?

16 MS. WALKER: No, nothing in the POI.

17 COMMISSIONER WILLIAMSON: Okay, okay.

18 MS. WALKER: Thank you.

19 COMMISSIONER WILLIAMSON: Good, okay, thank you.

20 CHAIRMAN JOHANSON: Okay, Commissioner Broadbent?

21 COMMISSIONER BROADBENT: Yeah, it would be  
22 interesting just to think, Miss Walker, a little bit more  
23 about how ecommerce is affecting this. I mean it would sort  
24 of raise a lot of questions in my mind and it would be fun  
25 to just sort of see if there's anything else out there we

1 can understand in your post-hearing.

2 Let's see, 9 of the 16 responding purchasers  
3 require that their suppliers become certified or qualified  
4 to sell steel wheels to their firm. Can you describe what  
5 is required during the qualification process? What are the  
6 different requirements for qualifying to sell steel wheels  
7 to the OEM market and after-market, and why is it considered  
8 easier to qualify for sales in the after-market?

9 I would just kind of like to understand the  
10 certification process better.

11 MR. SAYLOR: David Saylor here. In the  
12 after-market there's not a very high bar that we have to  
13 step over for qualification. It has to be the right size,  
14 has to be a DOT wheel that passes tests, sometimes they want  
15 a drawing, sometimes they don't, you know, it ranges a bit.

16 In the after-market we have people like Tom, who  
17 require third-party casting, he's a little tougher than  
18 average, but that's it for after-market. For the OEM's, it  
19 varies between truck and trailer. Both of them have  
20 qualification systems that look a lot alike. They come,  
21 they see the plant, they check our quality system, they talk  
22 about our business plan, but the rigor of the truck guys is  
23 much higher than the trailer guys.

24 It can take over a year with the truck guys. The  
25 trailer guys -- they like you and they think everything's

1 fine. It can be a 6 to 9-month approval. Same steps, just  
2 one's more rigorous than the other.

3 COMMISSONER BROADBENT: Okay.

4 MR. SAYLOR: Is that adequate or?

5 COMMISSIONER BROADBENT: Yeah, no that's helpful.  
6 I mean I guess I'm just trying to understand what are they  
7 looking for in particular?

8 MR. CUNNINGHAM: Could I?

9 COMMISSIONER BROADBENT: Yeah.

10 MR. CUNNINGHAM: Sorry, Tom Cunningham. In the  
11 after-market when they are "qualifying you," from my  
12 experience it's been because they really would like to buy  
13 from you and the trailer, sometimes it's because they would  
14 like to buy from you and sometimes it's to play that truck  
15 OE game which is a "certification" so they can use a price,  
16 perhaps, in their negotiations with the companies they're  
17 actually going to do business with.

18 So, it's very -- the segments are amazingly  
19 different for the same darn wheel, it's just amazing.

20 COMMISSIONER BROADBENT: Okay, thank you. On  
21 page 19 of your brief, you state that increased truck and  
22 trailer production in Mexico also affected U.S. demand for  
23 steel wheels. Are these trucks and trailers mainly being  
24 built for export to the U.S. or for use in Mexico?

25 MR. CUNNINGHAM: I looked at that and perhaps

1 counsel will have a better answer, but what I saw was 90% of  
2 the trucks built in Mexico are exported. Not necessarily to  
3 the U.S., but out of Mexico and hopefully they could give me  
4 better data than what that did this.

5 MS. KEPKAY: Allison Kepkay here from White &  
6 Case. That's what we've seen as well based on the publicly  
7 available information and also --

8 COMMISSIONER BROADBENT: Wait, you've seen what?

9 MS. KEPKAY: That many of the trucks are meant  
10 for export, not necessarily to the United States.

11 COMMISSIONER BROADBENT: Do you have a sense of  
12 how much is going to the U.S. and how much is going  
13 elsewhere?

14 MS. KEPKAY: We can -- I don't have the  
15 information on hand, but we can look into it and address it  
16 in the post-hearing brief.

17 COMMISSIONER BROADBENT: Yeah, that'd be helpful.  
18 Yeah, I think that concludes my questions for the time  
19 being, thank you.

20 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

21 COMMISSIONER SCHMIDTLEIN: Okay, I just had a few  
22 additional questions. This might sound a little bit  
23 nitpicky but Mr. Emerson, I wanted to follow-up on this  
24 question about attenuated competition that you were  
25 discussing with Commissioner Williamson and Commissioner

1       Kearns.

2                   And I thought I just heard you say that there is  
3       competition within each of those segments except the truck  
4       segment, which you all don't --

5                   MR. EMERSON:   Correct.

6                   COMMISSIONER SCHMIDTLEIN:  View, you know, being  
7       able to bid as competition given that they're not actually  
8       any imports in that segments right now?  So, I guess my  
9       question is so when originally this argument was being made,  
10      that there's attenuated competition and I see for every  
11      segment that the Chinese are in, there is U.S. competition.  
12      The U.S. are also present in that segment and not in de  
13      minimis amounts, right?

14                   Certain segments are smaller than others, but in  
15      terms of each of their presence, you know, one will be  
16      larger but it's not like one is di minimis.  So, to me, that  
17      would suggest that this isn't -- that that's not really the  
18      appropriate use of that concept that there is attenuated  
19      competition?

20                   And this doesn't go to the argument of whether or  
21      not the way the competition breaks out among those segments  
22      means there hasn't been an impact, you know, for whatever  
23      reason, you know, the loss of market share, or the non-loss  
24      of market share.

25                   MR. EMERSON:   Certainly.

1                   COMMISSIONER SCHMIDTLEIN: But do you follow what  
2 I'm saying, because I was a little bit confused.

3                   MR. EMERSON: I do, and so if I might be able to  
4 try to clarify that. I also turn to my colleague Tom Trendl  
5 for a minute to weigh in on one particular point as well.  
6 So, let me try to clarify.

7                   I think that in some cases that the Commission  
8 sees, there really is no segmentation of the market. Any  
9 import could compete for any sale to any customer generally  
10 speaking. Right? It's just a -- it is a completely  
11 fungible market. And that is when the Commission looks at  
12 overall market shares, that's essentially what you're --  
13 that's the implication right?

14                  COMMISSIONER SCHMIDTLEIN: Um-hmm.

15                  MR. EMERSON: Is that everything competes with  
16 everything, that's not true here, right?

17                  COMMISSIONER SCHMIDTLEIN: Um-hmm.

18                  MR. EMERSON: Any imports for example, coming  
19 into the United States cannot compete or do not compete in  
20 the OEM truck segment, for example, where there have been no  
21 imports forever. And so, in that respect there is  
22 attenuated competition sort of between the market segments  
23 -- a wheel is a wheel but a wheel going into the  
24 after-market can't go in to the OEM truck segment because  
25 those are not fungible.

1                   COMMISSIONER SCHMIDTLEIN: But to me that's  
2                   segmentation, that's market segmentation.

3                   MR. EMERSON: And it is segmentation.

4                   COMMISSIONER SCHMIDTLEIN: Yeah, the market is  
5                   segmented, yeah.

6                   MR. EMERSON: Big time, the market is segmented  
7                   and that's the term we wanted to use. I'll turn to Tom for  
8                   a minute because this really speaks to the refrigerators,  
9                   and maybe you can speak to that for a second.

10                  MR. TRENDL: I assume that's where he was heading  
11                  on this one. Looking at bottom out refrigerator freezers  
12                  from Korea and Mexico, it's kind of a flip of this if you  
13                  will, but in that investigation which you had the Korean  
14                  manufacturers selling heavily into the so-called jumbo-sized  
15                  refrigerators, something that the domestic producer was not  
16                  serving, we weren't there.

17                  There in this market there is overall import  
18                  increase, there was market share issues, all that kind of  
19                  stuff, predominantly in the -- I don't want to characterize  
20                  it now, I don't exactly remember, but heavily if you will,  
21                  in the jumbo-sized where the domestic producers were not.

22                  COMMISSIONER SCHMIDTLEIN: Right.

23                  MR. TRENDL: And you know, that I think is what I  
24                  wanted to mention here, because when you look at  
25                  competition, where are we really competing? We're not

1 competing in that segment, so here we're looking at the  
2 segments. It's, you know, maybe an imperfect term, I agree  
3 with you Commissioner, attenuated competition, but the  
4 concept is what we're looking at.

5 COMMISSIONER SCHMIDTLEIN: Right, but although  
6 there I mean, importantly, you had subject imports competing  
7 in a segment in the United States in which domestic  
8 producers were not competing -- do you see?

9 And so here, every segment in which the Chinese  
10 are present, U.S. is present. So, even though there's one  
11 segment where the U.S. also produces and competes, the  
12 Chinese are not there. Every segment in which the Chinese  
13 are coming in, the U.S. is present.

14 And so, to me, yes, the market is segmented and  
15 as I mentioned there's no de minimis issue here, I don't  
16 think, right? Where you could say, well even though the  
17 President like --

18 MR. TRENDL: Yeah, I know we're not talking.

19 COMMISSIONER SCHMIDTLEIN: Right, so that's not  
20 attenuated competition. I mean you may want to argue, look,  
21 demand went down and the truck OEM and so when you look at  
22 the aggregate number of loss of market share, it's being  
23 driven by that segment which is in scope and therefore,  
24 that's why they're not really being injured by that, because  
25 when you break it out and you look at where the competition



1 is, they're not losing that much, but that's not attenuated  
2 competition, that's an injury to me, that's an injury  
3 impact argument.

4 MR. EMERSON: But let me spin that just a little  
5 bit more because I do think to some extent -- and perhaps  
6 we've used the term not in exactly the same way as in the  
7 bottom at the exit. Perhaps the reverse does matter and so  
8 --

9 COMMISSIONER SCHMIDTLEIN: I think it does, yeah.

10 MR. EMERSON: Perhaps it does matter, but I would  
11 make this point and maybe if I could clarify my response to  
12 Commissioner Williamson. Within each segment, you have --  
13 it is not, I think it is not fair to say that within each  
14 segment all subject wheels compete with all domestic wheels.

15 Yes, it is true that in all but -- let's just  
16 talk about the big three -- truck, trailer, and  
17 after-market, we must decide. That within trailer for  
18 example, it is not fair to say that every subject import  
19 into that segment competes with every domestic import  
20 because of the qualification issues you've just heard about.

21 COMMISSIONER SCHMIDTLEIN: Okay.

22 MR. EMERSON: So, it's I think a bit attenuated  
23 in that respect. So, you know, perhaps I've used that word.

24 COMMISSIONER SCHMIDTLEIN: Good point, yep.

25 MR. EMERSON: Not quite the right way but I think

1 it is not fair to say that within each of those baskets that  
2 everything competes with everything, and I suspect we would  
3 probably find the same thing to be true even in the  
4 after-market where certain imports sources sell  
5 traditionally to certain customers like Mr. Cunningham, and  
6 you know, others don't.

7 So, I think it's maybe even within those baskets  
8 it's not fair to say that it's a free for all.

9 COMMISSIONER SCHMIDTLEIN: Okay, yep, fair point.

10 MR. EMERSON: Okay.

11 COMMISSIONER SCHMIDTLEIN: Okay, alright.

12 Another question with regard to the lost sales information  
13 and I have read the behind brief where you all address some  
14 of those lost sales and question them and it makes me want  
15 to hold a workshop on our lost sales questionnaire because  
16 we've heard this argument before that people are not clear.

17 They understand the question on there, but it  
18 seems pretty straight-forward. If the Commission does find  
19 the responses of those purchasers to be credible, on their  
20 face that they're not -- that we're not going to toss them  
21 out based on some of the questions that you raised -- it's a  
22 fairly substantial amount right, that would have been  
23 confirmed and so I guess my question to you is given that  
24 amount in the overall market size right -- can the  
25 Commission go negative with those types of -- with that

1 volume being confirmed as lost due to price?

2 MR. TRENDL: This is Tom Trendl -- I understand  
3 your question and I'll go with your assumption, the bulk of  
4 these are confirmed. I think the answer is yes, you  
5 absolutely can and should still go negative for a host of  
6 other reasons.

7 I'll get back to the profitability discussion I  
8 had earlier in the slide, I think it's 11 or something, if  
9 indeed all of those were confirmed, you would expect to see  
10 a dramatic impact in their profitability and their financial  
11 performance -- that's not what's reflected on that slide.

12 If they really lost all those sales and they  
13 really lost all that revenue, wow, that's -- it doesn't  
14 comport with the profitability data. I want to be very  
15 careful here, so I guess --

16 COMMISSIONER SCHMIDTLEIN: I guess wouldn't the  
17 argument be -- well, they would have been more profitable?

18 MR. TRENDL: I would -- I hear that, I think they  
19 did say that this morning. I would look at the ratios that  
20 you have on the record, and for my friends from the south --  
21 boy howdy, that would be a terrific return for kind of any  
22 industry, so I think we need to be realistic about what  
23 we're looking at here.

24 And I would suggest, you know, I won't reargue  
25 the possible data and misunderstandings and all the rest of

1       it, but if that really were there, I don't see how you can  
2       square that with the profitability data of audited  
3       financials and the like. So, I would say yes, there's still  
4       very much a basis to go negative.

5               MR. EMERSON: If I could make one other point.

6               COMMISSIONER SCHMIDTLEIN: Yeah.

7               MR. EMERSON: Again, I only have our public  
8       version here so that I don't go to APO jail. But if you, or  
9       if the Commission takes a look at page 39, going back to the  
10      point about imports, which I appreciate that Commissioner  
11      Williamson does not necessarily find as persuasive as I do,  
12      but the volume of imports brought in by the domestic  
13      industry as compared to the amount of lost sales is an  
14      analysis that we do here on page 39.

15              I think our fundamental point is this. If the  
16      loss of that volume of domestic production to subject  
17      imports was so significant, what does that say about the  
18      volume of imports that the Petitioners brought in from their  
19      non-U.S. facilities?

20              They can't have it both ways? You know, they  
21      can't say that this volume lost to subject imports is  
22      significant, but the volume that we've brought in from  
23      Canada, Mexico and elsewhere is part of our normal business  
24      operations and shouldn't be taken into account.

25              COMMISSIONER SCHMIDTLEIN: Okay, well, but I mean

1 I guess, again just to play the devil's advocate, wouldn't  
2 one response be to that that those non-subject imports are  
3 being fairly priced?

4 MR. EMERSON: But I think that the issue here is  
5 a question of volume, isn't it? Isn't it a question of the  
6 lack of production -- the lack of production, the lack of  
7 shipments? There may be a profitability component to that,  
8 but again, plenty profitable during the POI. I think that  
9 the Commission. I think that, pardon me, the Petitioner's  
10 point is that that lack of sales volume affected their --  
11 and they in fact provided a very detailed analysis about the  
12 impact of those lost sales on their overhead and their  
13 profitability, right?

14 But they really are looking at it from a  
15 production perspective and if that's the case then what does  
16 that say about these non-subject imports that they're  
17 bringing into the country?

18 COMMISSIONER SCHMIDTLEIN: Okay, yeah, I  
19 understand.

20 MR. EMERSON: Okay.

21 COMMISSIONER SCHMIDTLEIN: Alright, thank you, my  
22 time is up.

23 CHAIRMAN JOHANSON: Commissioner Kearns?

24 COMMISSIONER KEARNS: Thank you, first I just  
25 wanted to kind of make more of a comment on aluminum since

1 you all have raised it, and then if you do disagree with my  
2 thinking on that, feel free to respond. But it's not that I  
3 haven't asked any questions about aluminum not because what  
4 you say, in particular, Miss Walker, but I think others have  
5 as well -- Mr. Cunningham, and others.

6 It's just that given the way that we are looking  
7 at this case, I'm not sure that's relevant. In other words,  
8 when we're trying to determine whether or not the U.S.  
9 industry lost market share to Chinese imports, of course  
10 aluminum doesn't really factor into the market share because  
11 we're looking at the market as just steel wheels.

12 And you know, if we were looking at an industry  
13 that was doing you know, that was losing incredible sums of  
14 money and we're trying to explain why, we would be more  
15 focused on alternative causes such as aluminum, I think.

16 So, I haven't asked any questions on that basis,  
17 but if someone thinks that there is some remaining reason  
18 that we should be more focused on aluminum, given the other  
19 kinds of questions we've been asking today, feel free to let  
20 me know. If not, I'll move on, oh, please?

21 MS. KEPKAY: Allison Kepkay here for White &  
22 Case. I think one point that is important to focus on is  
23 the presence of aluminum wheels in the OEM market where the  
24 domestic industry is primarily concentrated.

25 So, if truck and trailer OEM's are switching to

1 aluminum wheels, that's taking away from what domestic  
2 producers would be serving to truck and trailer OEM's.  
3 Similarly, I guess it's almost double-sided, the move to  
4 Mexico for truck and trailer OEM's, again that's affecting  
5 the move to Mexico in addition to the move to aluminum  
6 wheels.

7 That's primarily affecting the truck and trailer  
8 OEM segment of the market.

9 COMMISSIONER KEARNS: Okay, thank you.

10 MS. KEPKAY: And then just one point of  
11 clarification from Commissioner Broadbent's question  
12 regarding truck and trailer movement to Mexico. I would  
13 just like to point out in terms of exports to the United  
14 States, we do discuss that on page 23 of our brief -- the  
15 amount of exports to the United States for truck  
16 production, but we can further elaborate on that and trailer  
17 OEM's in Mexico in the post-hearing brief.

18 COMMISSIONER KEARNS: Okay, thank you. Turning  
19 to post-Petition effects. Mr. Emerson, I think you raised  
20 this -- it might have been even in your opening. I think  
21 you responded that you know, fine, just look at 2015-2017  
22 and you won't find injury there either.

23 So, I hear you on that but I'm curious how you  
24 would look at the post-Petition period and how you would  
25 respond, either now or post-hearing to the arguments we

1 heard from Petitioners, you know, about how you can see  
2 simultaneously for example, the decline in imports, but also  
3 a cost price squeeze and any thoughts you all have on that  
4 would be appreciated.

5 MS. EMERSON: Happy to address that in the  
6 post-hearing, just again to give you a 30-second summary. I  
7 think that the cost price squeeze that you see post-PL --  
8 after the Petition, is really caused by a spike in steel  
9 prices, mostly because of the 232.

10 You've got contracts that limit, they're mostly a  
11 long-term OEM contract, they limit the domestic industry's  
12 ability to increase prices immediately. They pull out pass  
13 through, but not immediately 3 to 6-month lags, is what we  
14 heard this morning. And I think that you would have seen  
15 that cost price squeeze regardless of whether there were  
16 subject imports in the market or not. I don't think it  
17 would have been -- I don't think it's credible to suggest  
18 that a major trailer or truck producer would be honestly  
19 telling someone we are seriously considering the Chinese now  
20 as a supplier in competition with you when they're looking  
21 at a 400% ABCBD cash deposit rate.

22 I just don't think that that's a credible  
23 explanation for the cost pressure that the Petitioners have  
24 argued.

25 COMMISSONER KEARNS: Okay.



1                   MR. EMERSON: But happy to address it more in the  
2 post.

3                   COMMISSIONER KEARNS: Thank you, that was  
4 helpful. Oh, so this is something I just recently focused  
5 on. I guess I'd appreciate the thoughts of both Petitioners  
6 and Respondents on this. But -- and I don't have it handy I  
7 don't think, but I was looking earlier at the -- I think we  
8 have a break-out for the after-market segment, and I was  
9 looking at average unit values for U.S. shipments there.

10                   And there seemed to be kind of a disconnect  
11 between those values and the values in other segments of the  
12 market and I would like to hear what everyone thinks about,  
13 you know, what would account for that I think, pretty  
14 significant, difference in values? And especially given  
15 that, I believe it was one of the Accuride witnesses this  
16 morning who suggested you're not going to have big  
17 disparities between various segments because everyone talks  
18 to one another, and it's a pretty transparent market, so. I  
19 guess post-conference I would appreciate any thoughts on  
20 that.

21                   MR. EMERSON: Absolutely.

22                   COMMISSIONER KEARNS: Let's see, so pricing -- in  
23 the pre-hearing report on page 5-4, the first paragraph  
24 describes, "Purchaser responses stating the Chinese price  
25 quotes were lower than those from domestic producers, that

1 their contracts require U.S. producers to meet other  
2 supplier's prices and that they used Chinese prices to  
3 obtain price reductions."

4 I think Commissioner Schmidtlein addressed this  
5 with Petitioners this morning. I don't think you all have  
6 really addressed it this afternoon. Doesn't this provide  
7 pretty strong support for a finding of price effects?

8 MR. EMERSON: Commissioner Kearns, I guess what I  
9 would say two-fold. I think that where you -- the anecdotal  
10 data are interesting from the questionnaire response, but  
11 really the rubber meets the road -- really no pun intended,  
12 where you actually look at the price trends.

13 And we don't see in the trends for products 1  
14 through 4, we do not see price suppression, we do not see  
15 price depression, and that was the Commission's preliminary  
16 determination. I feel it holds true here into the final as  
17 well. The first part of that sentence, all 16 purchasers  
18 say -- have essentially meet or release, that does not  
19 specify only subject imports. That could be, you know,  
20 across domestic competition which frankly is more likely if  
21 they are both -- if they are qualified with a major producer  
22 and we as on behalf of the Chinese producers are not.

23 So, that was it and I think Mr. Cunningham may  
24 have had a comment to follow-up on that as well.

25 MR. CUNNINGHAM: I got lost in the verbiage. I'm

1       sorry.

2                   COMMISSIONER KEARNS:   That's alright, thank you.  
3       So, Petitioners have pointed out that we are missing quite a  
4       bit of data when it comes to Chinese producers.  How would  
5       you respond to those arguments?

6                   MR. CUNNINGHAM:  Tom Cunningham, I would say the  
7       first time I saw that there were 62 Chinese manufacturers of  
8       subject wheels I was like amazed.  That's when I saw the  
9       volume numbers, I was amazed.  I just don't -- I don't know  
10      what's wrong, whether it's the import numbers are too broad?  
11      Most of the importers are right here, you know, I'd say all  
12      five of us, Maxion, Accuride, Zhejiang Jingu -- this is us.

13                   So, and I'll look for other suppliers and there  
14      are not any, so there may be one or two little ones that you  
15      might see at the SEMA show that might be tool for making  
16      2258 and a quarter, but from an importer, you guys would  
17      have those numbers better than I would.  I don't see it, so  
18      that's the best I can tell you there.

19                   I just realized what the question was earlier,  
20      and it was about there are no secrets in this industry, and  
21      I would dispute that and say whatever the price Accuride has  
22      with Freightliner, is a pretty good secret.

23                   MR. EMERSON:  Commissioner Kearns, I'd just  
24      follow-up a little bit as well.  We can certainly talk about  
25      this as well with Ms. Walker, Mr. Cunningham.  We believe

1       that the dataset that the Commission has for this final  
2       determination is really quite complete and we don't believe  
3       that you know, we don't believe that the Commissioner's  
4       concerns about the dataset are well-founded.

5               One of the bases on Table 4-1 in the Commission's  
6       staff report, provides a list of the importers who have  
7       provided responses to the Commission questionnaire. At the  
8       break I asked, and you can certainly ask them directly, Ms.  
9       Walker, Mr. Cunningham, ask them about the completeness of  
10      this list, you know.

11             Is there anybody that you know, you've been in  
12      the business, is there anybody that you know, that big  
13      companies that really aren't on this list and the responses  
14      I got are that the list looks quite complete and you ask  
15      them, of course, yourself.

16             On the -- but the point about the lack of foreign  
17      producer questionnaire responses -- even if that were true,  
18      I think that where that would have the biggest impact  
19      normally would be in the Commission's threat analysis,  
20      because you want to know what's over in the foreign country.

21             We believe that the capacity utilization, based  
22      on the data you have, is actually quite high, but in this  
23      case, what should lead the Commission to a conclusion that  
24      there is no threat of material injury, or factors here in  
25      the United States -- what are those factors?

1           Those factors are things like lack of  
2           qualification of the foreign producers to be able to make  
3           sales in the United States. It has nothing to do with the  
4           questionnaire responses, that has everything to do with  
5           qualification here and also factors like the 301 -- the  
6           additional duties.

7           So, we believe -- I realize I'm taking much of  
8           your time, but that the fact that the -- we believe that the  
9           dataset is complete. We believe that the Chinese market is  
10          strong and that's true regardless of how many questionnaire  
11          responses you have and the limits on future imports really  
12          are U.S. side and we think those are provable even without  
13          -- even if you were to conclude you didn't have a complete  
14          dataset.

15          COMMISSIONER KEARNS: Okay, great, thank you,  
16          that's very helpful.

17          MS. WALKER: Amanda Walker, yes, it looks like  
18          it's 4-1. This is pretty much complete. I thought of one  
19          other person that I didn't see on here representative. And  
20          then Benjamin and I were just talking. You know, on the  
21          submissions from the Chinese side, you have the major three  
22          here. My family is the family that invested in Sheman, even  
23          though they have dropped out of this investigation.

24          But it's a larger thing that you're talking  
25          about. There are 34 provinces in China, and everyone of

1       them had a tire factory and most of them had a wheel factory  
2       after the revolution because they didn't want to ship. So,  
3       as this evolved, and as the different companies got better  
4       and people went to graduate school, and people learned new  
5       processes, some of the guys fell away, but there are three  
6       major wheel manufacturers in China.

7                   And there are people here from every one of them,  
8       thank you.

9                   COMMISSIONER KEARNS: Thank you.

10                   CHAIRMAN JOHANSON: I asked the Petitioner's  
11       panel this morning about how often a steel wheel needs to be  
12       replaced, or in other words, how often do end users need to  
13       buy in the after-market, and they indicated that this would  
14       be a relatively rare occurrence caused only by damage to the  
15       wheel.

16                   Do you all have a view on this assessment?

17                   MR. CUNNINGHAM: The after-market -- Tom  
18       Cunningham, the after-market is so varied and wide it goes  
19       to the point of the celibate curve to the wheel and dented  
20       it and it needs a new one -- that's one wheel, and maybe the  
21       life that wheel had been in service for six months or six  
22       years, so it's a wide variation of things that the  
23       after-market tire wheel mounter -- he's buying it as an  
24       after-market customer, but then it's going to a small OE  
25       trailer.

1           To go to the life of the wheel, I was interested  
2           to hear their testimony this morning and I think it was Mr.  
3           Risch said that -- and I agree with him, that if you take  
4           good care of a wheel, and it doesn't rust, and you don't  
5           damage it, it can last for the lifetime of the vehicle.

6           And the question is -- is it a truck vehicle or a  
7           trailer vehicle? And from my experience, the industry's  
8           saying we need a trailer that lasts 20 years, and we don't  
9           want any rust on that trailer for 20 years. The truck  
10          people are fleet's we're talking about, fleets will have a  
11          Class A truck for maybe 5 years, but the truck wears out --  
12          the engine, the transmission, but the trailer pretty much  
13          just keeps rolling.

14          So, if I had to throw a dart, I'd say if you take  
15          care of it 20 years.

16          CHAIRMAN JOHANSON: How well do people take care  
17          of it?

18          MR. CUNNINGHAM: Well --

19          CHAIRMAN JOHANSON: What's your experience as to  
20          how often they actually have to be replaced?

21          MR. CUNNINGHAM: Well I've always had the belief  
22          that the after-market is smaller than it's testified to.  
23          And in one case Mr. Monroe testified in the first hearing  
24          that it would be a driver-damaged wheel, or perhaps a wreck.

25          And I was thinking if that was the after-market,

1 we'd have to have the world's worst truck drivers to be 35%.  
2 So, it's very nebulous. Good fleets take good care of their  
3 wheels. There's a huge amount of money being spent on rusty  
4 wheels out there and it's a big issue.

5 They're trying to keep them safe. They're trying  
6 to keep them looking pretty. So, in those cases the wheel  
7 that was badly painted in the first place, may go through  
8 five or six repainting operations, and it's to keep the  
9 wheel from rusting to the point of failure.

10 A good wheel should last 20 years. What  
11 percentage -- hopefully 85% of good fleets do good  
12 maintenance.

13 CHAIRMAN JOHANSON: And I'm curious about this  
14 because these trucks are on the wheel -- or are on the road  
15 every day, day after day, year after year, and not only the  
16 trucks but also the trailers. So, I'm just curious as to  
17 how often they'd have to be replaced?

18 MR. CUNNINGHAM: From a damage standpoint, not  
19 very often. From a carving standpoint, not very often.  
20 From a wreck standpoint, not very often. From a corrosion,  
21 and Miss Monroe also addressed the corrosion issue. From a  
22 corrosion issue, often.

23 CHAIRMAN JOHANSON: How about just wanting to  
24 change it to have a lighter wheel for let's say fuel -- to  
25 increase fuel efficiency?



1                   MR. CUNNINGHAM: Well, there's a dynamic there  
2 and it's a good question. The lighter the wheel, the less  
3 steel. The less steel, the better you need to protect the  
4 steel, so it doesn't rust. So, a lighter-weight wheel may  
5 not last as long as a heavier wheel.

6                   CHAIRMAN JOHANSON: Okay.

7                   MR. CUNNINGHAM: I don't know, did that --

8                   CHAIRMAN JOHANSON: Yeah, you did, I'm just  
9 curious because if you all are arguing that you're focusing  
10 on the after-market, I'm curious as to how lively that  
11 after-market is?

12                   MR. CUNNINGHAM: Well most -- the after-market  
13 doesn't really require an Accuride 65-pound wheel, from a  
14 weight standpoint.

15                   CHAIRMAN JOHANSON: Okay, okay thanks for your  
16 response to that.

17                   MR. CUNNINGHAM: Thank you.

18                   CHAIRMAN JOHANSON: What is the role of brands in  
19 this market? Do the domestic producers have a brand equity  
20 that they cultivate through advertising and same thing with  
21 those of you who are the foreign producers?

22                   MR. CUNNINGHAM: Do you mind if I address that  
23 topic on that?

24                   CHAIRMAN JOHANSON: Certainly, go ahead.

25                   MR. CUNNINGHAM: I think Accuride has done a

1 really, really good job of brand. They've been Accuride for  
2 a long time. The second Petitioner, Maxion, not so much  
3 because their name has changed so many times in the last 10  
4 years. It's not their fault, it's just it was Goodyear,  
5 Motor Wheel, Hazel Emirates, you know, what is it today --  
6 so it's Maxion. So, that's a hard way to create a brand in  
7 the U.S.

8 MS. WALKER: We manufacturer market the arc wheel  
9 and we do that from 12 inch, which is really little, for  
10 like a little RV all the way up. Most of the calls we get  
11 are that someone likes our small wheels. Have you ever  
12 thought of making big wheels? Have you ever thought of  
13 making aluminum wheels? Things like that, I mean it's led  
14 up.

15 You know, we were experts in 12 to 16 or 12 to  
16 17.5 and we have an excellent name, so yes, we took it all  
17 the way up. I'm not familiar with domestics, I don't pay  
18 attention.

19 CHAIRMAN JOHANSON: And how do you create that  
20 excellent name? How do you do that?

21 MS. WALKER: We have 40 -- well we still have 40%  
22 of the OE market and utility trailers -- it's like for, it's  
23 like that you put livestock in, or landscape trailers,  
24 car-haulers, things like that -- those are smaller, they're  
25 not this diameter.

1                   CHAIRMAN JOHANSON: Okay, thanks. I'm going to  
2 ask the question I asked this morning of the Petitioners. I  
3 would like to get an answer from you all as well. What has  
4 been the effect of the Section 232 tariffs on steel and  
5 aluminum in the U.S. steel wheels market?

6                   MR. EMERSON: This is Eric. I think that we  
7 probably are not necessarily the best panel for it. I think  
8 that you know, we are importers that representing importers  
9 and foreign producers. Certainly, the prices of hot-rolled  
10 steel around the world have moved more or less in tandem, at  
11 least as far as I understand it, and I think as far as the  
12 information is contained in the staff report.

13                   I'm not sure that any of us would really have a  
14 great ability to comment on that. If we come up with  
15 something, we're certainly happy to put that in the  
16 post-hearing with your permission.

17                   CHAIRMAN JOHANSON: Okay, you might have a  
18 stronger opinion on this next question -- regarding this  
19 next question. Steel wheels from China are currently  
20 subject to a 10% ad valorem duty as a result of U.S. Section  
21 301 investigation. These duties were imposed in September  
22 2018, at the end of the period of investigation.

23                   How should we take these duties into account in  
24 our analysis?

25                   MR. TRENDL: Without question I think they get

1 taken into account particularly, the context of threat.  
2 It's the first and obvious answer is if you're going to have  
3 a 10% possibly rising to 25% additional duty on imports of  
4 these products, that makes this market entirely unattractive  
5 -- more unattractive I would say.

6 Secondly, it makes it such that prices are not  
7 going to be able to go down. I think it serves as a  
8 foreign, in fact increases. We heard earlier today from the  
9 Petitioners that oh, don't worry about it, it's all going to  
10 get merged up with some sort of you know, playing around  
11 with an exchange rate.

12 There's no evidence that that is really what's  
13 happening. What's happening is there's a 10% duty at the  
14 door to the United States, and the uncertainty of whether  
15 that's going to go to 25%. For a while that was pretty  
16 certain, and then it became uncertain.

17 I've given up the practice of prognosticating  
18 what's going to happen with that, but it's real, it's  
19 happening and it's a deterrent both on a price and market as  
20 a whole sort of analysis, so it certainly factors into  
21 threat of material injury.

22 MR. EMERSON: And the only comment I would add as  
23 Tom mentioned, it has to do with the exchange rate. If you  
24 -- in our pre-hearing brief, at page 69, footnote 262, we  
25 have a very different view about the exchange rate impact

1 between the U.S. dollar and the RMB, we don't believe it's  
2 nearly been taken up as the Petitioner's would.

3 I think the other aspect of the 301 is that it's  
4 10% today, there's no guarantee as Tom said, of what will  
5 happen in the future. It is a duty that as far as we know  
6 survives this case, meaning that when the Commission thinks  
7 about threat, and any post-petition downturns that there may  
8 have been, this is -- can't be considered as part of that.

9 This is now a new -- if you will, condition of  
10 competition under which the Chinese producers will be  
11 operating even after this case goes negative.

12 CHAIRMAN JOHANSON: Okay, alright, thanks Mr.  
13 Emerson. My time has expired right now, so let me turn to  
14 Commissioner Williamson, no questions -- Commissioner  
15 Broadbent, Commissioner Schmidtlein, do you have any further  
16 questions?

17 COMMISSIONER SCHMIDTLEIN: Just one for the  
18 post-hearing. In the Petitioner's brief at pages 67 to 68,  
19 they do some analysis with regard to the pricing products  
20 and the price of steel, so I wonder if you could take a look  
21 at that and respond to that in the post-hearing because it's  
22 confidential?

23 MR. EMERSON: We certainly will, thank you.

24 COMMISSIONER SCHMIDTLEIN: Okay, thank you.  
25 That's -- I have no further questions.

1                   CHAIRMAN JOHANSON: Commissioner Kearns, do you  
2 have any further questions? Okay, then I have no further  
3 questions either. Do staff have any questions for this  
4 panel?

5                   MR. THOMSON: Good afternoon, Craig Thomson,  
6 Office of Investigations, staff have no questions for this  
7 panel either, thank you.

8                   CHAIRMAN JOHANSON: Okay, do Petitioners have any  
9 questions for this panel?

10                  MR. STEWART: No questions.

11                  CHAIRMAN JOHANSON: Alright, well this panel is  
12 dismissed. We appreciate you being here today, and we will  
13 now prepare for Petitioner's rebuttal and closing. And let  
14 me note for counsel that Petitioner's have zero minutes of  
15 direct and zero minutes of questions, for a total of five  
16 minutes for closing and same with Respondent's, you have a  
17 total of five minutes for closing.

18                  MR. BURCH: Closing and rebuttal remarks on  
19 behalf of Petitioner will be given by Terence P. Stewart of  
20 Stewart and Stewart. Mr. Stewart you have five minutes.

21                  CLOSING STATEMENT OF TERENCE P. STEWART

22                  MR. STEWART: Thank you. First let me express  
23 the Petitioner's gratitude to the Commission and its staff  
24 for the careful attention today, and for all the hard work  
25 that the Commission staff and the compilation of --

1           MR. BURCH: Mr. Stewart, can you pull mic up a  
2 little bit.

3           MR. STEWART: Sure. The record before you show  
4 large and increasing imports from China at a time of  
5 cyclical, but declining demand in the 2015-2017 period, and  
6 surging by 26.6 in the first five months of 2018, before  
7 your ITC preliminary injury determination.

8           Imports universally undersold domestic product by  
9 an average margin of 28.8 and directly confirms that Chinese  
10 and U.S. produce are generally viewed as highly  
11 substitutable despite comments that you've just heard, with  
12 14 of 17 factors being viewed as comparable by purchasers  
13 including quality, weight of wheels, and many others.

14           And even with only responses from purchasers  
15 accounting for 30% of the imports from China, more than  
16 492,000 wheels were identified as bought from China. This  
17 is -- rather than the U.S. because of price, and this is  
18 without consideration of the additional purchasers who  
19 indicated the same thing in the preliminary.

20           Domestic producers face intense competition from  
21 imports in more than 80% of the market not attenuated  
22 competition, but direct competition within each of the  
23 categories. I have been suffering reduced prices as made  
24 clear in the staff report, it made clear in the confidential  
25 exhibits on 100% of the market as Chinese products has been

1 qualified, not just at one or two, and of course, we just  
2 had two companies here today from China, but rather at many  
3 of the OEM accounts, both bus, trailer, specialty truck and  
4 even some truck tractor companies.

5 In response, those in opposition have put forth a  
6 number of arguments that in our view are unsupportable.  
7 Despite their claims that this is basically a repeat of  
8 2012, nothing could be further from the truth -- there's a  
9 major difference in scope. Chinese products of light-weight  
10 steel wheels were not raised because we're trying to  
11 prohibit the Chinese from advancing.

12 It was their argument in 2012 that they couldn't  
13 compete because they didn't have light-weight steel wheels,  
14 which obviously the majority now are. Qualification of  
15 Chinese suppliers at various OEM trailer, bus, specialty  
16 truck and truck accounts, which is clear from the data you  
17 have in the staff report in terms of imports that have gone  
18 to those accounts.

19 Increased market share of Chinese imports which  
20 is a multiple of what was existed in the 2012 investigation  
21 confirmed purchases of Chinese versus domestic wheels  
22 because of price, are just a few of the differences, all of  
23 which support an affirmative determination in these  
24 investigations.

25 Second, those in opposition argue there is



1 attenuated competition. We disagree and agree with the  
2 comments that Commissioner Schmidlein was probing on. So,  
3 for more than 80% of the market, domestic producers face  
4 Chinese import competition directly.

5 As we've gone through -- even in the truck  
6 segment, Chinese producers have qualified some and have  
7 captured OES business. There is actually OES business that  
8 has been captured by the Chinese and is quoted in some parts  
9 of the record and we will identify those in the post-hearing  
10 brief for Commissioner Kearns.

11 Moreover, domestic producers compete aggressively  
12 in all segments in the market as you would expect. The test  
13 that you look at for the but for -- is but for the imports  
14 at dumped and subsidized prices with the domestic industry  
15 had been better off? There can be no doubt that that would  
16 be true. That is true from the lost sales.

17 It is true you can see in 2018 from where the  
18 increased volumes for the domestic producers have gone.  
19 Take a look at how much of the increased volume the domestic  
20 producers show in the interim period is after market, and  
21 ask yourself if that is an indication that but for the  
22 dumped and subsidized imports, the domestic industry would  
23 be much better off -- we believe the answer to that has to  
24 be yes.

25 Third, the opposition's attempt to blame injury

1 on the domestic industry's own use of imports is absurd  
2 based upon the practice of this Commission, the trend lines  
3 that Commissioner Williamson referred to where imports from  
4 non-subject have gone down and where the vast majority of  
5 the imports of subject that are attributed to us were not  
6 made by either one of our clients during the period --  
7 really a red herring-type of issue.

8           Moreover, even if the issue of competing imports  
9 was a relevant consideration, subject imports don't have to  
10 be the only, the sole or the largest source of harm to the  
11 domestic industry for there to be an affirmative  
12 determination. Thank you for your attention, it's been a  
13 long day and we ask you to make an affirmative finding  
14 determination, thank you.

15           MR. BURCH: Closing and rebuttal remarks on  
16 behalf of Respondents will be given by Eric C. Emerson, of  
17 Steptoe & Johnson. Mr. Emerson you have 5 minutes.

18           CLOSING STATEMENT OF ERIC C. EMERSON

19           MR. EMERSON: Good afternoon. This is Eric  
20 Emerson with Steptoe & Johnson. Well certainly Petitioner's  
21 counsel and I agree on a couple things. First of all, our  
22 deepest thanks to the Commission and Commission staff for  
23 hearing us today. It's a very important case to our  
24 clients, as you could imagine, so I appreciate your  
25 attention.

1           We also agree on the point that it's been a long  
2     day, so I will try to keep this as tight as I can. I wanted  
3     to start off my closing by kind of recalling a question that  
4     Commissioner Schmidtlein raised. It has to do with the  
5     profitability of this industry. The Petitioner's counsel  
6     cited to a provision of the statute that we know well, that  
7     basically says the Commission doesn't have to reach a  
8     negative determination just because an industry is  
9     profitable.

10           But that doesn't mean that profitability is  
11    irrelevant to the Commission's decision. And I believe that  
12    Commissioner Schmidtlein's question was why is this industry  
13    so profitable? And growing? With increasing profitability?

14           Well, as I said in my opening statement, it's  
15    really not surprising. They have protected markets --  
16    largely protected markets, because they are with one  
17    exception, really the after-market, either because --  
18    largely because foreign competitors aren't qualified to sell  
19    there.

20           They've had declining raw material prices  
21    throughout much of the POI, and they've been able to  
22    maintain static market shares. It really is not surprising  
23    that the industry that's coming before you is quite so  
24    profitable.

25           And the other thing that I thought was

1 interesting, it really didn't come up in the panel the  
2 second part of the day -- there was a lot of discussion this  
3 morning about lack of investment in the domestic production  
4 facilities and how that was harming their production  
5 facilities.

6           The profitability figures by the domestic  
7 industry show that they have ample money to invest in their  
8 facilities in the United States. They might say that the  
9 returns don't justify that investment -- I guess I would say  
10 how much bigger do those returns need to be in order to  
11 justify that investment in the domestic industry?

12           At least we characterize them as being quite  
13 handsome, you all have the confidential data. So, I think  
14 the question of industry profitability is critical, which is  
15 why the Petitioners largely ignored it in their affirmative  
16 presentation this morning.

17           Also, to the issue of qualification, there's  
18 qualification and then there's really the availability to  
19 sell. We have very little qualification and we'll detail  
20 that specifically in our post-conference, but the data is  
21 already on the record but most of the foreign producers are  
22 in fact, not qualified.

23           Even if they do have a qualification, they have  
24 not made those sales. Why? Because qualification does not  
25 equal sales. A lot of other infrastructures require that we

1 simply do not have -- and we are not a competitive threat in  
2 those areas of the market where qualification is required.

3 We've talked about the cost price squeeze in the  
4 later part of the -- in the post-petition period and why any  
5 cost price squeeze the Petitioners are alleging simply  
6 cannot be as a result of subject import competition.

7 Finally, to the question of 2012, honestly 2012  
8 is the icing on the cake. This case -- from our  
9 perspective, is a negative determination even if the  
10 Commission had not gone negative 6 years ago -- 7 years ago,  
11 on roughly the same record. The fact that the Commission  
12 had did so within recent memory and certainly within the  
13 terms of two of the Commissioners sitting here today, we  
14 think adds only -- only strengthens the arguments we bring  
15 before the Commission, but our argument is not based  
16 entirely on that.

17 And with that, in a blatant effort to curry the  
18 favor of the Commission, I will give back the remainder of  
19 my time and thank you very much for your attention.

20 CHAIRMAN JOHANSON: Thank you Mr. Emerson and Mr.  
21 Stewart. I will now make the closing statement.  
22 Post-hearing briefs, statements responsive to questions and  
23 requests of the Commission and corrections to the  
24 transcript, must be filed by March 26th, 2019.

25 Closing of the record and filing of a release of

1 data to parties occurs on April 16th, 2019 and final  
2 comments are due on April 19th, 2019. With that this  
3 hearing is adjourned.

4 (Whereupon, the hearing concluded at 4:31 p.m.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Steel Wheels from China

INVESTIGATION NOS.: 701-TA-602 and 731-TA-1412

HEARING DATE: 3-14-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

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