

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
TAPERED ROLLER BEARINGS FROM KOREA

) Investigation No.:
) 731-TA-1380 (FINAL)

Pages: 1 - 293
Place: Washington, D.C.
Date: Tuesday, June 5, 2018



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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
TAPERED ROLLER BEARINGS FROM KOREA) 731-TA-1380 (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, June 5, 2018

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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Rhonda K. Schmidtlein

5 Vice Chairman David S. Johanson

6 Commissioner Irving A. Williamson

7 Commissioner Meredith M. Broadbent

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

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18 Keysha Martinez, Investigator

19 Karl Tsuji, International Trade Analyst

20 Tana von Kessler, International Economist

21 Charles Yost, Accountant/Auditor

22 Brian Soiset, Attorney/Advisor

23 Douglas Corkran, Supervisory Investigator

24

25

1 APPEARANCES:

2 Congressional Witnesses:

3 The Honorable Sherrod Brown, United States Senator, Ohio

4 The Honorable Rob Portman, United States Senator, Ohio

5 The Honorable James B. Renacci, U.S. Representative, 16th
6 District, Ohio

7

8 Opening Remarks:

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

10 Respondents (Ned H. Marshak, Grunfeld Desiderio Lebowitz
11 Silverman & Klestadt LLP)

12

13 In Support of the Imposition of Antidumping Duty Orders:

14 Stewart and Stewart

15 Washington, DC

16 on behalf of

17 The Timken Company

18 Christopher A. Coughlin, Executive Vice President and
19 Group President, The Timken Company

20 Brian J. Ruel, Vice President for the Americas, The
21 Timken Company

22 Michael A. Discenza, Vice President and Group
23 Controller, The Timken Company

24

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1 APPEARANCES (Continued):

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3 Commercial Vehicle, The Timken Company

4 S. Ryan Hartong, Attorney, The Timken Company

5 Terence P. Stewart, Nicholas J. Birch, Mark D. Beatty
6 and Stephanie T. Rosenberg - Of Counsel

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8 In Opposition to the Imposition of Antidumping Duty Order:

9 Grunfeld Desiderio Lebowitz Silverman & Klestadt LLP

10 Washington, DC

11 on behalf of

12 Schaeffler Korea Corporation

13 Schaeffler Group USA Inc.

14 Eric Ovendorf, Senior Vice President - Regional
15 Business Unit Industrial OE Sales & Fields Americas,
16 Schaeffler Group USA Inc.

17 Harry Schuster, Automotive Sales - Director
18 Transmission Applications & Chassis Systems, Schaeffler
19 Group USA Inc.

20 Robert Wick, General Counsel - North American
21 Divisions, Schaeffler Group USA Inc.

22 Sebastian Brand, Director - Finance Strategy, Processes
23 & Infrastructure, Schaeffler Group USA Inc.

24 James P. Dougan, Vice President, Economic Consulting
25 Services, LLC

1 APPEARANCES (Continued):

2 Max F. Schutzman, Ned H. Marshak and Kavita Mohan - Of
3 Counsel

4

5 Hogan Lovells US LLP

6 Washington, DC

7 on behalf of

8 Bearing Art Corporation

9 Iljin USA, Inc.

10 John Dix, President, Iljin USA Corporation

11 Don Cooperrider, Executive Director of Sales and
12 Engineering, Iljin USA Corporation

13 Wes Ripperger III, Vice President, Superior Bearing &
14 Supply

15 James P. Dougan, Vice President, Economic Consulting
16 Services, LLC

17 Craig A. Lewis, Jonathan T. Stoel and Michael G.
18 Jacobson - Of Counsel

19

20 Brinks Gilson & Lione

21 Washington, DC

22 Dana Incorporated

23 Steve Schamp, Senior Purchasing Manager, Dana
24 Incorporated

25 Lyle Vander Schaaf - Of Counsel

1 Rebuttal/Closing Remarks:

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

3 Respondents (Craig A. Lewis, Hogan Lovells US LLP)

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9:42 a.m.

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

VICE CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing in the final phase of Investigation No. 731-TA-1380 involving tapered roller bearings from Korea.

The purpose of this investigation 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 tapered roller bearings from Korea.

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 the parties are aware of the time allocations. Any questions regarding time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information. Please speak clearly into

1 the microphones and state your name for the record and for
2 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 request should comply with Commission Rule 201.6. Mr.
6 Secretary, are there any preliminary matters?

7 MR. BISHOP: Mr. Chairman, I would like to note
8 that all witnesses have been sworn in. There are no
9 preliminary matters.

10 VICE CHAIRMAN JOHANSON: Very well. Will you
11 please announce our first Congressional Witness.

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

15 STATEMENT OF THE HONORABLE SHERROD BROWN

16 SENATOR BROWN: Vice Chair Johanson, thank you
17 and Members of the Committee, thank you for the opportunity
18 to joint you again today to testify in this case regarding
19 tapered roller bearings from Korea. This case is critically
20 important for the Petitioners Timken Company. Timken is an
21 Ohio Company, a global leader in bearings production.

22 In fact, the company patented the first tapered
23 roller bearings, the product in question in this case, in
24 the year 1898. Timken employs hundreds of Ohioans, about
25 1400 of these workers make the bearings covered in this

1 case. They work on tapered roller bearing productions in a
2 number of cities across Ohio; North Canton, Bucyrus and New
3 Philadelphia.

4 If I can be serious for a moment, New
5 Philadelphia is the home of my favorite high school mascot,
6 the New Philadelphia Fighting Quakers. These communities
7 need these high-paying manufacturing jobs which are critical
8 to preserving the middle class in Ohio and across the
9 country.

10 As the Commission knows, tapered roller bearings
11 are used in all sorts of machinery; cars, ag equipment,
12 construction, mining equipment, propeller shafts, wind
13 turbines and many more products. Maybe that's why foreign
14 competitors have consistently used unfair trade practices to
15 attempt to gain market share in our country.

16 Timken specifically has faced unfairly-traded
17 imported bearings for decades. They filed their first
18 petition some thirty years ago in 1986. It's only because
19 of our trade laws that they have been able to fight back
20 against dumped imports. The Commission's familiarity with
21 unfair dumping practices in the tapered roller bearing
22 industry should help you evaluate the threat to Domestic
23 Producers in this case.

24 In your preliminary report you identified all the
25 reasons why Timken had no choice but to file this trade

1 Petition. Let me itemize them for a moment. The Domestic
2 Industry's production capacity utilization, U.S. Shipments
3 and inventories decreased between 2015 and 2017. Wages and
4 employment related to taper roller bearings also declined
5 over that period, financial indicators of the Domestic
6 Industry such as net sales, gross profit and operating
7 income declined despite the fact that the sector remained
8 profitable overall.

9 And, finally Korean bearing imports were sold
10 below market value and as a result increased in volume. The
11 Korean imports also captured greater share of the U.S.
12 Market, even though U.S. consumption of tapered roller
13 bearings dropped. As you know, I authored the Level the
14 Playing Field Act which became law in 2015. I know that
15 Senator Portman will testify next as well and he worked
16 with me to get that bill signed into law.

17 The Level the Playing Field Act updated the
18 injury provisions of the Trade Remedy Law to ensure the
19 Commission looked at all the ways, all the ways that
20 unfairly traded imports could harm the Domestic Industry.
21 It amended our trade stature to make sure the Commission
22 could still find relief even if an industry remained
23 profitable.

24 That part is crucial. It means our manufacturers
25 don't have to be completely destitute to get relief from

1 unfair trade practices. In other words, we can fight back
2 before it is too late. Since it's been enacted, the Level
3 the Playing Field Act provisions have helped U.S. companies
4 to more effectively fight back against cheating. I think it
5 will be helpful in this case as well.

6 The best way to provide immediate tangible relief
7 to Timken and other U.S. Bearings producers is to impose
8 anti-dumping duties to level the playing field. I urge the
9 Commission to issue a final determination that the domestic
10 tapered roller bearing industry is materially injured by
11 imports so Timken and its workers can get the relief they
12 need to keep competing in the global market. Thank you, Mr.
13 Vice Chair.

14 VICE CHAIRMAN JOHANSON: Thank you, Senator
15 Brown. Do any of my colleagues have questions? Thank you
16 for appearing here today.

17 MR. BISHOP: Our next Congressional Witness is
18 the Honorable Rob Portman, United States Senator from Ohio.

19 STATEMENT OF THE HONORABLE ROB PORTMAN

20 SENATOR PORTMAN: Thank you, all. Thank you to
21 my colleague Senator Brown. Congressman Renacci is also
22 coming in a moment to talk about this case but to Vice Chair
23 Johanson and to Commissioners Broadbent, Williamson and
24 Kearns we thank you all for your hard work and your focus on
25 this case as you have on other cases involving Ohio Steel

1 Products.

2 This one is about tapered roller bearings and
3 it's a critical product, probably the most important product
4 that most Americans have never heard of because it is
5 involved in everything. The Timken Company is America's
6 leading producer of this product. They are headquartered in
7 North Canton, Ohio and I am going to discuss a bit about the
8 technical details of the case but also about the careers in
9 this industry that have become a way of life in Northeast
10 Ohio and the importance of the industry.

11 It was mentioned that Henry Timken first patented
12 the tapered roller bearing in the late 19th century right
13 after the company moved to Canton, Ohio. Since then, Ohio
14 hard work and ingenuity has been shared through this product
15 and it has helped America move forward quite literally,
16 helped America move forward.

17 They are one of the most critical steel parts
18 most Americans again probably are not aware of in addition
19 to making many wheeled vehicles possible they are critical
20 to agricultural equipment, propellers, railroad axles,
21 mining equipment. Tapered roller bearings help move people
22 and products all across our great country. They are often
23 used in back-to-back pairs as car axles where they can
24 equally balance and stabilize forces in both directions.

25 Where am I going with this? We were here today

1 because the trade of tapered steel bearings is not equal and
2 stable in both directions and that's the point of this case
3 and I hope that we will be able to provide that stability to
4 the market and a fairness to the company and to its workers.

5 From 2015 to 2017, imports of these covered
6 products surged by 45.9 percent by quantity and 36.2 percent
7 by value. That increase is mainly the result of one
8 country, the Republic of Korea and of the Korean Product in
9 the U.S. Market, about 87 percent have been preliminarily
10 found to be undersold, in other words sold at below its cost
11 or dumped.

12 At the same period as a result of this influx of
13 undersold tapered roller bearings, U.S. Production installed
14 capacity utilization at domestic tapered roller bearing
15 plants has declined from about 69 percent to about 66
16 percent capacity. This scenario is all too common for many
17 workers especially in and around the steel industry and I'm
18 confident that when you review the record in this case you
19 will find that Domestic Producers have suffered material
20 injury as you would define it by reason of unfair trade.

21 I believe American workers and American companies
22 and American ingenuity can actually compete and compete
23 successfully with anyone in the globe so long as there is a
24 level playing field. All we're asking is for that level
25 playing field to be there, to give these Ohio workers a

1 chance to compete.

2 I won't repeat the good arguments that are made
3 by the Petitioners today about why there is material injury
4 in this case but I do want to briefly discuss the role of
5 trade enforcement in U.S. Trade Policy and to reaffirm why
6 Congress clarified and indeed improve the material injury
7 standard that you are required to apply. When it comes to
8 trade litigation, justice delayed is justice denied and I
9 know you all have seen this throughout your careers, once
10 jobs, profits and incomes are lost it's really hard to bring
11 them back, it's hard to claw back.

12 That's why, as you know as part of the trade
13 preferences extension act of 2015, Congress clarified the
14 material injury standard by passing the Level the Playing
15 Field Act. Senator Brown just talked about it, we joined in
16 this effort and worked with our colleagues on both sides of
17 the Capitol on both sides of the aisle to pass this measure.
18 The Level the Playing Field Act was meant to ensure that the
19 Domestic Producers don't have to wait until their plants are
20 shut down, until jobs are moved overseas to get relief.

21 First, we made it clear that the Commission may
22 not determine that there is no material injury or threat of
23 material injury to the Domestic Industry simply because that
24 industry is profitable or because of performance that
25 industry has recently improved. There may be cases

1 particularly during periods of strong demand where Domestic
2 Industry remains somewhat profitable even though its
3 profitability may be substantially diminished by the harmful
4 impact of unfair trade.

5 This provision makes clear that what was in my
6 view already present in the law that Domestic Industry do
7 not have to wait until they are losing money, jobs and
8 market share to seek relief and to obtain help from their
9 government. We also made clear that the Commission should
10 consider a broad set of economic data that reflect the
11 real-life performance of the Domestic Industry such as the
12 industry's net profits, its ability to service debt, its
13 investment in new technologies and its research and
14 development.

15 Sometimes unfair trade may drive down an
16 industry's operating income and in other cases the
17 industry's operating income may remain stable while other
18 aspects of its performance such as its net income or ability
19 to pay its debt may suffer. The intent of Congress was that
20 the Commission should be sensitive to the affects of unfair
21 trade wherever they are found.

22 I believe this Commission is a diligent and
23 thoughtful body that takes seriously its responsibility to
24 enforce our trade remedy laws in order to achieve and
25 maintain fair competition. I believe that you all have

1 applied these new standards already in a successful way.

2 I have seen this throughout my career with the
3 ITC, my career as a trade lawyer and in many instances in
4 which I have testified before this body. In a number of
5 cases including those relating to the unfair steel imports
6 the Commission has used the Level the Playing Field Act
7 faithfully and with success for the Petitioner and I know
8 that you will apply the law faithfully and even-handedly in
9 this case as well.

10 Mr. Chair, the tapered roller bearing isn't the
11 most flashy component nor the most famous but like the towns
12 where it's made, places like Bucyrus, New Philadelphia,
13 North Canton, Ohio it forms a vital part of the U.S. Economy
14 and the American experience and just like where it's made
15 and the over 1,000 Ohio workers who make them, these crucial
16 American products are of the highest quality and standards.

17 I ask the Commission today to continue faithfully
18 applying the tools Congress has provided you as you do the
19 hard yet vital work of applying our nation's trade remedy
20 laws. Thank you.

21 VICE CHAIRMAN JOHANSON: Thank you, Senator
22 Portman. Do any of my colleagues have questions? We
23 appreciate you being here today. Thank you, again.

24 MR. BISHOP: Mr. Chairman, that concludes
25 Congressional testimony at this time.

1 CHAIRMAN SCHMIDTLEIN: Are we ready for opening
2 remarks?

3 MR. BISHOP: Yes, Madam Chairman. Opening
4 remarks on behalf of Petitioner will be given by Terence A.
5 Stewart of Stewart and Stewart. Mr. Stewart, you have 5
6 minutes.

7 STATEMENT OF TERENCE P. STEWART

8 MR. STEWART: Thank you, good morning. I'm
9 Terence Stewart of Stewart and Stewart and I'm here this
10 morning representing the Petitioner, The Timken Company.
11 The company filed the Petition on imports of 0 to 8-inch
12 tapered roller bearings from Korea because of significant
13 underselling by Korean Producers on these products at major
14 automotive and heavy truck OEMs and the loss of many
15 contracts that have occurred during the 2015 to 2017 time
16 period.

17 The losses of Timken and we are sure to other
18 producers of 0 to 8-inch TRBs have grown rapidly at a time
19 of flatter, declining demand in the United States and the
20 imports will continue to rise for at least the 2018 to 2020
21 time period based on specific lost sales that Timken has
22 documented.

23 Public prehearing Staff Report shows sharply
24 rising volumes of Subject Imports from Korea, rising market
25 share for Subject Imports, declining market share for

1 Domestic Producers, declining U.S. shipments and capacity
2 utilization and flat to declining employment.

3 While the public prehearing staff report does not
4 provide data on profitability trends, Timken's experience
5 over the Period of Investigation shows declines in all of
6 the profit factors reported and across price squeeze. Staff
7 Report shows large amounts of underselling for selected
8 products 47 of 84 quarters of data show underselling and
9 that accounts for 87 percent of the Korean Imports covered.

10 The average margin of underselling was 20.6
11 percent. The broad underselling is confirmed as well by the
12 extensive data supplied by Timken and the questionnaire data
13 as well. We've asked the Commission to revisit its
14 preliminary domestic like product determination based on the
15 record in this final phase. While we believe that the
16 record before the Commission supports an affirmative injury
17 determination regardless of whether the domestic like
18 product is coextensive with the scope as Timken has argued
19 or the expanded like product definition used by the
20 Commission in its preliminary determination, there are many
21 additional facts of record in this final investigation that
22 support a like product coextensive with the scope.

23 While those in opposition seem to believe that
24 the domestic like product from a different investigation
25 with a much broader scope is delimiting to what a Petitioner

1 can argue or what the Commission can determine in a
2 subsequent case with a narrower scope that is not consistent
3 with Commission practice and case law.

4 Nor is the fact that a case with a broader scope
5 is viewed as a continuum of product necessarily delimiting
6 on whether a narrower scope in a subsequent case can provide
7 a reasonable basis for the Commission to find a bright line
8 to delimit the domestic like product in a case with the
9 smaller scope.

10 We look forward to reviewing this issue during
11 the direct presentation and during the question and answer
12 period. The U.S. Import statistics are not a good measure
13 of Subject Imports as reviewed in our prehearing brief.
14 Most of our arguments are confidential so I won't repeat
15 them in this public space.

16 In prior cases where import statistics are not a
17 fair reflection of volume or value of imports the Commission
18 has used other sources such as importer questionnaires or
19 Foreign Producer questionnaires or a combination of sources.
20 We specifically ask the Commission to do so in this
21 investigation.

22 Furthermore, should the Commission conclude that
23 the domestic like product properly can be limited to be
24 coextensive with the scope we also ask the Commission to
25 base its analysis of volume and market share on quantity for

1 the reasons the Commission has articulated in other cases.
2 Namely, value can reflect changes in the product mix and/or
3 understate the share of Subject Imports because they are
4 dumped.

5 We present data in our brief based on what we
6 believe is the best data for Korea Subject Imports and for
7 the expanded like product our brief also presents the
8 correction to domestic data by our client that occurred too
9 late to be incorporated in the prehearing Staff Report. The
10 Korean Industry also threatens the Domestic Industry with
11 additional material injury in the imminent future for orders
12 not issued.

13 Prior to the preliminary Commerce determination
14 in early February, imports from Korea increased by more than
15 40 percent in both January and February. Even with the
16 disciplining effect of the preliminary dumping
17 determination, imports through the 1st quarter of 2018 were
18 still up over 26 percent on both a quantity and value basis.

19 Korean export statistics show that the U.S. is
20 not only the largest export destination but that it
21 continued to outpace the rest of the world in the 1st
22 quarter of 2018 outgrowing the rest of the world by 4:1.

23 For these and other reasons reviewed in our
24 prehearing brief we ask the Commission to render an
25 affirmative final determination in this investigation.

1 Thank you very much.

2 MR. BISHOP: Thank you, Mr. Stewart. Opening
3 remarks on behalf of Respondents will be given by Ned H.
4 Marshak of Grunfeld, Desiderio, Lebowitz, Silverman and
5 Klestadt. Mr. Marshak, you have five minutes.

6 STATEMENT OF NED H. MARSHAK

7 MR. MARSHAK: Good morning. This Commission
8 has been very busy these past two years. Multiple domestic
9 industries have qualified for import relief. In many cases,
10 subject imports have captured significantly and steadily
11 increasing market shares, and have significantly undersold
12 identical merchandise produced in the United States.

13 In many cases, domestic prices have been
14 depressed and suppressed, employment is plummeting.
15 Domestic industry financial performance has deteriorated.
16 Successful Petitioners generally are supported by a united
17 domestic industry. This case is different. Why? None of
18 these facts exist.

19 First, look at the data. Quantity. Subject
20 Korean imports are less than five percent of apparent
21 domestic consumption in each of year of the POI, with at
22 most a minimal 1.5 percentage point increase. In each year
23 of the POI, Korean imports were less than 12 percent of
24 non-subject imports. Non-subject imports include
25 significant quantities of low-priced Chinese TRBs, as well

1 as significant quantities of TRBs imported by members of the
2 domestic industry.

3 Price. There was no price depression. There
4 was no price suppression. Instances of underselling and
5 overselling were mixed. Reported examples of underselling
6 when examined in detail are easily explainable and
7 undeniably non-injurious. Any lost sales and lost revenues
8 were at most de minimis.

9 Impact. The domestic industry's financial
10 performance has been strong. Employment has been steady,
11 advancement is commensurate with demand in this mature
12 industry, and plant closures were not related to import
13 competition, let alone de minimis imports from Korea.
14 Finally threat.

15 The domestic industry is anything but
16 vulnerable, and there is no evidence, let alone substantial
17 evidence, that the conditions which led to the non-injurious
18 minimal quantities of subject imports exported by two Korean
19 companies, Schaeffler and Bearing Art, will change in the
20 foreseeable future.

21 These are the facts, facts which were apparent
22 to Timken as well as Respondents. So what has Timken tried
23 to do? Develop alternative facts in an alternative
24 universe. Timken asked the Commission to redefine the
25 domestic industry, to repudiate official census data and to

1 ignore the competitive conditions which led Timken's
2 customers to find alternative sources of supply shortly
3 before the POI. These arguments do not withstand scrutiny.

4 First, like product. In its preliminary
5 determination, the Commission defined the domestic like
6 product to include all TRBs regardless of size. There is no
7 new evidence placed in the record for the first time in the
8 final investigation which would suggest that the Commission
9 should now reach the opposite result.

10 A Commission decision that all TRBs fall
11 within a single like product continuum without clear
12 dividing lines is consistent with Mr. Stewart's testimony
13 nearly six years ago that to quote Mr. Stewart, there are no
14 clear dividing lines, never have been, never will be.
15 Timken asks the Commission to find there never have been,
16 never will be is wrong. The Commission should reject this
17 claim.

18 Second, census data. Timken claims that
19 there's a flaw in official Customs import data, that the
20 Commission should recalculate Korean import penetration
21 based on Timken's creative methodology. We disagree and we
22 will rebut Timken's claim in the confidential version of our
23 post-hearing brief.

24 Third, conditions of competition. Timken
25 claims that never happened, and if the Commission concludes

1 otherwise, Timken claims that events which took place before
2 the POI are not relevant to this investigation. Timken then
3 claims that POI sales of Korean TRBs to the automotive end
4 user market, the only market in which Korean imports had
5 more than a minuscule presence, were injurious. Once again,
6 Timken is wrong as a matter of law and as a matter of fact.

7 Timken's fixed exit strategy that saw its
8 major automotive customers looking elsewhere beyond Timken
9 for TRBs for critical parts programs, Schaeffler and Ilgin
10 successfully qualified, after extensive testing, as
11 suppliers of TRBs made in Korea to automotive end users. By
12 2015, the first year of the POI, Korean vendors had gained a
13 minority share of this distinct market segment.

14 The pre-POI import penetration does not
15 support an affirmative determination. During the POI,
16 Schaeffler and Ilgin's new customers did not want to return
17 to Timken. Their decision to avoid being dependent on a
18 company which had promoted a strategy does not support an
19 affirmative determination.

20 The Commission should reject Timken's "I
21 killed my parents but I deserve relief because I am now an
22 orphan defense."

23 Finally, the increase in Korea's share of the
24 automotive market during the POI is solely attributable to
25 sales to a handful of customers, customers whose purchases

1 of Korean TRBs was not driven by low prices. You will hear
2 more about these conditions of competition this afternoon.
3 Our witnesses look forward to answering your questions,
4 which we believe will confirm that subject imports have
5 neither caused material injury to the domestic industry
6 during the POI, nor threatened this industry with material
7 injury in the foreseeable future. Thank you.

8 MR. BISHOP: Thank you, Mr. Marshak. Would
9 the panel in support of the imposition of the anti-dumping
10 duty order please come forward and be seated? Madam
11 Chairman, this panel has 60 minutes for their direct
12 testimony.

13 CHAIRMAN SCHMIDTLEIN: Good morning, Mr.
14 Stewart.

15 MR. STEWART: Thank you, Madam Chairman. We
16 will start with our testimony from Mr. Coughlin.

17 STATEMENT OF CHRISTOPHER A. COUGHLIN

18 MR. COUGHLIN: Good morning Chairman
19 Schmidtlein, Vice Chairman Johanson --

20 MR. BISHOP: Pull your mic a little closer
21 please.

22 MR. COUGHLIN: Commissioners and Commission
23 staff. My name is Chris Coughlin. I serve as Executive
24 Vice President and Group President for the Timken Company.
25 I am responsible for the operational and commercial

1 activities for Timken's engineered bearings, mechanical
2 power transmission and industrial services portfolio.

3 In this capacity, I oversee all operational
4 and commercial aspects for our tapered roller bearing
5 business. I began my career at Timken 34 years ago, and
6 I've been in my current position in 2014. Timken is a major
7 producer of tapered roller bearings in the United States.
8 Our company's founder, Henry Timken, invented the tapered
9 roller bearing in 1898, 120 years ago.

10 Tapered roller bearings solve a critical
11 problem in a wide array of industries and applications,
12 which is the reduction of friction to improve efficiency and
13 increase equipment life. Tapered roller bearings handle two
14 kinds of loads, radial imposed by weight and axial imposed
15 by thrust.

16 This allows the equipment and vehicle on which
17 they are employed to bear weight and handle turning by
18 reducing friction and thereby reducing the need for repair
19 and replacement. As the country's oldest and largest
20 producer of tapered roller bearings, Timken produces tapered
21 roller bearings for all types of uses in all sizes, and for
22 applications where the bearing is incorporated into some
23 package, such as a wheel hub, a railroad or a housed unit
24 assembly.

25 When our company filed the petition last year,

1 the imports from Korea of concern were the high volume
2 tapered roller bearings used in the automotive and heavy
3 truck markets. These tapered roller bearings are zero to
4 eight inch in outside diameter, and imports have been
5 increasing rapidly, even though the market has been in a
6 downward demand pattern for the period you have examined,
7 2015 through 2017.

8 For a number of years, we have been facing a
9 growing challenge from low-priced imports from Korea in this
10 space and have been losing a large number of contracts to
11 Korean competitors at price we believed were likely dumped.
12 The Commerce Department's preliminary determination from
13 February confirmed our concerns, that imports were dumped at
14 dumped prices, with preliminary dumping margins ranging from
15 21.23 to 45.53 percent.

16 The public prehearing staff report on page
17 V-23 shows where price comparison from U.S. producers and
18 importers were obtained during this final investigation. In
19 47 quarters, Korean product undersold U.S. product with an
20 average margin of 20.6 percent, covering 11.6 million cups
21 and cones, 87 percent of the volume from which prices were
22 obtained.

23 Your final investigation confirms that from
24 2015 to 2017, apparent consumption was down, whether you're
25 looking at 0 to 8 inch OD tapered roller bearings or the

1 broader grouping of all tapered roller bearings not further
2 manufactured. The public prehearing staff report confirms
3 that Korean imports have captured market share at the
4 expense of domestic producers.

5 This has certainly been Timken's experience.
6 While the public prehearing staff report doesn't show the
7 aggregate data for the domestic industry profitability, the
8 discussion of different elements of sales, cost and profit
9 on pages VI-11 and VI-13 indicate a decline in 2016 from
10 2015, and an increase from 2016 to 2017. If the industry is
11 similar to Timken, then the data will show lower
12 profitability in 2017 versus 2015, despite some improvement
13 from 2016, a price-cost squeeze as COGS increased over the
14 POI, and a declining operating and net income.

15 The public preliminary staff report at VI-13
16 does indicate that the number of domestic producers
17 reporting operating losses increased between 2015 and 2016.
18 Based on the public data, our company and the rest of the
19 domestic industry have suffered material injury by reason of
20 dumped imports from Korea.

21 While we believe that the Commission should
22 make an affirmative final injury determination regardless of
23 how the Commission defines domestic like product, I would
24 like to go through the six factors that I understand the
25 Commission generally examines, and explain why we believe

1 the proper conclusion in this case is that the domestic like
2 product is co-extensive with the scope of the Commerce
3 investigation, which is 0 to 8 inch tapered roller bearings.

4 I understand that in prior cases involving
5 tapered roller bearings, the Commission has generally found
6 a domestic like product co-extensive with the scope, despite
7 differences in scope for different cases. Thus, while the
8 current order on tapered roller bearings from China covers
9 all tapered roller bearings, including further manufactured
10 tapered roller bearings as well as unfinished parts, similar
11 to the scope of the order, in a journal bearing case in
12 1986, which covered specific sizes used for railroad
13 applications, the Commission determined that the like
14 product was limited to those sizes.

15 Here, all imports of concern are 0 to 8 inch
16 tapered roller bearings, but not including further
17 manufactured tapered roller bearings like wheel hub
18 assemblies, railroad bearings or housed unit bearings.
19 During the preliminary investigation, the Commission found
20 the domestic like product to cover all tapered roller
21 bearings that are not further manufactured.

22 On a more complete record, we believe the
23 Commission has a basis to modify its domestic like product
24 decision and should do so. In terms of physical
25 differences, out of scope tapered roller bearings are larger

1 in diameter, have different load-carrying capacities, can
2 have different materials, can use different types of cages,
3 pin-type cages as an example, as well as have different
4 complexities in design characteristics.

5 End uses are similarly different. You don't
6 find eight inch diameter tapered roller bearings in the
7 automotive or heavy truck markets, or in the automotive
8 after-market channels. Similarly, there are many industrial
9 uses that will only be satisfied by greater than eight inch
10 tapered roller bearings. Wind energy, steel manufacturing,
11 paper manufacturing would be examples. While some
12 industries may use tapered roller bearings that are above
13 and below eight inch diameter, they will be for different
14 applications.

15 Timken's experience is reflected in the public
16 prehearing staff report, where 29 of 40 U.S. producers,
17 importers and purchasers indicated that physical
18 characteristics and end uses are only somewhat or not
19 similar at all. In the preliminary determination, the
20 Commission noted that a not insignificant proportion of
21 Timken's 0 to 8 inch tapered roller bearings were produced
22 in plants that produced both under and over eight inch
23 tapered roller bearings.

24 As reviewed in our final phase questionnaire
25 response and reviewed in our prehearing brief, the vast

1 majority of what we produce of 0 to 8 inch diameter is in
2 facilities that only produce those sizes. Where we produce
3 both size ranges, the products are produced on different
4 lines or equipment and generally with different workers.

5 The production process for under and over
6 eight inch tapered roller bearings is significantly
7 different, as can be seen from the affidavit and the
8 photographs included as part of our prehearing brief, that
9 contrast one of our dedicated 0 to 8 inch plants with a
10 facility that produces product over eight inch.

11 This flows from the size of the product,
12 whether it requires individual handling, the size of the
13 production runs, equipment on which the production steps are
14 undertaken, the tooling required for different sizes, and
15 whether automated handling equipment can practically be
16 included in line gauging and flow lines for production and
17 more.

18 Thus in Timken's experience, plants are
19 designed to handle specific size ranges of tapered roller
20 bearings, and plants are equipped with machinery to handle
21 that size range. In the situation where a plant makes
22 product of different sizes, it is done on dedicated
23 equipment with different production processes, to permit
24 economic use of the equipment.

25 The staff report indicates that of the seven

1 U.S. producers who provided data, two produce only the 0 to
2 8 inch tapered roller bearings, three produce only over
3 eight inch tapered roller bearings, and two produce both.
4 Timken is obviously one of the two who produces both.

5 The limitations of individual facilities to
6 particular size ranges is thus typical not only of Timken
7 but of all domestic producers. It is also consistent with
8 Timken's experience around the world. As the staff report
9 says, no producer reported production of both small and
10 large diameter tapered roller bearings on the same equipment
11 with the same employees.

12 Looking at the question of interchangeability,
13 large and small tapered roller bearings are not
14 interchangeable, a fact confirmed by the staff report.
15 While it is true that there is no interchangeability between
16 small or large tapered roller bearings, that is not
17 necessarily the case where there is the same dimensions.

18 Channels of distribution is an area where
19 there is some overlap and some distinction. For example,
20 there are two primary aftermarket channels, automotive and
21 industrial. Automotive aftermarket distribution, just like
22 automotive and heavy truck OEM customers, handles 0 to 8
23 inch tapered roller bearings.

24 Industrial distribution will cover all
25 products, but it is the primary aftermarket channel for the

1 over eight inch tapered roller bearings. Off-road OEMs will
2 buy equipment of each size depending on their particular
3 application. The staff report reflects that a majority of
4 small diameter tapered roller bearings were sold to
5 automotive end users, and a majority of large diameter
6 tapered roller bearings were sold to agriculture end users.

7 On customer and producer perceptions, the
8 staff report indicates that many of those responding view
9 large and small tapered roller bearings as different
10 products, but with some mixed responses. Timken tracks its
11 data on size of tapered roller bearings and provides reports
12 to customers where purchases of both are relevant, with data
13 broken by 0 to 8 inch and over eight inch.

14 And of course, no customer would actually
15 accept a small tapered roller bearing where their need was
16 for a large tapered roller bearing or vice-versa.

17 Finally on the issue of price. While an
18 individual tapered roller bearing of any size can vary
19 significantly in price because of precision rating, special
20 features, quantity in which the items is produced, etcetera,
21 large diameter tapered roller bearings on average are
22 dramatically higher in price than small diameter tapered
23 roller bearings.

24 Based on the data in the staff report, the
25 average price in 2017 for large diameter tapered roller

1 bearings was \$379.88 per tapered roller bearing, versus an
2 average price of \$11.02 per tapered roller bearing for small
3 diameter tapered roller bearings, 34 times higher based on
4 that data.

5 Thus, based on the record in this final
6 investigation, we believe that the Commission should find
7 that the domestic like product is co-extensive with the
8 scope of this investigation, 0 to 8 inch tapered roller
9 bearings. However the Commission decides on domestic like
10 product, the record in this final investigation supports an
11 affirmative material injury determination.

12 The U.S., with its large market, has been the
13 primary target for the Korean tapered roller bearing
14 industry. The U.S. was Korea's top export market in each
15 year of the investigation, 2015 to 2017, accounting for 35
16 percent of total exports. In our prehearing brief, we
17 included data for the first quarter of 2018, and growth in
18 exports to the U.S. continues to significantly outpace
19 exports to the rest of the world, and that is despite the
20 issuance of the preliminary dumping determination by
21 Commerce early in February of this year.

22 As my colleague Brian Ruel will testify, the
23 business loss to Korean producers will continue to generate
24 rapidly growing imports of 0 to 8 inch product from Korea
25 through the 2018, 2019 and 2020 period. This is against the

1 background of a domestic industry that suffered declines
2 over the last three years, is facing rising raw material
3 costs, and was already suffered a cost price squeeze.

4 The Commission staff in our view correctly
5 identifies the ability of domestic producers to
6 significantly increase production based on the changes in
7 demand. That is certainly Timken's situation, and we assume
8 that is true for the rest of the domestic industry as well.

9 While a sharp uptick in demand that hasn't
10 been forecasted by customers can result in temporary
11 extensions of delivery, as producers increase the number of
12 production workers, there is enormous unused capacity in the
13 United States, certainly at Timken. A restoration of fair
14 trade in the U.S. will permit U.S. tapered roller bearing
15 producers to better compete in the market. For all these
16 reasons, we respectfully request that the Commission make an
17 affirmative final injury determination. I look forward to
18 any questions you may have. Thank you very much.

19 STATEMENT OF BRIAN J. RUEL

20 MR. RUEL: Good morning Chairman Schmidtlein,
21 Commissioners and the Commission staff. My name is Brian
22 Ruel, and I'm the Vice President for the Americas at the
23 Timken Company. In my current role, I oversee all aspects
24 of customer contacts in the Americas such as sales,
25 application engineering and service engineering.

1 I have a responsibility for sales to both OEM
2 customers and our distributors, regardless of the particular
3 market, such as automotive heavy truck, various industrial,
4 rail and so on. This is my 34th year in the bearing
5 industry and with Timken. I've been in my current role
6 since the beginning of 2016.

7 As Chris Coughlin just testified, tapered
8 roller bearings come in a wide range of sizes, but in the
9 market there are meaningful distinctions between small
10 diameter TRBs, those that are eight inches or smaller, and
11 large diameter TRBs, those larger than eight inch.

12 The tapered roller bearing was invented to
13 address a problem that vehicles were having handling
14 cornering loads. Not surprisingly the largest use of TRBs
15 in the market continues to be automotive and heavy truck
16 customers. Nearly 100 percent of these customers need and
17 use 0 to 8 inch TRBs. There is a distinct automotive
18 aftermarket which consists of distributors, dealers,
19 service operations catering to automobiles and trucks.
20 Replacement parts, like those used by the OEM customers, are
21 nearly all 0 to 8 inch.

22 All of the automotive OEM purchases were
23 undoubtedly of 0 to 8 inch TRBs. Did I skip a page? I'm
24 sorry, I skipped a page, are 0 to 8 inch in OD. Similarly,
25 a number of industries that have heavy load-carrying

1 requirements will need large diameter tapered roller
2 bearings. Wind energy, large mining equipment, steel,
3 paper, the cement industries would be examples where TRBs
4 used are largely over eight inch OD.

5 There is a separate distribution channel for
6 bearings and industrial users. The bulk of over eight inch
7 TRBs move through distribution to end users. Industrial
8 distributors will carry 0 to 8 inch bearings that are used
9 by industrial customers for particular purposes. Off
10 highway vehicles, whether agricultural, construction or
11 mining will use TRBs based on the load-carrying needs, and
12 hence some are under and some are over eight inches.

13 The distinction between the size of the TRB is
14 relevant to both our customers in terms of what product they
15 buy, but also to our sales force review of the business and
16 interface with customers. For example, we generate internal
17 reports which track business to our customers, and that is
18 done on a product basis for all products that Timken sells
19 to those customers.

20 We distinguish between 0 to 8 inch TRBs and
21 over eight inch TRBs in our sales opportunity reviews, and
22 in our customer relationship management software. What I
23 can tell you is that the customers are not holding up large
24 diameter TRBs as relevant in satisfying their needs for
25 small diameter TRBs.

1 Imports from Korea have increased dramatically
2 during a period of stagnant to declining demand that was
3 2015 to 2017, as shown in Table C-1 and C-2 of the public
4 prehearing staff report. With my responsibilities, I
5 regularly deal with customers in our sales force who find
6 themselves in competition with product offerings from Korea.

7 During the 2015 to 2017 time period, the vast
8 majority of that competition has been at automotive and
9 heavy truck OEM customers. The public prehearing staff
10 report at pages 2-3 states that half of OEM shipments to all
11 TRBs went to the automotive, what we understand to be both
12 automotive and heavy truck.

13 All of the automotive OEMs purchases were
14 undoubtedly of a 0 to 8 inch TRBs. Automotive has remained
15 the largest part of Timken's 0 to 8 inch TRB business, both
16 OEM and distribution, and we know that the number of other
17 major U.S. producers are also very active in the automotive
18 OEM part of the market.

19 So the competition at automotive and heavy
20 truck OEM accounts has been intense, with Korean producers
21 capturing a significant and growing share of this important
22 segment of the total market. Automotive and heavy truck OEM
23 contracts involve large quantities of TRBs for use in
24 various positions on a given vehicle platform. As the
25 public prehearing staff report shows, purchasers view

1 quality, availability of product and price as the three most
2 important factors in purchasing decisions.

3 For many applications at automotive and heavy
4 truck OEMs, each of the Korean producers, Timken and any
5 other domestic producers competing will provide product
6 options to meet the performance needs of the customer, and
7 will have the capacity available to handle the volume needs.
8 So in the end, competition in most circumstances comes down
9 to price.

10 The public prehearing staff report confirms
11 that purchasers overwhelmingly view U.S. and Korean
12 producers are comparable on every one of the 16 purchasing
13 criteria, including quality and the availability of product,
14 which supports what my sales force sees in the market every
15 day.

16 At the time of the petition and for the final
17 questionnaire response, my sales team has compiled a long
18 list of contracts for where Timken was competing, whether
19 for new business or for renewal of existing business, and
20 often went through rounds of proposals for customer
21 consideration.

22 In nearly every example, Timken reduced price
23 in an effort to obtain the business. In most situations, we
24 obtained the business only if our final offer was
25 sufficiently low. Many others were lost as we were not

1 sufficiently low-priced. We have provided several
2 affidavits as part of our prehearing brief, where we go
3 through some specific examples.

4 Timken obviously prides itself on its
5 engineering prowess and its ability to solve particularly
6 challenging needs of the OEM customers. There can be
7 instances where Timken's solution may be the only viable one
8 for the customer, and hence price is not the controlling
9 element in those situations.

10 But each of the major U.S. producers of 0 to 8
11 inch TRBs and the two Korean companies are viewed as having
12 sufficient quality within the automotive and heavy truck
13 arena. Koreans would not be outperforming the market but
14 for the large dumping that has been used to undercut
15 domestic prices.

16 Yet that is exactly what is happening. Large
17 increases in imports, 2015 to 2017 in the 0 to 8 inch TRBs,
18 increases in the first quarter of 2018 even with the DOC
19 preliminary dumping determination in early February, and
20 large lost contracts during the 2015 to 2017 period, where
21 production starts in 2018 and ensuring that imports will
22 continue to surge in the 2018 to 2020 period.

23 Margins of underselling of over 20 percent on
24 87 percent of the Korean cups and cones covered by pricing
25 information contained in the questionnaire, and preliminary

1 dumping margins of from 21 to 45 percent. As I testified
2 during the preliminary injury conference, in trying to
3 obtain business, if Timken can't offer a price from a
4 domestic plant that appears to be competitive with what we
5 understand our competition to be offering, we will review
6 whether the part could be supplied from an offshore
7 operation of the company.

8 Lower cost at a sister plant overseas may flow
9 from the volume of production of a particular part number,
10 based on regional demand or from other factors such as
11 material or labor. Timken operates globally to supply
12 demand within the region where possible. In the Americas,
13 the U.S. plants are our core operations.

14 Thus, we always look to satisfy an opportunity
15 in the United States and for that matter for the rest of the
16 Americas from our U.S. production if possible. But we
17 revert to our overseas operations for OEM business,
18 typically only where the prices that frame the potential
19 contract are too low to permit profitable production in the
20 United States.

21 Too often over the last three years, we have
22 been unable to lower prices regardless of the source to
23 compete with the dumped prices from our Korean competitors.
24 The pricing pressure in the market has not only been felt by
25 Timken. The public prehearing staff report at pages V-24

1 indicate three of the seven responding U.S. producers
2 reported that they had to reduce prices, and two firms
3 reported that they had lost sales.

4 As three of the domestic producers only
5 manufacture TRBs that are over eight inch, presumably there
6 would be no reason for those producers to reduce prices
7 because of Korean product that was 0 to 8 inch. Thus, the
8 other domestic producers besides Timken have experienced
9 pricing pressures.

10 Purchasers have confirmed that both -- both
11 that they bought Korean product instead of U.S. product, and
12 most acknowledge Korean prices were lower. Specifically,
13 the public prehearing staff report at V-26 indicates that
14 eight purchasers indicated they bought Korean product
15 instead of U.S., and six of those purchasers indicated that
16 Korean product was lower priced.

17 With declining apparent consumption and
18 surging imports from Korea, with massive under-selling and
19 with the huge identified lost sales, Timken has experienced
20 a cost-price squeeze and declining operating income.

21 Let me comment briefly on the statements by
22 those in opposition that actions by our company eight to ten
23 years ago to correct unprofitable pricing in the automotive
24 heavy truck sector globally defined what has been happening
25 to the domestic industry in total during the Period of

1 Investigation. I was personally and deeply involved in the
2 Fix-It/Exit implementation that started back in 2008, and
3 supplied extensive information in an affidavit with
4 multiple attachments as part of our post-conference brief
5 last year, to show you that the claim that our company was
6 exiting the automotive market was never true and was known
7 by every customer.

8 Automotive heavy truck has remained the
9 largest part of Timken's U.S. and global TRB business, both
10 before and after 2008, and continued to be so during the
11 period under investigation. Figure 1 in my printed
12 testimony shows Timken's current web page with information
13 on its automotive products, and Figure 2 contains excerpts
14 from Timken's annual reports that show automotive and heavy
15 truck was consistently Timken's largest market segment
16 globally during 2015 to 2017.

17 Timken has continued to serve the needs of the
18 automotive customers, and has continued to win supplier
19 awards from them as defined -- as examples provided in
20 Figures 3 and 4 as my printed testimony demonstrates. While
21 business at many automotive and OEM accounts in the U.S. is
22 significantly lower in 2015 to 2017 than it was before 2008,
23 that is not what this case is about. Nor is our presence or
24 absence at any particular OEM accounts.

25 We are here because the actions of our Korean

1 competitors, which we believe was premised upon large-scale
2 dumping and which has resulted in significant lost business
3 for our company and we believe for the rest of the domestic
4 industry from 2015 to 2017. The public prehearing staff
5 report confirms that the industry as a whole has suffered
6 while Koreans have significantly increased their share of
7 apparent consumption.

8 Neutralizing the unfair trade practices found
9 by Commerce will level the playing field for all domestic
10 producers. Accordingly, I urge the Commission to make a
11 final affirmative injury determination in the investigation.
12 Thank you.

13 STATEMENT OF MICHAEL A. DISCENZA

14 MR. DISCENZA: Good morning Commissioners and
15 staff. My name is Mike Discenza. I serve as Vice President
16 and Group Controller of the Timken Company. I have been
17 with Timken for the last 17 years, and have held various
18 positions within the finance area within the company.

19 I've been a plant controller, operations
20 controller for the bearing business, segment controller for
21 mobile industries, assistant corporate controller at the
22 time we spun off our steel business, and have been group
23 controller for the company for the last three years.

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

1 business profitability, capital investments, operation
2 finance, financial forecasting and operations forecasting.
3 As Chris Coughlin has explained, Timken has been
4 experiencing challenging times in its U.S. tapered roller
5 bearing business, particularly in our 0 to 8 inch business.

6 You can see that in the company's
7 questionnaire response in response to Question 3-9A,
8 covering 0 to 8 inch outside diameter tapered roller bearing
9 operations performance, and 3-9C covering over eight inch,
10 where operating income and net income are both down over the
11 period. Our raw material cost for steel declined from 2015
12 through early 2017, but then turned upward and were higher
13 by the end of the year than they had been in 2015.

14 We expect rising raw material costs in 2018
15 for steel as well. Without import relief, we will face
16 continued serious pricing pressures in the market, and
17 likely see a continuation and worsening of the cost-price
18 squeeze seen in our questionnaire data from the 2015 to '17
19 period. The excess capacity that Timken has and the low
20 returns the company is able to generate on some OEM volume
21 have led the company to not make capital expenditures other
22 than for maintenance and repair, and for targeted
23 productivity improvements to reduce costs.

24 This has been true both for our U.S. 0 to 8
25 inch business and for the broader U.S. tapered roller

1 bearing business of the company. While the company has
2 worked hard to reduce costs wherever possible, capital
3 expenditures are generally not being made in U.S.
4 facilities. Similarly, research and development
5 expenditures are being limited in the U.S. to process
6 development activities.

7 I play an active role in reviewing any
8 proposed capital expenditure of size. My role includes
9 reviewing why the investment is being proposed, what are the
10 expected returns and what are the risks around the
11 investment to better inform senior management before a
12 decision is made. Because of our efforts to reduce costs at
13 our U.S. tapered roller bearing operations and our internal
14 review requirements, few if any requests for capital
15 expenditures in our U.S. 0 to 8 inch business and in our
16 other U.S. tapered roller bearing plants have been approved
17 during the period being examined, 2015 to '17.

18 The result is that capital expenditures are
19 below depreciation. Our expenditures have been below our
20 corporate target level of 3-1/2 percent of sales. If you
21 review our producers' questionnaire response, you will be
22 able to see how much of a shortfall there is. This downward
23 spiral of disinvestment is not sustainable over the long
24 term.

25 A serious obstacle to reversing the spiral is

1 stopping unfair trade practices of trading partners like
2 Korea. I also am involved in reviewing requests for
3 research and development expenditures at Timken. We target
4 our research and development budget on products that are
5 earning us the highest returns. Given the challenges we
6 face in 0 to 8 inch TRBs, it has been difficult to justify
7 new R&D projects in this segment. Our levels of R&D over
8 the 2015 to '17 time period reflect the challenges our U.S.
9 plants are facing.

10 As we laid out in our petition, questionnaires
11 and our prehearing brief, Timken has faced a significant
12 challenge in the U.S. from low priced Korean imports. One
13 of my areas of responsibility is to review certain requests
14 from Timken sales force to change pricing on tapered roller
15 bearings in response to customer feedback, about whether
16 Timken's proposal is competitive.

17 As our lost sales and lost revenue materials
18 make clear, we have been seriously undercut on prices by
19 Korean TRB producers at major OEM accounts in the automotive
20 and heavy truck segment, and this has been true despite
21 efforts by our sales team to obtain lower prices to quote.
22 During the last three years, the level and frequency of
23 price reductions that have been presented for review by
24 sales management, the finance team and senior management,
25 have increased significantly.

1 Despite deeper price reductions, large amounts
2 of business have been lost to our Korean competitors. Our
3 estimates are in the nine figure range during the Period of
4 Investigation, with large additional lost contracts where
5 shipments start this year. My involvement in reviewing
6 requested price reductions happens as follows. Our sales
7 force makes offers at prices that will provide an adequate
8 return to the company. Where that is not possible, the
9 sales team may submit a proposal for management review to
10 reduce prices in an effort to meet competition and secure
11 the business.

12 Assuming interest from sales management, my
13 shop will be involved to review the supply chain
14 requirements for the proposal, what risks exist for the
15 performance, including the ability to meet any contractual
16 productivity improvements or other price reductions, what
17 options exist to reduce the level of risk, and what the
18 likely financial return will be if the proposed reduction is
19 made and accepted.

20 Risk reduction can occur through use of raw
21 material indexing, but also involves understanding what
22 plans the plant or plants that would be involved have in
23 place for cost reductions over the life of the potential
24 contract, that would reduce the risk from contractual
25 requirements for productivity improvements.

1 Risk reduction analysis will also include a
2 review of the terms of our steel purchases and the risk from
3 any new contracts, and whether changes in price can be
4 offset. The ultimate decision on whether a price reduction
5 can be made rests with Chris Coughlin, but we will provide a
6 recommendation. Exhibits 2 and 3 to Timken's prehearing
7 brief presents examples of important contract negotiations,
8 where Timken's sales teams sought and obtained approval for
9 price reductions, sometimes more than one reduction.
10 Unfortunately, the business was still lost to our Korean
11 competitors.

12 As we reviewed in our questionnaire response
13 and discussed during the preliminary injury conference,
14 where the prices needed to be competitive on a particular
15 bid are too low to permit production in the U.S., the
16 company will consider whether one of Timken's offshore
17 facilities may have a lower cost structure on a given part,
18 and whether to propose sourcing from that plant to meet
19 competition and prevent the loss of business.

20 Thus, over the last three years in many cases,
21 we have been unable to authorize the requested price
22 reductions for products produced in our U.S. plants. For
23 some instances, we were able to identify a sister plant from
24 outside of the United States to meet a lower price point.
25 In other cases, we have not been able to authorize a reduced

1 proposal that would approach the low prices from Korea.

2 As the largest tapered roller bearing producer
3 in the United States, Timken has worked hard to remain
4 internationally competitive, has had a very aggressive cost
5 reduction program in place for many years, but continues to
6 face challenges in the U.S. as low-priced imports from Korea
7 have taken significant business from Timken and other
8 domestic producers, and created a pricing environment that
9 doesn't permit OEM business to be handled profitably from
10 U.S. facilities.

11 If relief is not imposed, the footprint of the
12 domestic industry, at least Timken's, will likely shrink.
13 That doesn't need to happen. We ask the Commission to make
14 an affirmative final injury determination to prevent this
15 from occurring. Thank you.

16 MR. STEWART: Good morning. This is Terence
17 Stewart again. This PowerPoint presentation will quickly
18 review six topics relevant to the Commission's determination
19 in this investigation. We will go over ground that the
20 witnesses have already covered: domestic like-product,
21 conditions of competition, volume of subject imports, price
22 effects of subject imports, impact on affected domestic
23 industry, and finally additional information on threat of
24 material injury.

25 As I said in my opening, Petitioner is asking the

1 Commission to revisit its analysis of the domestic
2 like-product issue in light of the record in this Final
3 Investigation. We believe the record supports a finding
4 that the domestic like-product should be limited to product
5 coextensive with the scope.

6 Unlike the existing Order on TRBs from China
7 which covers all TRBs, finished or unfinished, and whether
8 further manufactured or not, the current investigation has a
9 much more limited scope. Finished TRBs and parts with an
10 outside diameter of 8 inches or less, and excluding further
11 manufactured products and any cages that are entered
12 separately.

13 As the Commission regularly notes, the starting
14 point for its domestic like-product analysis is the scope of
15 the investigation.

16 Here is a picture of an in-scope TRB, the cup
17 being the outer race, the conus assembly being the
18 combination of the cone or inner race, tapered rollers, and
19 a cage.

20 This slide shows products that are not in the
21 scope, including TRBs that are larger than 8 inches such as
22 the bearings shown in the upper lefthand corner, which is as
23 large as a human being or larger, and in the upper middle
24 photographs.

25 All unfinished parts are excluded, and all cages

1 entered separately. You will see a portion of a cage in the
2 center bottom. Also excluded or housed are further
3 manufactured TRBs such as the wheel hub assembly. You'll
4 see a cutout in the upper right. Railroad bearings you'll
5 see down at the lower left. And housed bearings which is in
6 the lower right.

7 The Commission treats each case as sui generis
8 and the domestic like-product question is based on the
9 record of the investigation. Prior cases are not
10 controlling even if of the identical product.

11 As the Commission stated in Super Alloyed Gas
12 Chromium from Japan: The issue is whether there is a
13 continuum of products that extends beyond the scope defined
14 by Commerce, with no reasonable dividing line that could
15 confine the domestic like-product to merchandise coextensive
16 with the scope.

17 While bright lines are sought, some overlap
18 within the Commission's six factors isn't determinative of
19 the issue, as was seen in the recent Aircraft Case.

20 In examining the domestic like-product question,
21 the Commission typically looks at six factors. The first of
22 these is physical characteristics and end uses. There are
23 different physical characteristics and some important
24 differences in end uses as has been reviewed before, a fact
25 recognized by nearly three-fourths of questionnaire

1 respondents.

2 There are differences in physical characteristics
3 such as load-carrying capacity, final finish, materials that
4 can be used for cages, how rollers are held in place. In
5 some way there are end uses which are 100 percent 0 to 8,
6 and some that are 100 percent larger diameter TRBs.

7 For example, automotive and heavy truck, as we've
8 reviewed, are 0 to 8 inch, while wind energy would be 100
9 percent over 8 inch. Even where there is use by an end user
10 of both, the end user will use 0 to 8 and over 8 for
11 different specific applications.

12 On the second factor considered by the
13 Commission, the Commission has recognized that there is no
14 interchangeability between the two size groups, and the vast
15 majority of questionnaire responses confirm that.

16 While it is true, as well, that after design it
17 is highly unlikely there would be interchangeability amongst
18 products within 0 to 8, or over 8, at the design phase
19 different solutions for a given application are often
20 presented by competing producers, showing some
21 interchangeability at that phase for product of 0 to 8, or
22 in the over-8, but seldom between the two.

23 The third factor considered by the Commission is
24 manufacturing facilities, processes, and employees. As
25 noted before, seven producers responded to the Commission

1 questionnaires. Three producers only produce over 8-inch
2 TRBs, and two produce only 0 to 8, and two produce both.

3 As Timken reviewed in its questionnaire response
4 and prehearing brief, Timken, as the largest producer, has
5 multiple facilities that produce only 0 to 8, several that
6 produce just over 8, and a number of facilities that produce
7 both but do so on separate equipment and lines with
8 different employees. Staff report states no producer
9 reported production of both small and large diameter TRBs on
10 the same equipment with the same employees.

11 Similarly, there are different production
12 processes involved in the producing small and large diameter
13 TRBs as was reviewed at some length in Exhibit 6 to our
14 prehearing brief, which walks through two of the Timken
15 facilities and shows the differences in production process
16 and equipment.

17 The fourth factor reviewed by the Commission is
18 channels of distribution. While it is true that all TRBs
19 are sold either to OEMs or to distribution, as noted on end
20 uses there are significant differences in which OEMs will
21 buy what types of TRBs. Thus, automotive and heavy truck
22 OEMs are buying 0 to 8 TRB product. There is also an
23 automotive truck after-market distribution channel where
24 product will be 0 to 8. For some industrial users, the
25 product will be 100 percent over 8, or possibly 100 percent

1 0 to 8, with others buying both but for different specific
2 applications. Industrial distribution will handle both
3 categories.

4 The fifth factor deals with customer and producer
5 perceptions. The staff report indicated that producers and
6 customers perceived distinctions between small and large
7 diameter TRBs, but that responses were mixed. We have
8 provided you extensive information in our prehearing brief
9 from the confidential record that's on pages 38 to 42 of our
10 prehearing brief.

11 For each group, the Commission will find it
12 instructive to find what in fact individual producers
13 produce, what individual importers import, and what
14 individual purchasers buy in considering this factor.

15 The last factor the Commission may consider is
16 price. As reviewed, the price difference is huge between 0
17 to 8, and over 8 probably one of the larger ones that you
18 have seen in an investigation where it's 34 to 36 times as
19 large, and hence a factor that in our view should be
20 considered.

21 On conditions of competition, the staff reported
22 Timken's experience confirmed that the vast majority of
23 competition with Korean imports is in the automotive heavy
24 truck sector, though there was increased activity within
25 off-the-road. Demand as reflected in the staff report was

1 down during the Period of Investigation, with some recovery
2 in 2017 from the decline in 2016. With rapidly growing
3 imports and large amounts of excess capacity, supply was
4 available during the POI.

5 On substitutability, the vast majority of
6 purchasers ranked the U.S. and Korea product to be
7 comparable on all factors considered, including quality and
8 availability, the two factors in addition to price rated
9 most important to purchasers.

10 This leads to the primacy of price in fact as
11 competing suppliers from the U.S. and Korea were viewed as
12 comparable on the other important considerations: 75 percent
13 of purchasers reported that they usually or sometimes
14 purchase the lowest priced product.

15 Finally, we generally agree with the staff's
16 elasticity estimates on supply and demand, but believe the
17 substitution elasticity is low because of the unusually high
18 comparability ratings on all factors considered by
19 purchasers.

20 To take a look at the conditions of competition,
21 these are some graphs from the staff report. What they show
22 is, looking at demand, while vehicle sales in the U.S. were
23 flat to up, U.S. production in the U.S. was down
24 significantly. Farm machinery saw increases, particularly
25 in 2017, and construction equipment declined through late

1 2016 before starting to recover.

2 Now to switch over to volume of subject imports.
3 The Commission and staff have an important issue to address
4 in the final report, and for purposes of considering the
5 extent of subject imports, and that is: What source of
6 information should be used to estimate the subject imports?

7 As we review in our prehearing brief, U.S. import
8 statistics are not a good reflection of total imports. The
9 Commission has in other cases used either importer
10 questionnaire responses, or foreign producer questionnaire
11 responses, to ensure capture of the complete volume of
12 subject imports.

13 If you look at the confidential staff report at
14 page 7-5, you will have the information on the Korean
15 industry that provides some information. If you look at
16 public staff report 7-7, you will see what is reported--yes,
17 7-7--it shows what the Korean Export Stats show. And you
18 can compare those numbers to the 12 million bearings that
19 are shown in the U.S. import statistics for 0 to 8. What
20 you have is a significant differential, and that
21 differential, according to Commission practice, is handled
22 by either shifting to importers questionnaires, if that is
23 the better data, or foreign producers questionnaires, if
24 that is the better data, or some combination of sources.
25 And we ask you to do that in this case.

1 One of the examples that we show in the
2 prehearing brief is this: Because the breakout of over-8 was
3 new beginning in July of 2006, we looked at the 2017 data
4 for over-8 TRBs versus the 0 to 8. And what you find is,
5 you find something which intellectually can't be true. That
6 is, that over-8 TRBs were being sold, or imported into the
7 United States for between a third and a half the price of 0
8 to 8. Remember, the questionnaire responses said it's a
9 difference between \$10 to \$11 versus \$380. But the U.S.
10 import statistics is showing over-8 is coming in at a third
11 to half the price of under-8. And the weight is
12 significantly below the average weight of 0 to 8 for over-8.
13 So obviously that suggests that the data cannot be accurate.

14 And because that is the case, you need to find an
15 alternative basis. You have a multiple-alternative basis
16 that we review in our prehearing brief. When you do that,
17 what you will find is that even though there are large
18 imports from the U.S. import statistics, the increases
19 understandably are significantly larger. And that becomes
20 important in terms of your evaluation, as it has been in
21 other cases.

22 Okay, for purposes of the rest of our
23 presentation we will be referring to the data from the staff
24 report, which obviously is limited to the U.S. import
25 statistics. This table shows you that quantity is up 46

1 percent. Value is up 36.2 in the 2015 to 2017 time period.
2 That's what's part of the POI. The first quarter which is
3 not part of the POI you have an additional 26, 27 percent
4 increase in both.

5 We visually show those first on a quantity basis,
6 45 percent, and an increase of 26.8 percent, and then we
7 show it on value where you have the 36.2 and the 26.6. This
8 is in a period when there's declining demand. So by
9 definition, you are going to have increasing market share.

10 With subject imports growing in both quantity and
11 value by large amounts, and with apparent consumption
12 declining both in quantity and value under either domestic
13 like-product definition, even using import statistics,
14 imports from Korea have gained market share at the expense
15 in part of the domestic industry.

16 Price effects: Under the statute, the
17 Commission is tasked with evaluating the effect of subject
18 imports on prices. The first factor the Commission
19 considers is whether there's been significant price
20 under-selling by imported merchandise.

21 The staff report shows that imports from Korea
22 under-sold U.S. prices in the majority of quarters, and on
23 the overwhelming volume of product from Korea. While the
24 volume numbers for U.S. product that are involved,
25 quote/unquote, "may be relatively small," the information

1 that is reported in those tables is clearly supported by the
2 separate data that Timken has identified and provided,
3 showing price competition at a number of accounts on a wide
4 range of contracts that shows significant under-selling
5 typically in the 20 to 30 percent price range, consistent
6 with what was found on the particular prices that were
7 examined.

8 While case law supports finding adverse price
9 effects based on under-selling alone, the record in this
10 investigation also shows price depression and suppression.
11 While the public staff report doesn't review data on
12 industry cost and profits, Timken has experienced cost price
13 squeeze on 0 to 8 TRBs, and on the broader category during
14 the 2015-2017 period. And you can of course see from the
15 confidential record whether or not the industry as a whole
16 has.

17 Moreover, the staff report indicates that three
18 domestic producers reported reducing prices to compete with
19 Korean imports, usually an indication of price depression.
20 And some examples of price reductions can be seen in the
21 Confidential Exhibits 2 and 3 to Timken's prehearing brief.

22 Impact on affected domestic producer: Obviously
23 you look at a wide range of factors. The public staff
24 report reviews information on some of those. It's
25 consistent with an industry that's injured. If you look--

1 this happens to be on the 0 to 8, so it comes from Table
2 C-2, but capacity is down. Production is down 4.4 percent.
3 U.S. shipments are down 14.8 percent, and U.S. shipment
4 value is down 8.9 percent. Capacity utilization for the
5 industry is down on the 0 to 8.

6 If you look at it on a value basis, you will see-
7 -excuse me. If you now look at it on a market share basis,
8 you will see that the domestic producers lost 5 percentage
9 points of market share on a quantity basis on 0 to 8, and
10 Korea picked up 2.7 again on the less-than-complete import
11 statistics.

12 So there is a significant increase, and in fact
13 the domestic industry lost nine point three billion bearing
14 sales in 0 to 8. Korea picked up three point eight off the
15 import statistics. And if you look at some of the other
16 sources, you will see that the pickup was actually much
17 larger than that.

18 And so they account for a significant part of the
19 reduced volume that the U.S. experienced in the 0 to 8. On
20 value, as shown on this slide, and there the value mix shows
21 U.S. producers going down point seven, and Korea as going up
22 two point one. So it counts for more than 100 percent of
23 what happened to the U.S. producers. And again it will be
24 even larger when that is corrected for the Korean volume

25 When you look at the expanded like-produce, that

1 which you used in the preliminary, and you look at volume,
2 because the vast majority of volume is 0 to 8, you find that
3 the numbers are quite similar. You have a loss of market
4 share by U.S. producers of 4.8 percentage points, and a pick
5 up by Korea in imports of 2.6 percentage points. Again, a
6 major factor, and once corrected will be an even larger
7 percent of the loss by the domestic industry.

8 And when you look at the value here, you have a
9 decline of 1.2 percent by U.S. producers, and a pickup of
10 1.5 by Korea. So all of these show that there has been a
11 shift in market share. How big or how small the market
12 share is will depend on the correction of the factors. You
13 have two corrections. One is on the import statistics. The
14 second obviously was Timken's revision to its over-8
15 information that came in at the time that the staff report
16 went out. And we have provided information on that in our
17 prehearing brief.

18 Okay, while we've presented data on both the
19 quantity and value basis, we believe the Commission should
20 make its final determination on the basis of quantity, at
21 least if the domestic like-product is limited to 0 to 8
22 product as we believe the record supports.

23 As the Commission has stated in the past in the
24 Certain Color Television Receivers from China case, for
25 example, quantity-based measures prevents skewing by changes

1 in product mix and don't understate the relevance of subject
2 imports as unit values are sold at less than fair value.

3 Okay, the Commission has before it in the staff
4 report and in Timken's prehearing brief, a review of the
5 other factors such as cost and profits for the domestic
6 industry, however defined. Timken's experience has been
7 that we've had low capacity utilization particularly in
8 facilities that compete directly with the Korean product, or
9 high-volume 0 to 8 plants. But whether looking at 0 to 8 or
10 the expanded domestic like-product, Timken has experienced
11 the cost-price squeeze, reduced profitability, whether at
12 the gross profit level, the operating income level, or the
13 net income level. And our company's capital investment in
14 our U.S. TRB facilities are far below our corporate average
15 of 3.5 percent of sales. Low capacity utilization, as
16 previously stated, is not sustainable over time.

17 For all these reasons, the Commission should make
18 an affirmative final determination of material injury to the
19 domestic industry by reason of dumped imports from Korea.

20 While the Commission need not reach threat if it
21 renders an affirmative determination on present material
22 injury, the record before the Commission also supports an
23 affirmative threat of material injury determination. For
24 example, imports from Korea continue to surge, with the
25 first quarter being up close to 27 percent over the same

1 period in 2017, despite Commerce's preliminary dumping
2 determination released in early February.

3 Imports from Korea were up over 40 percent before
4 Commerce--before the Commerce preliminary determination.
5 Moreover, Korean producers are export-oriented and focused
6 on the U.S. market. During the Period of Investigation, the
7 public staff report indicates that domestic shipments in
8 Korea declined, while exports increased. That's at page 7-4
9 and -5. The U.S. was the largest export market, accounting
10 for 35 percent of total exports from Korea each year, with
11 exports in total into the U.S. increasing 63.4 and 62.3
12 percent respectively.

13 Even with the Commerce preliminary determination
14 issued in early February, exports from Korea into the U.S.
15 increased more than four times as quickly as exports to the
16 rest of the world, reconfirming the continued priority of
17 the U.S. to Korean exporters.

18 Timken has provided extensive information on
19 additional lost sales in the 2015-2017 time frame, where
20 shipments will occur over 2018 to 2020, ensuring continued
21 rapid growing imports from Korea, absent relief.

22 In addition, Korean producers, like their
23 Japanese and Chinese counterparts before them, are expanding
24 the range of OEM accounts that they are pursuing to go after
25 for additional 0 to 8 TRB business.

1 Moreover, the U.S. is an attractive market for
2 Korean exports, as their export data show, the average unit
3 values to the U.S. being higher than the seven next largest
4 export markets in 2017.

5 Korean product is viewed as highly
6 interchangeable, Korean producers have won various supplier
7 awards and are accepted broadly in the automotive market.
8 Because quality and availability of product are viewed as
9 comparable between domestic and Korean product, price is the
10 key determinant in many contracts, as the Koreans continue
11 to aggressively undersell U.S. producers and have already
12 won many contracts for products shipping in 2018 to 2020.
13 Additional injury to the domestic industry is thus highly
14 likely.

15 Finally, steel prices are rising for domestic
16 producers, which will limit the ability to obtain price
17 increases on new contracts and on contract renewals
18 competing with dumped imports. Thus, the domestic industry
19 faces the threat of additional material injury by reason of
20 dumped imports from Korea that is imminent.

21 In conclusion, Timken submits that, one, the
22 record supports a finding that the domestic like-product is
23 co-extensive with the scope.

24 Two, the volume of imports is significant both
25 absolutely, in terms of its rate of increase, and compared

1 to domestic production and apparent consumption.

2 Three, import statistics don't capture 100
3 percent of subject imports, meaning the Commission should
4 determine quantity and value on a different basis as the
5 Commission has done in other cases.

6 Four, Korean product significantly undersells
7 domestic product in a large segment of the market at OEM
8 accounts.

9 Five, both underselling and price
10 depression/suppression occur during the POI, as the domestic
11 industry lost market share to dumped imports from Korea.

12 Six, for reasons the Commission has articulated
13 in other cases, imports should be measured on a quantity
14 basis, particularly if domestic like-product is co-extensive
15 with the scope.

16 Seven, the domestic industry has suffered
17 declines during the 2015-2017 period on a wide range of
18 factors, regardless of the domestic like-product definition.

19 And eight, Korean imports threaten further
20 material injury in the imminent future. Thus, the
21 Commission should render an affirmative final injury
22 determination in this investigation.

23 That concludes our direct presentation.

24 CHAIRMAN SCHMIDTLEIN: Okay, thank you very
25 much. I'd like to thank all the witnesses for being here

1 today. We very much appreciate your time in helping us
2 understand this case. And we will begin the Commissioner
3 questions with Commissioner Williamson.

4 COMMISSIONER WILLIAMSON: Thank you, Madam
5 Chairman. And I want to express my appreciation to all the
6 witnesses for coming today. I also want to express
7 appreciation for this book. It's very handy to have
8 everybody's statements in order, and I really appreciate
9 that, so thank you.

10 Since a lot of discussion was about this scope
11 question, why don't I start off with this question.
12 Respondents at Page 10 of their prehearing brief reproduce a
13 chart petitioners used in other TRB cases, showing TRBs as a
14 classic continuum. And does this chart still reflect your
15 view of the industry? And of course, wouldn't that argue
16 for the same thing?

17 MR. STEWART: Commissioner, I am so happy that
18 you asked that question. First, let me say that I'm
19 thrilled that my artwork from six years ago is being
20 important enough to be recycled. And in fact, we have some
21 additional artwork we would like to hand out, which is an
22 effort to try to help you understand the distinction. If
23 you take a look at this which is not the same as the chart
24 that was done six years ago, but contains the same type of
25 information, what you will see is that we have identified

1 the types of TRBs that there are.

2 You have finished sets, cups and cones at 0 to 8
3 in the blue circle in the lower right. You have the
4 finished, greater than 8 sets, cups and cones which is in
5 the upper right. It's hard to see, but in the light green,
6 you have the unfinished greater than 8 cups and cones. And
7 in the gray at the bottom, the unfinished 0 to 8. You have
8 finished gauges on the left --

9 COMMISSIONER WILLIAMSON: Okay. I will take at
10 a look at -- and I like the colored charts. What's the
11 point? What's different?

12 MR. STEWART: Well, the difference is very
13 simple. Six years ago, the issue that was before the
14 Commission was whether wheel hub units, which you will see
15 as the yellow, should be taken out of a scope that covered
16 everything, covered all that entire universe. And in that
17 case, if you think about wheel hub units, wheel hub units
18 are basically 0 to 8, so they are using cups, cones and
19 rollers that are produced in other factories in part of the
20 0 to 8, and so they are part of the same type of continuum
21 when they are part of the scope.

22 There are further manufactured product in that
23 you're adding major housing, etcetera, and the Commission's
24 practice is that you don't include further manufactured
25 product if it is not within the scope, okay? So it's not in

1 the scope and you didn't include it at the prelim, but the
2 issue that was before the Commission back then wasn't
3 whether you could break product otherwise.

4 And in fact, because wheel hub assemblies are
5 only one of the further manufactured, it made no sense to
6 say that wheel hub units were a separate domestic like
7 product when there are a lot of other further manufactured
8 products such as railroad bearings or house bearings, which
9 are virtually identical in terms of additional componentry
10 that goes onto them. So that would be what we would say the
11 difference is. So because you start with the scope, and in
12 that case --

13 COMMISSIONER WILLIAMSON: Okay.

14 MR. STEWART: -- the scope was the entirety, we
15 believe that there is a continuum of product and we argued
16 there was a continuum of product. The Commission has in
17 that situation found that there is a single domestic like
18 product that's coexistent with the scope.

19 So here we have a different scope, and the
20 question that's before you on this is whether there can be a
21 bright line between that which is left, which is just the
22 blue and the green, right? Everything else is out, based on
23 your preliminary decision, and no data was collected for all
24 the other parts of the circle.

25 And so the real question is, is whether or not

1 the scope should be the delimiting factor and whether
2 there's enough of a bright line for you to get there. And
3 what we've tried to do in the material we supplied, both on
4 the questionnaire response and in our prehearing brief, is
5 to walk through why we believe that there is, in fact, a
6 sufficient bright line for you to make the decision that you
7 can delimit the continuum in this case to the scope.

8 COMMISSIONER WILLIAMSON: So you're saying the
9 scope determined the bright line?

10 MR. STEWART: No, I'm saying that on the basis
11 of case law that we've reviewed in our brief and that we
12 reviewed this morning, where there's a continuum, you look
13 to see whether or not there is a sufficient bright line that
14 would permit you to limit the continuum to the scope.

15 And we think we understand that that's the issue
16 that is before you, and we believe that if you look at the
17 factors, that in fact, it permits you to do so in this case.
18 You have a completely different price structure, as 34 to 36
19 times larger is obviously huge.

20 On the manufacturing facilities, processes and
21 employees, you have, in our view, very bright lines. You
22 either have completely different facilities, or where you
23 have facilities that produce both, the testimony here today,
24 and the only evidence of record that I'm aware of, indicates
25 that the products are produced on different lines with

1 different employees. And there is significant differences
2 in the --

3 COMMISSIONER WILLIAMSON: Okay. No, you don't
4 need to repeat the arguments. Okay, thank you.

5 MR. STEWART: I'm just trying to say those are
6 the things that we think create a bright line.

7 COMMISSIONER WILLIAMSON: So is the legal
8 standard for expanding the domestic like product different
9 from the standard for defining multiple like products? And
10 how and why?

11 MR. STEWART: Well, our understanding of what
12 the Commission does when it's looking to expand is, it's
13 looking to see whether or not there is not a bright line
14 between the product that's within the scope and product
15 that's outside of the scope. And historically, you have in
16 the cases of bearings, you have--and all cases that I'm
17 aware of--you have limited the domestic like product to what
18 the scope was.

19 We've identified the journal bearing case, which
20 was a tapered roller bearing case from 1986, where there
21 were three specific sizes of tapered roller bearings that
22 are railroad bearings. And the Commission had no trouble
23 saying that the domestic like product consisted of just
24 those tapered roller bearings, right? So that was the
25 second case.

1 The first case was the case that my dad did back
2 in 1973. Senator Brown was almost correct. The first case
3 that the company brought against Japan was back in 1973. In
4 that case, actually the petition was not delimited. It was
5 all TRBs. But the imports from Japan at the time were
6 twelve part numbers, high-volume part numbers. Does this
7 sound familiar to what's going on today in Korea?

8 And later on, after the -- and so the Commission
9 found that the overall tapered roller bearing industry was
10 threatened with injury in that case. And later on, after
11 jurisdiction was transferred from treasury to Commerce,
12 Commerce came out and said, "Gee, the only named products
13 there were four inches or smaller, so we're gonna limit the
14 order to the zero to four." So the other cases have all
15 been all TRBs, and so the issue has been the same.

16 But you have cases like aluminum, you have cases
17 like uranium, excuse me, where you had a broader category
18 and then a scope that was a narrower category, and you were
19 faced with, do you include or not include, you
20 differentiate. So there's a lot of cases where the issue
21 has been, you start with the scope, and you decide whether
22 or not you should expand beyond the scope.

23 And we agree that's the issue that's in front of
24 you. And we believe that the factors you look at are the
25 same factors, and the question, even if there's a continuum,

1 is whether or not there is a sufficient basis to delimit the
2 continuum, based on the six factors that you otherwise look
3 at.

4 COMMISSIONER WILLIAMSON: So what's changed from
5 our preliminary determination? Or is it just that we got it
6 wrong the first time?

7 MR. STEWART: Well, the first time you don't get
8 a lot of information. You're not talking to purchasers,
9 right? We don't have an idea as to where your thinking is.
10 We thought we had presented a pretty strong case in terms
11 of, we had three facilities that produced the vast majority
12 of our 0 to 8 product on a quantity basis and close to
13 three-quarters of it on a value basis.

14 And we didn't put information in about there
15 being different product lines, even where you had facilities
16 that produced both. It seemed to us there was enough of a
17 bright line just by identifying those differences. So you
18 have a lot more information. You have exhibits that walk
19 through the facilities and show you the production
20 processes, which weren't discussed at the preliminary.

21 So I would say that there's an enormous amount
22 of different information that's in front of you.

23 COMMISSIONER WILLIAMSON: Okay. Thank you. I
24 have lots of questions for all the witnesses. But let me
25 stop there. Thank you. Thank you for those answers.

1 CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent.

2 COMMISSIONER BROADBENT: Thank you. I want to
3 thank everyone for coming today. It's very helpful. Mr.
4 Stewart, the Commission, I guess, we're conducting a fourth
5 review of TRBs from China this summer. Based on your
6 arguments in that case and what you've been saying today,
7 how do we reconcile the consistency between Mr. Stewart in
8 the China case and this case?

9 MR. STEWART: Well, when we filed the petition
10 in this case, and when we filed our submission in the fourth
11 Sunset Review, we indicated that, based on the different
12 scopes, that we agreed with the Commission's determination
13 that it has made consistently in the China case, and with a
14 scope that covers everything, the domestic like product
15 should be all TRBs, finished, unfinished, further
16 manufactured, etcetera.

17 And we continue to believe that that's the
18 correct determination for a case where the order covers
19 everything. But this is not such a case. I mean, after
20 all, the purpose of the statute at the end of the day is to
21 identify whether or not an industry is being injured by
22 looking at what is the like product.

23 There is a like product here. We're not
24 competing with Korea for the product that comes out of our
25 facility at Tyger River or Asheboro or other ones that

1 produce more than eight inch. It's simply not relevant.
2 They're not in the reel business here as yet. They're not
3 doing wind energy out of Korea in the United States as yet.
4 All those things are not there.

5 So there is a market that they are competing in.
6 We have specific assets that are dedicated to that market.
7 And you have lots of cases that would say that that's an
8 appropriate distinction to make, even though the two cases
9 are, one is being investigated and the other is going
10 through review at the same time.

11 So we understand that it could be perceived as
12 confusing. We don't think it's confusing based on your case
13 law. Different scopes is where you start and one is
14 everything and one is a small subset, important subset.

15 COMMISSIONER BROADBENT: Okay.

16 MR. STEWART: And just so I'm clear, in both
17 cases when we filed the petition, we started off by
18 indicating that this is not the China case. We support the
19 domestic like product finding in the China case, and in the
20 China Sunset Review, we've indicated we have a different
21 scope in the Korea case, and we've argued for a different
22 domestic like product. So we're not trying to hide
23 anything. We just think that the facts and the law support
24 different findings for the two different cases.

25 COMMISSIONER BROADBENT: Okay. Where does

1 Timken source its cages?

2 MR. DISCENZA: Actually, I'm gonna defer that to
3 Mr. Coughlin.

4 MR. COUGHLIN: We found multiple sources --
5 primary sources are out of the United States, Georgia, out
6 of India, and out of Japan. And a little bit out of China.
7 That's for the 0 to 8 inch I'm talking about. When you get
8 into large cages, there's all sorts of different variations.

9 Because they're, quite frankly, different
10 products and with different designs. So those can be
11 sourced. Some of those are from the United States. Some of
12 those are from Western Europe, particularly when you get
13 into, you know, three-meter bearings and those kinds of
14 things. Some of those can come out of Germany.

15 COMMISSIONER BROADBENT: So what kind of defines
16 where you would source it? I mean what are some of the
17 things you look at when you decide that?

18 MR. COUGHLIN: When we source cages?

19 COMMISSIONER BROADBENT: Yeah.

20 MR. COUGHLIN: Well, there's a couple of things.
21 There's capability, our technical capability, around are
22 they able to, you know, make it? You know, the cages can be
23 fairly complex in terms of tooling and things of those
24 natures. So it's a normal purchasing evaluation, right?
25 Its availability, its technical capability, its quality, its

1 costs. It's a typical sourced type product.

2 COMMISSIONER BROADBENT: Okay. And are
3 different countries in certain types that you could sort of
4 characterize generally?

5 MR. COUGHLIN: I don't think you can generalize
6 on that. I think certain companies -- you know, cages tend
7 to be a global industry, so it's not a thing of one country
8 versus another. Many of the cage people have multiple
9 global facilities. They produce all over the world, so I
10 don't think you can say one country in that kind of context.
11 I think it's more about the producers and which facility of
12 theirs is supplying and from that perspective.

13 COMMISSIONER BROADBENT: Okay, thank you, Mr.
14 Coughlin. Mr. Stewart, in the preliminary phase, we had
15 limited information on pricing comparisons between the
16 domestic product and Korean imports. Here, we have
17 comparisons, but in terms of representation of shipments,
18 it's very limited. Why is it that we are unable to get a
19 direct comparison that is representative of the market in
20 greater terms?

21 MR. STEWART: Well, first of all, I would
22 disagree with the characterization that it's very limited.
23 You have a couple of items where there's a large amount of
24 volume. And if you take a lot at what you see on those
25 particular items, what you will see is direction of imports

1 versus direction of domestic product. Obviously it's all
2 APO, so I'm not going to go into the specifics on it.

3 I agree that it is a quote-unquote, "small
4 percentage of total sales", but this is an industry where,
5 on the domestic side, you probably have, you know, thousands
6 of part numbers. And the company provided detailed
7 information on competition for specific contracts and
8 specific parts. It's probably larger than just about any
9 case you've had in a long time. I think there's more than
10 eighty examples that have been provided to the staff on the
11 part of our questionnaire response. So there's a lot of
12 information on direct pricing between U.S. producer Timken
13 and the Korean producers at specific accounts.

14 COMMISSIONER BROADBENT: Is it accurate to
15 assume that pricing in Product 6 and 7, the cone assemblies
16 and the cups are generally sold as a pair?

17 MR. STEWART: Not necessarily, no. I think in
18 all of those cases, it depends. Sometimes you will ship a
19 cup to one customer, and the cone to the other, depending on
20 how it's going to be finally assembled. Sometimes they go
21 to both. Both will go to the same place, or they'll go to
22 different operations.

23 COMMISSIONER BROADBENT: Okay. And then who are
24 the end-users for Product 6 and 7?

25 MR. STEWART: Since my client, I don't think,

1 has had a chance to look at the part numbers, they would be
2 the ones who could answer. I'll be happy to provide you an
3 answer in the post hearing.

4 COMMISSIONER BROADBENT: Is it generally the
5 automotive market?

6 MR. STEWART: Oh, yeah, these are all automotive
7 and heavy truck parts.

8 COMMISSIONER BROADBENT: Okay.

9 MR. STEWART: But most of them are parts that
10 are used, not only there, but could be used elsewhere,
11 because they're high-volume. And once an item becomes a
12 high-volume part, people will look to see whether or not
13 they can use it in a different application.

14 COMMISSIONER BROADBENT: Okay. Mr. Coughlin, in
15 a cost-price squeeze, we generally see demand either
16 increasing or remaining flat. Your demand declined. Why
17 would you expect prices to increase if demand is declining?
18 As did scrap metal prices.

19 MR. COUGHLIN: When we're referencing cost-price
20 squeeze, that starts with raw material increasing. As far
21 as your question, why would we expect prices to go up in
22 declining demand?

23 COMMISSIONER BROADBENT: Yes.

24 MR. COUGHLIN: I'm not sure we would expect the
25 prices to go up in declining demand. If it's truly market

1 demand. So when markets tend to get depressed, you know,
2 because of the fixed capital nature of the industry, you
3 know, pricing can get competitive. I mean there is a, I
4 guess that's as much as I can say about it, from that
5 perspective. I'm not quite sure I totally understand the
6 question.

7 MR. STEWART: Let me -- I guess my review of
8 Commission decisions focuses -- cost-price squeeze focuses
9 on whether or not the costs of goods sold is going up as a
10 percent of sale over a period of time. And you've had cases
11 both where consumption is going up and consumption is going
12 down. Oftentimes when consumption is going down, you don't
13 find it, because raw material costs may be going down.

14 But that's not been the case in this particular
15 case, at least for our client, as our data in the
16 questionnaire show. So I'm not familiar that the Commission
17 has articulated the cost-price squeeze is only seen in a
18 growing market. But we'll be happy to provide more
19 information post-conference.

20 COMMISSIONER BROADBENT: Okay. How probative
21 are quarterly pricing data when long-term and annual
22 contracts seem to be pretty dominant in this market?

23 MR. STEWART: Well, part of the reason that we
24 have put in such extensive amount of price competition
25 information in specific accounts, specific contracts and

1 what the negotiation history has been in the loss, et cetera
2 such as what you have in Exhibits 2 and 3 to our
3 pre-hearing, is that that shows you the competition at a
4 point in time. It -- if you have a multiple-year contract
5 that somebody wins at a point in time, what the prices are
6 for on that particular contract will depend on what's in the
7 agreement.

8 So if they have a -- annual productivity
9 improvement and hence a reduced price, et cetera, that will
10 be reflected, but this is not an unusual situation. You
11 have this in a lot of cases that come before you, where
12 there are annual contracts or longer contracts.

13 COMMISSIONER BROADBENT: Okay, thank you very
14 much.

15 CHAIRMAN SCHMIDTLEIN: Commissioner Kearns?

16 COMMISSIONER KEARNS: Hello. I want to thank
17 all the witnesses again for appearing before us today.
18 Again, going back to the domestic-like product issue, as I
19 read your brief, Mr. Stewart, I think -- it seems to me that
20 what you are arguing is that we should -- that there should
21 be a presumption in favor of defining the like product to be
22 co-extensive with the scope. Would you agree with that?

23 MR. STEWART: No, that's not my -- that's -- if
24 that's the way you read the brief, then would not be our
25 intention. We view you as doing a fact analysis based on

1 the record that's before you and that you -- what you say
2 you do is that you start from what the scope is. And since
3 the statutory term is what is domestic-like product, you
4 have had lots of people who have argued before you that you
5 -- that the Commission has never accepted that if you have a
6 domestic-like product, that is the same.

7 You don't have to go beyond that, but that's not
8 our argument. Our argument is you look at the six factors.
9 We understand that, but you start with the scope and you --
10 the Commission has said the fact that there is the same
11 product that's been examined even if it's the identical
12 product in terms of scope doesn't mean you've come to the
13 same result. You base it on the analysis of the record
14 that's before you in a given case.

15 This is a different scope than the China case
16 and so you have a different record than you would have in a
17 case that covered all TRBs.

18 And so we think you go through the factors and
19 make the decision whether you think that they support a
20 limitation or not.

21 COMMISSIONER KEARNS: Okay, but it still seems
22 to me that -- I mean, obviously, under the statute, the
23 scope matters. That's our starting point, but it seems to
24 me that you quote in the materials you had today the super
25 alloy, de-gassed chromium from Japan case.

1 It seems to me that I thought what you wanted us
2 to do is look at the scope and only if that scope does not
3 provide a reasonable dividing line at that point, do we need
4 to sort of consider another dividing line, which is kind of
5 -- I mean, it seems like everything that I'm hearing you say
6 is maybe you don't like the word presumption, but it seems
7 to me that the consistency in your argument, the consistency
8 you find in all of your cases is you got to start with the
9 scope. If the scope is different in this case than it is in
10 the China review, then that means our analysis of
11 domestic-like product is also going to be different.

12 MR. STEWART: I believe that's the Commission's
13 decision. It's not mine. The Japan case to me was
14 interesting in the sense that the issue was there. If
15 there's a continuum of product that goes beyond the scope,
16 do we -- Commission's words, not necessarily these
17 Commissioners, but the Commissioners who were here at the
18 time, the language was do we have to weigh find the
19 breaking point, so that we can limit it to the scope. The
20 vast majority of your cases, domestic-like product ends up
21 being the same as scope.

22 COMMISSIONER KEARNS: Right.

23 MR. STEWART: Not always, but the vast majority.
24 Sometimes you subdivide, sometimes you expand. We accept
25 all of that, but since in this case, 0 to 8 product does not

1 compete with over 8 inch product in the marketplace, there
2 is an obvious reason that petitioner would like to see the
3 scope limited to the product that actually matters to them,
4 so that you're looking at what the effects on the industry
5 is versus an effect on some larger grouping.

6 But you all have six factors that you look at
7 and we understand that. And then, we've tried to address it
8 in that context.

9 COMMISSIONER KEARNS: Okay. Let's see, so going
10 to the 8 inch dividing line --

11 MR. STEWART: Okay.

12 COMMISSIONER KEARNS: -- so in your pre-hearing
13 brief, you note that the average unit value of a small
14 diameter TRBs is 11, whereas for AUVs of large diameters,
15 it's 380.

16 MR. STEWART: Okay.

17 COMMISSIONER KEARNS: That's obviously striking
18 and does seem to suggest these are very different products,
19 but in my view, it doesn't really help us determine whether
20 there's a clear dividing line between TRBs over 8 inches and
21 those 8 inches or less.

22 What would be more helpful, it seems to me,
23 would be to see the AUVs broken into smaller groupings, such
24 as 4 to 6 inches, 6 to 8 inches, 8 to 10 inches, 10 to 12
25 inches. Would it be possible to put something like that

1 together for the post-hearing brief? And do you have
2 anything in your sales materials that might break out those
3 different items?

4 Because again, I think what's confusing in a lot
5 of these -- on a lot of these issues, not just the pricing
6 issue is, you know, we are trying to determine whether or
7 not there's a clear dividing line. And you know, comparing
8 a TRB that's larger than a person to a 3 inch TRB doesn't
9 necessarily tell us a whole lot about whether or not there
10 is some break at 8 inches.

11 MR. STEWART: Of course, we'd be happy to try to
12 put some information together that's relevant for the Timken
13 Company to see if it would be helpful to you. We of course
14 didn't put the ITC questionnaire together and the reality is
15 is that all of the producers view 0 to 8 as a breaking point
16 because you either produce below or above unless you are a
17 very broad producer and you probably have multiple
18 facilities like Timken does where you produce some over in
19 some facilities and others.

20 So it's not an arbitrary, you know, the fact
21 that all these facilities either are under our over would
22 suggest that there is a bright line. The data that's in the
23 staff report is a compilation of what people reported for
24 the two categories that were there.

25 Obviously, the Commission -- the staff could

1 have collected data on a more fine basis and we'll try to
2 supply what our company could have in that regard to be --
3 to see if we can be assistance --

4 COMMISSIONER KEARNS: Okay.

5 MR. STEWART: -- on the price side.

6 COMMISSIONER KEARNS: And that, I guess, leads
7 to my next question for Mr. Coughlin. As you said,
8 generally Timken has different facilities for small versus
9 large diameter bearings and there's a couple of exceptions
10 to that.

11 And then where there are exceptions, I think you
12 said you have different lines, one producing small diameter,
13 one producing large. I just want to make sure that like it
14 seemed to me that that's clear for -- easier for me to
15 understand that there would be small versus large produced
16 on different equipment.

17 But I guess what I want to make sure of is that
18 the dividing line is always at 8 inches. In other words,
19 when you have one facility that produces both large and
20 small, is it always -- you never produce an over 8 inch
21 tapered roller bearing on what you would otherwise consider
22 the small production line or vice versa?

23 MR. COUGHLIN: You know, we produce you know, a
24 million SKUs, right? So when you say never, that's a big
25 thing when you're making a million different part numbers

1 and combinations.

2 COMMISSIONER KEARNS: Uh-huh.

3 MR. COUGHLIN: So to be honest with you, I don't
4 even know 100 percent I know the answer to that in terms of
5 do you ever, meaning one out of a million times.

6 It is a very major, major break for us inside
7 our manufacturing operations. And we've provided enormous
8 amount of information around that, but to say never do we do
9 that, I don't know the answer to that. I can't say that
10 sitting here today.

11 MR. STEWART: Yeah, let me just point out the
12 Commission had staff who came down to three facilities. And
13 one of those facilities had a line that was for over 8 inch
14 product and it was only for over 8 inch product. And the
15 rest of the lines and the factory were 0 to 8.

16 And so your staff has been -- the staff has been
17 through at least one facility like that. In our pre-hearing
18 brief, we have one or two additional affidavits from other
19 facilities that produce both that indicates that that's the
20 case. So while I'm not in a position to tell you that
21 there's not any, any, any, the -- all the information we
22 have received is that, yeah, it's a -- if it's over 8, it's
23 going on different equipment and it will be produced is
24 either in different facilities or certainly be done on
25 different equipment, different lines.

1 COMMISSIONER KEARNS: Okay. And I think my last
2 question on domestic-like product for Mr. Ruel. I thought
3 I heard you -- you mentioned that in your sales documents,
4 you clearly distinguish between 0 and 8 inches and 8 inches
5 and above. If that's not already on -- if it's on the
6 record, can you point to it for me? And if it's not on the
7 record, could you all put that on your record in the --

8 MR. RUEL: Yes.

9 COMMISSIONER KEARNS: post-hearing brief?

10 MR. RUEL: Yeah, we put in in one of the
11 exhibits in our pre-hearing brief, there are some -- there
12 is a distribution sales report that kind of shows all the
13 categories of merchandise that Timken sells through
14 distribution. This is an internal report.

15 And what it shows is it breaks -- when it gets
16 to TRBs, it breaks it between large bore and small bore.
17 And there will be a couple of categories within each, but
18 they're all 0 to 8 in the small bore and they're all over 8
19 in the large bore.

20 COMMISSIONER KEARNS: Okay, okay. Thank you
21 that's all it. That's all I have for now, thank you.

22 CHAIRMAN SCHMIDTLEIN: Okay, thank you. Okay,
23 I'd like to go to the question of the proper basis for
24 measuring volume and market share. And if I understand this
25 correctly, you all used value as a basis to measure it in

1 the petition, but it now seems that you've changed to
2 arguing that that quantity is the more appropriate basis.
3 Am I -- is that correct?

4 MR. STEWART: I wasn't expecting a question on
5 the petition, so I can't tell you whether you're correct or
6 incorrect.

7 CHAIRMAN SCHMIDTLEIN: Okay.

8 MR. STEWART: Typically, we would have shown
9 both quantity and value in the petition and we wouldn't have
10 been saying X or Y. So it wouldn't have been an issue at
11 the time of the petition. We would have been showing all of
12 the data on imports.

13 CHAIRMAN SCHMIDTLEIN: Okay, so is this a new
14 approach for tapered roller bearings? Because I mean in the
15 past, hasn't the Commission used value --

16 MR. STEWART: In the past, we --

17 CHAIRMAN SCHMIDTLEIN: where we have such a
18 broad range of sizes?

19 MR. STEWART: The answer is in the past, in the
20 cases we've been involved with, there hasn't been an
21 identified problem with the data. But and it's not simply
22 the break between 0 to 8 and over 8.

23 In our pre-hearing brief we go through what are
24 in the importer questionnaires, what are in the foreign
25 producer questionnaires. And we identify that there are

1 problems.

2 There's also problems from the import
3 statistics. So your case law as a Commission is if it turns
4 out that import statistics appear to underrepresent the
5 totality of imports, then you shift either to the importers'
6 questionnaires or to the foreign producer questionnaires,
7 whichever seems to more accurately capture the actual
8 imports.

9 So we don't believe we're asking you to do it.
10 We've never seen a situation in hearings where there was a
11 clear problem with the data. So in all the years I've been
12 practicing, I've never asked the Commission to look at an
13 alternative source because that -- the information we had
14 didn't suggest that the imports statistics were not
15 capturing the totality.

16 But here, you have multiple sources indicating
17 that the import statistics are not capturing the totality.
18 And so as a Commission, we believe you have the obligation
19 to do what you've done in other cases.

20 CHAIRMAN SCHMIDTLEIN: And so if we look at an
21 alternative source by definition then, we need to look at
22 quantity? I mean, are you saying that by definition answers
23 this question about --

24 MR. STEWART: No.

25 CHAIRMAN SCHMIDTLEIN: About value versus

1 quantity?

2 MR. STEWART: No.

3 CHAIRMAN SCHMIDTLEIN: So why then -- if we
4 look at alternative sources, let's say okay, we accept that
5 there's a problem with the import data --

6 MR. STEWART: Okay.

7 CHAIRMAN SCHMIDTLEIN: -- so we're going to
8 use an alternative source, why would we then use quantity
9 rather than value?

10 MR. STEWART: Well, it depends what the source
11 is you use, right?

12 CHAIRMAN SCHMIDTLEIN: Uh-huh.

13 MR. STEWART: So for example, let's say that you
14 were to use the importers questionnaire data and you thought
15 that that was the best data. That has both quantity and
16 value, so you'd have quantity and value from the importer's
17 data. If you used foreign producer questionnaire data and
18 you thought that that was the best data, you only have
19 quantity.

20 In prior cases where that has been the issue,
21 you have used the value either from U.S. import statistics
22 or from the importer's questionnaire and done a match, mix
23 and match.

24 So we're not saying not to generate value data.
25 We're simply saying that the sources you have in front of

1 you are shouting out loud and clear that you don't have to
2 believe data.

3 And -- from the import stats, and so, we --

4 CHAIRMAN SCHMIDTLEIN: So are you all
5 indifferent then whether we use quantity versus value --

6 MR. STEWART: No.

7 CHAIRMAN SCHMIDTLEIN: -- once we decide on an
8 alternative?

9 MR. STEWART: I was trying to respond to your
10 question as to whether the fact that the source that we may
11 point to may indicate you should use quantity as a starting
12 point meant that we were saying that decided whether you
13 used value. We view those as separate questions.

14 CHAIRMAN SCHMIDTLEIN: Right, okay.

15 MR. STEWART: Right, and so we're trying to be
16 helpful in the sense that if there's a problem with the
17 data, you have alternative sources in front of you.

18 CHAIRMAN SCHMIDTLEIN: Okay.

19 MR. STEWART: And we've tried to identify how
20 you could do that. But what we have done in all those
21 situations is to say here's what we think the quantity would
22 be. Here's what we think the value would be. We separately
23 make the argument that if you change your domestic-like
24 product to be co-extensive with the scope because it's no
25 longer from a small bearing up to 6 foot or 7 foot, that

1 your case law would be supportive of you looking at
2 quantity versus value as the primary tool.

3 CHAIRMAN SCHMIDTLEIN: And that is because just
4 refresh my memory, why would we look at quantity? That's
5 what I'm trying to get at like I guess --

6 MR. STEWART: Okay.

7 CHAIRMAN SCHMIDTLEIN: Like what is the argument
8 for why we should look at quantity versus value with this?

9 MR. STEWART: Well, the argument that the
10 Commission has put in its decisions as to why it prefers to
11 do quantity versus value --

12 CHAIRMAN SCHMIDTLEIN: Uh-huh.

13 MR. STEWART: -- is two-fold. One is that it
14 avoids changes in mix which may overstate or understate what
15 the value data is.

16 And second, it avoids the problem of having
17 undervalued imports from the subject country, because the
18 merchandise is by definition being sold at an unfair price,
19 right?

20 CHAIRMAN SCHMIDTLEIN: Uh-huh.

21 MR. STEWART: So it's a dumped price. I didn't
22 write that, that's written in your decisions.

23 CHAIRMAN SCHMIDTLEIN: Uh-huh.

24 MR. STEWART: So that's -- that -- and those
25 made perfect sense to me. If I'd been asked to write it, I

1 would have written it the same way, but that's what you all
2 say is the reason why you use quantity.

3 CHAIRMAN SCHMIDTLEIN: Okay, but again, like I
4 thought in prior tapered roller bearing cases, we had used
5 value. Again, putting aside the question about alternative
6 sources in --

7 MR. STEWART: Right.

8 CHAIRMAN SCHMIDTLEIN: We've had a lot of cases
9 involving tapered rolling bearings.

10 MR. STEWART: And --

11 CHAIRMAN SCHMIDTLEIN: And my understanding is
12 the Commission has used value.

13 MR. STEWART: And that is also true, but it's
14 because the scope is all TRBs so you're going from the very
15 small to the super large. And it is the case that on super
16 large bearings, you can have super high prices. And so, you
17 have decided to -- you -- when you decide to use value
18 versus quantity, it is because there are huge potential
19 multiples across the spectrum.

20 In the TB case, where you had 24 to 73 inch, you
21 decided to use quantity as your primary thing. And you
22 distinguished cases where you had gone to value on the basis
23 that where that happened, it was because you tended to have
24 multiples that were 100 times or more.

25 And so --

1 CHAIRMAN SCHMIDTLEIN: Okay.

2 MR. STEWART: -- for all TRBs, that's --
3 it's likely that you're in that zone, but for 0 to 8, it's
4 not --

5 CHAIRMAN SCHMIDTLEIN: You're not --

6 MR. STEWART: -- likely that you're in the
7 zone.

8 CHAIRMAN SCHMIDTLEIN: Okay, all right. I
9 understand now. Thank you very much.

10 Okay, so let me switch gears a little bit to ask
11 about your arguments with regard to pricing. And in the
12 brief, you make the argument that there is price depression
13 and price suppression. And I think Commissioner Broadbent
14 touched on this a little bit. And this might be a question
15 for one of the fact witnesses. Are the purchasers that you
16 deal with aware of your cost of raw materials? In other
17 words, is that a factor that is often raised to you in price
18 negotiations?

19 MR. STEWART: Before the -- before one of the
20 company people respond, there -- you need to understand
21 that a lot of contracts within the contract, there will be a
22 raw material cost. And so there's a difference between
23 what's going on in existing contract versus what goes on in
24 a new bid either for new business or for a renewal contract.
25

1 CHAIRMAN SCHMIDTLEIN: So presumably, and you're
2 saying those provisions in those contracts would allow them
3 to re-adjust the price if raw materials go up?

4 MR. STEWART: Yes, if you're in an existing
5 contract, that is correct.

6 CHAIRMAN SCHMIDTLEIN: Okay, so presumably that
7 then is not going to be affected by subject imports? In
8 other words, if raw -- if the contract provides you can
9 increase, you can increase regardless of what the market
10 dynamics are happening.

11 MR. STEWART: Yeah, I think the statements that
12 were made go to the fact that we are involved in lots of
13 renegotiations for renewals or negotiations for new
14 contracts.

15 CHAIRMAN SCHMIDTLEIN: Uh-huh.

16 MR. STEWART: And in those situations, of
17 course, you can have a serious price depressing effect
18 because you can't get your -- if the price is very low,
19 you can't get coverage of whatever cost increases has
20 occurred.

21 MR. RUEL: Yeah, varying types of contracts will
22 have customers all across the globe in different industries,
23 but it is quite common to have a material index inside of an
24 existing long-term contract.

25 CHAIRMAN SCHMIDTLEIN: Uh-huh.

1 MR. RUEL: That will be adjusted periodically
2 based on what the input costs are doing. When those
3 contracts come to expiration, and there is a renegotiation
4 as we would have a true upward discussion on what really has
5 impacted us. But then of course, there is the market
6 dynamics that come across that and what's going on in
7 pricing in the marketplace that would allow or not allow you
8 to get complete coverage for whatever cost -- additional
9 cost you might have seen during that period of time plus or
10 minus.

11 CHAIRMAN SCHMIDTLEIN: And presumably demand,
12 the --

13 MR. RUEL: That would factor in as --

14 CHAIRMAN SCHMIDTLEIN: The strength of demand
15 would affect the price as well?

16 MR. RUEL: The demand -- the market demand could
17 be a factor in what pricing might be in the marketplace like
18 any other commodity.

19 CHAIRMAN SCHMIDTLEIN: Right. Okay. I have a
20 few more questions, but we'll come back to this in my next
21 round. Vice Chairman Johanson?

22 VICE CHAIRMAN JOHANSON: Thank you Chairman
23 Schmidtlein, and I would like to thank all of you for
24 appearing here today. Respondents take the position that
25 Timken's changes to its producer questionnaire response that

1 occurred late in the process have hindered this
2 investigation.

3 These changes were not included in the
4 prehearing report due to the timing of the submission of
5 this information. Could you all please address these
6 concerns of the Respondents?

7 MR. STEWART: Well let me start, Vice
8 Chairman. The mistake that was found would not have been
9 found if we didn't have the parallel China investigation
10 going on, because the questionnaire defines the two
11 categories differently in the China questionnaire than in
12 the Korea questionnaire. When we submitted the data in
13 Korea, when the company did, it responded to any questions
14 received from the Commission staff.

15 This issue, the particular issue that was
16 involved wasn't raised and there is not a producer, foreign
17 producer, importer or purchaser who spends hours after
18 they've submitted their questionnaire going back to figure
19 out if there could be a problem with Question A, Question B
20 or Question C, where somebody hasn't flagged something.

21 So the error came to light when the China
22 questionnaire was being prepared, because the over eight
23 product was defined differently in the China than it was in
24 the Korea, and looking at the data, we had -- there was a
25 problem with one of the two. So the company at that point

1 said oh, I wonder what this is? So they went back and
2 looked at it and figured out what it was, and as soon as
3 they found that out they submitted it to the staff and, you
4 know, have responded to any questions in terms of cleanup
5 after that fact.

6 So the concept that there aren't lots of
7 changes that occur and that somehow the lateness was either
8 intentional or an effort to hinder the investigation is
9 simply, you know, there's no validity to that Vice Chairman.

10 VICE CHAIRMAN JOHANSON: All right. Thank
11 you for your response, Mr. Stewart. I saw your footnote 340
12 at page 93 of your brief, and that raised the question in my
13 mind. That question is at what point can the market share
14 of subject imports be considered not to be very significant?

15 MR. STEWART: I'm sure that will vary by case,
16 and based on your analysis, and soon as we see what you all
17 decide is your final market data and then you correct the
18 import data, we believe -- we believe that you will find
19 that if, for example let's say you decided the domestic like
20 product was the 0 to 8 and similar to the scope, right?

21 What we've identified is that there was a
22 reduction, a 5.3 million variance shipped by U.S. producers.
23 You already are at 3.8 million increase from Korea. We
24 believe that when you correct the data, it will be a much
25 larger number, and will be a much larger part of that. So

1 in that context on a quantity basis, you will have a very
2 close to significant part of the decline of the domestic
3 industry will be represented by the increase from Korea.

4 So we would think that that would be telling.
5 On a value basis it will be -- depending on what it is, it
6 could be more or less, and again it depends whether you use
7 value or not. If it's the extended TRB, the same thing will
8 be true on a quantity basis, and on a value basis you have
9 cases where the movement in market share has been down at
10 one or two percent, and there have been affirmative
11 determinations by the Commission.

12 So I can't tell you if there is a number below
13 which you all would decide that you can't make an
14 affirmative determination. We don't think that we're close
15 there, particularly if you look at quantity. But even if
16 you look at value, we think that corrected data will give
17 you numbers that will say it's significant part of what's
18 happened.

19 VICE CHAIRMAN JOHANSON: All right. Thank
20 you, Mr. Stewart. Respondents argue that Timken's so-called
21 Fix It or Exit strategy soon after the recession of 2008 to
22 2010 led automotive customers to find alternative suppliers
23 to fill a void which was left by Timken, and this is argued
24 at pages 3 and 46 of the Respondents' brief.

25 Was this -- what was this business strategy of

1 Timken and has this issue been mischaracterized by the
2 Respondents?

3 MR. RUEL: A simple answer to this question is
4 yes. As I indicated in my statements, I was deeply and
5 personally involved in the fix or exit. That really began
6 at the end of 2007. It was a result of poor financial
7 performance by our automotive division as publicly reported,
8 and I think that's in the data that you all have.

9 We talked to our customers early on as we were
10 -- as contracts were coming up for renewal, gave our
11 customers as much advance notice as possible, indicating
12 that we needed to either fix or business or we had no choice
13 but to exit, given its poor financial performance. We
14 worked with our customers. We were as transparent as
15 possible, and in some cases our customers chose to source
16 product from our competitors. In other cases, they decided
17 to stay with us. That was the choice of the customer.

18 In no cases did we abandon the automotive
19 industry or the heavy truck industry. As we -- as I
20 indicated in my statement, it's still a significant portion
21 of the company's sales. Approximately 25 percent of our
22 sales in a given year over the period of interest have been
23 in the automotive and heavy truck sector.

24 So I'd say, you know, any voids as described
25 by the Respondents are a function of purchasing decision,

1 commodity strategy and, you know, competition. Our case
2 here is not -- that really isn't our point here. Our point
3 is that happens every day. It's always happened. We've
4 always had to compete fairly, and all we ask for is that
5 when it comes down to a function of price, we have a level
6 playing field from our Korean competitors, and I think
7 that's the crux of the case.

8 VICE CHAIRMAN JOHANSON: Thank you, Mr. Ruel.
9 As a follow-up to that, did the fix it or exit strategy
10 result in Timken and the domestic industry overall making
11 fewer sales to the automotive sector of the market?

12 MR. STEWART: Let me -- Vice Chairman, this is
13 Terry Stewart. Let me respond first to that. Obviously we
14 don't know the specifics of other domestic producers, but we
15 do know from public data that other domestic producers
16 expanded capacity, and so undoubtedly picked up some of the
17 business that was being lost.

18 Whether it all went to domestics or whether
19 some of it went overseas probably vary by account. It's
20 also the case that a lot of the business that was not
21 renewed is not business that is subject to this case. It
22 would be on things like wheel hub units, and the company
23 also sold off its needle-bearing business, which is
24 obviously a different part of the bearing industry.

25 VICE CHAIRMAN JOHANSON: Okay, thank you for

1 your response. The prehearing staff report at pages II-8
2 and II-9 notes that purchasers cited delivery issues with
3 Timken and a difficulty of U.S. producers to meet increasing
4 demand. To what extent were there any supply issues during
5 the Period of Investigation as it relates to Timken, and are
6 you aware of any specific supply issues with respect to any
7 domestic producer?

8 MR. COUGHLIN: Yeah. So the issue that is
9 being raised started primarily in January of 2017 and for
10 Timken it went through about September of 2017, October
11 2017. In that period, the heavy truck markets in particular
12 moved very rapidly upwards. The industry, meaning the
13 consumers of the bearings, did not forecast the demand.

14 So demand was placed what we call inside lead
15 time, up front demand to use Timken terminology, and when
16 that happens quite frankly the ability to get cages, get raw
17 material and that inhibits your ability to produce. So in
18 that nine month period, we were scrambling with the rest of
19 the industry. Everybody in the industry was scrambling to
20 meet that rapid demand increase.

21 We did it. We used some air freighting and
22 some other things to meet that demand request. But that's a
23 function of unforecasted demand. It has nothing to do with
24 manufacturing capacity, and you know, once we got through
25 the unforecasted demand and got the supply chains ramped up,

1 it's business as usual as we sit here today.

2 VICE CHAIRMAN JOHANSON: Mr. Coughlin, out of
3 curiosity what was the -- what led to the increase in
4 demand during that period of time?

5 MR. COUGHLIN: Heavy truck builds, heavy truck
6 builds moved faster than what the people like Meritor or
7 Dana would have forecasted. Now there were some other
8 industries moving as well, okay, but it was really heavy
9 truck that moved hard. There was also some movement in
10 agriculture and some other industries as well.

11 VICE CHAIRMAN JOHANSON: All right. Thanks
12 for your responses. My time has expired.

13 CHAIRMAN SCHMIDTLEIN: Commissioner
14 Williamson.

15 COMMISSIONER WILLIAMSON: Mr. Discenza, I was
16 -- at page 86 of the prehearing brief, Timken has -- it is
17 noted that Timken has not been able to justify capital
18 investments in TRB plants. Now is this true for all TRBs,
19 or just the in scope TRBs?

20 DD Well I think what our data would show is
21 that it's true of our TRBs. It's particularly true of 0 to
22 8 inch TRBs. But that disinvestment has been across the
23 entire TRB spectrum in the U.S.

24 COMMISSIONER WILLIAMSON: Okay, and does that
25 -- and I guess the -- then also I guess the demand for all

1 TRBs, the over eight kind of follows the demand for the
2 under eight. So what does that say about -- what's the
3 implicatoin of that?

4 MR. COUGHLIN: Sure. First, I want to --
5 first of all, your statement that greater than eight inch
6 TRBs follow the demand of less than eight inch TRBs is not
7 true. These are totally normally much different
8 applications, different industries and things of that
9 nature.

10 COMMISSIONER WILLIAMSON: But I mean what
11 happened during this period? Was there a big difference in
12 --

13 MR. COUGHLIN: Oh yeah, certainly. You know
14 there are portions of the large bore greater than eight
15 inch, excuse me, you know, wind energy is an example. It's
16 a very growing market across the 2015 to 2017, the global
17 wind energy market, versus you know as you have in your
18 data, the 2015 to '17 0 to 8 inch market in the U.S. is
19 obviously a different demand characteristic.

20 COMMISSIONER WILLIAMSON: But the over eight
21 and the aggregate, is that -- how is that doing compared
22 to the under eight?

23 MR. COUGHLIN: In the period of interest?

24 COMMISSIONER WILLIAMSON: Yeah.

25 MR. COUGHLIN: Okay. In the period of

1 interest, it depends on specifics. But in wind energy as an
2 example, it did pretty well, right. It did very well in
3 places, in some of the global distribution channels. But
4 when you get into the 0 to 8 inch U.S.-based business,
5 because understand we are very global business, that portion
6 of the business, which is what the scope is of this
7 discussion, is the data that you have.

8 COMMISSIONER WILLIAMSON: Okay. I may come
9 back to that post-hearing.

10 MR. COUGHLIN: One last point.

11 COMMISSIONER WILLIAMSON: Yeah.

12 MR. COUGHLIN: When you talk about capital
13 investment, there is a significant difference between the
14 capital investment in the United States versus the capital
15 investment around the world, and that is related to the
16 ability to return, you know, earn the return on investment
17 capital, which is a critical aspect for us being a New York
18 public company.

19 So when we're looking at investment,
20 investment is being skewed outside the United States given
21 the market dynamics.

22 COMMISSIONER WILLIAMSON: Okay. This relates
23 -- Mr. Discenza frequently said in the United States, what
24 he was talking about. Is this related to the same issue and
25 what's the difference?

1 MR. STEWART: If I could, Commissioner
2 Williamson. Because your staff report shows 0 to 8 only in
3 Table C-2, and doesn't break out over eight, I think that
4 when you have a chance to take a look at the revised data
5 for over eight, you will see that there are probably
6 different market dynamics than what you see in the under
7 eight in the United States.

8 COMMISSIONER WILLIAMSON: That's why I said
9 I'll wait until post-hearing to address it, but that's a
10 fair point. But getting, now let's get back to the capital
11 investment question, because you're making a distinction
12 between why your decisions on capital investment in the U.S.
13 versus I guess what you might, what other people might be
14 doing overseas. I was trying to find out what's, what makes
15 the difference.

16 DD Well, I think I'll start and my colleagues
17 can join in. We evaluate all capital investment decisions
18 on the same criteria, which is an expected rate of return
19 above our cost of capital. Of course those capital
20 investments are generally targeted, either a particular
21 product, a particular customer, etcetera.

22 And so -- and of course where we make those
23 investments, there is a correlation between those customers
24 and products. So as we look at production in the United
25 States, that production is generally aligned with customers

1 in the United States. So when we look at returns on
2 investment for those investments, that's where we found that
3 we are unable to generate a sufficient return to earn our
4 cost of capital.

5 That's not true globally, because we have
6 invested, as we've said, close to 3-1/2 percent of our
7 sales. So under-investing in the U.S. means that we're
8 investing outside the U.S. Same criteria. We make the same
9 evaluation based on customers and growth. So when we make
10 those decisions, we are not able to justify the investments
11 in the U.S., particularly for those U.S. customers.

12 COMMISSIONER WILLIAMSON: Is that because U.S.
13 customers aren't doing as well as some of your customers
14 overseas?

15 DD I think in this particular case,
16 especially as it relates to 0 to 8 inch bearings, it's
17 because our pricing, as we've contended, our pricing is
18 being suppressed and depressed by cheap Korean imports, and
19 therefore we're not able to earn a return, a profitable
20 return on those sales to justify the investment.

21 MR. COUGHLIN: I think what's important to
22 recognize is these U.S.-based customers, Dana, Meritor,
23 others, these are global companies, right. So we deal with
24 these companies all over the world. The specifics of this,
25 though, why we keep coming back to the United States is this

1 is a discussion about the United States in terms of this
2 trade action.

3 But so when you talk to us about given
4 customers, where do we invest, what do we do, most of our
5 customer base is completely global. So we deal with them
6 all over the world, and work with them all over the world.

7 COMMISSIONER WILLIAMSON: Yeah, I understand
8 that, and I'm understanding what is happening outside the
9 U.S.

10 MR. COUGHLIN: The return on investment
11 capital we can get from putting a plant in India, China,
12 Romania. Romania would be the newest example of a major
13 tapered roller bearing business. The returns on investment
14 capital are significantly above our cost of capital. We
15 cannot achieve our cost of capital, investing in 0 to 8 inch
16 tapered roller bearings significantly inside the United
17 States market, given the competitive pressures.

18 COMMISSIONER WILLIAMSON: So is it -- are
19 those investments overseas? Are we talking 0 to 8 overseas
20 as well?

21 MR. COUGHLIN: You know, we're a three and a
22 half billion dollar corporation, right? So we're investing
23 in our mechanical powered transmission businesses, we're
24 investing in our industrial bearing businesses, we're
25 investing in our tapered roller bearing businesses. So

1 it's, you know, when you talk about capital investment, it's
2 --

3 But for instance, the newest investments in
4 India make 0 to 8 inch tapered roller bearings, as an
5 example. Those came online in the period of interest in
6 2017. So there's a direct example of -- those investments
7 were Jomshipoor, India.

8 COMMISSIONER WILLIAMSON: Are Korean firms
9 selling in that market too, or selling differently than
10 here?

11 MR. COUGHLIN: I can't speak to where they
12 sell or where they don't sell. I mean they may sell
13 something. I think that data very clearly shows that they
14 are heavily focused on the United States market.

15 We certainly don't see them globally from
16 Korea in particular, because Schaeffler is a very global
17 company. So we compete with Schaeffler all over the world,
18 but not necessarily from their Korea plant. But Ilgin, as
19 an example, they are heavily focused on the United States.

20 COMMISSIONER WILLIAMSON: Okay. To what
21 extent is the demand for the bearings, for Korean bearings a
22 function of Korean automotive firms in the U.S.?

23 MR. COUGHLIN: You know, I think they would
24 have to answer that question. But I would tell you my
25 professional opinion is yeah, they certainly are lined up

1 with Korean automotive makers at times. But I don't know
2 that I can speak for them.

3 MR. RUEL: Yeah. I think that's a question
4 for them specifically.

5 COMMISSIONER WILLIAMSON: I'll ask them, but
6 I'm curious to see what y'all had to say about it.

7 MR. RUEL: No doubt. From everything that I
8 have in terms of market intelligence, really these bearings
9 go into power train, and as automotive companies nationalize
10 and the example of Hyundai coming into Alabama, the first
11 thing they do is auto assembly, and they're bringing in the
12 engines and transmissions, the axles which is most important
13 to us for our applications.

14 So I don't think that has occurred in a large
15 part with the Korean automotive companies. Where we see
16 competition and low market prices is really the classic
17 examples of the U.S.-based automotive manufacturer or
18 assemblers, and not so much the Koreans.

19 COMMISSIONER WILLIAMSON: Okay. Just so I
20 understand, the bearings or the assemblies that you -- when
21 these transplants come in, you say the products that use
22 your products, are those being imported from Korea as
23 finished assemblies or unfinished assemblies?

24 MR. RUEL: They would be brought in as part of
25 finished assemblies. So for instance, a complete

1 transmission coming in from Korea.

2 COMMISSIONER WILLIAMSON: Okay.

3 MR. RUEL: Okay, and then typically that
4 follows automotive assembly, and they localize, if you will,
5 the power train, which is therefore where the direct
6 tapered, 0 to 8 inch tapered roller bearings might be
7 applied. So it's not a function of the Koreans are buying
8 from Korean bearing, tapered roller bearing companies. The
9 vast majority of where we see the competition is in existing
10 applications that have been -- that, you know, has been
11 around in the U.S. for many decades.

12 COMMISSIONER WILLIAMSON: Okay thanks. That's
13 helpful. Thank you.

14 CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent?

15 COMMISSIONER BROADBENT: So I'm looking at
16 everyone in the back row, and you're all politely listening.
17 Are we missing--no one is asking any questions. I'm feeling
18 that your expertise is going to waste. Do you have any
19 comments that you'd like to make on the discussion?

20 (No response.)

21 COMMISSIONER BROADBENT: No?

22 MR. STEWART: Not at this time.

23 COMMISSIONER BROADBENT: Okay. Let's see. Mr.
24 Stewart, Mr. Coughlin mentioned earlier that there are
25 thousands of product skews that we're talking about here.

1 Given that, I'm still struggling with why these pricing
2 products were selected, and what inference we should draw
3 based on the value representation of all U.S. shipments. So
4 if you--and I know this is VPI, but when we get into the
5 posthearing, I would really like to talk about how much of
6 the market we've got represented. Because to me it just
7 looks very, very low, and I think maybe take a look at V-8
8 regarding how much data is represented, just for our
9 post-hearing--for your posthearing submission. Just give
10 us a little discussion--

11 MR. STEWART: We'll be happy to do that.

12 COMMISSIONER BROADBENT: That would be helpful.

13 Mr. Stewart, please describe the impact of steel
14 prices on the selling prices of TRBs. As a general matter,
15 are steel and TRB prices directly linked either through
16 formal or informal practice?

17 MR. STEWART: I think, as was mentioned by Mr.
18 Ruel a few minutes ago, if you have a lot of the contracts
19 at the OEM stage--it wouldn't be true necessarily in the
20 aftermarket--but at the OEM stage, if you have a contract,
21 you probably have some kind of price adjustment over the
22 duration that is included based upon some kind of a raw
23 material index. So that's at least fairly common. It may
24 not exist for all. That doesn't do anything in terms of new
25 contracts or renewed contracts, which is basically a

1 question of where pricing pressures are.

2 So if you have a contract that says I'm going to
3 sell this bearing for \$10 a unit, and it has a price
4 adjuster, and so every six months you look and maybe it goes
5 up over the life of the three-year contract from \$10 to
6 \$10.50, if the purchaser is receiving bids to supply that
7 bearing for \$8 when it comes up for renewal, you're not
8 going to be talking about where do I go? \$10.50-plus?
9 You're likely going to be talking about do I have to get
10 down to \$8, and how much above \$8 I can be. See if that
11 rings a bell?

12 MR. RUEL: That is correct. I mean, as I stated
13 earlier, we have many forms of LTAs, Long Term Agreements,
14 Multi-Year Agreements, with our customers, and in most cases
15 they have indexes that are tied to steel in different forms.

16 As contracts come to their expiration, we're
17 really looking at market prices to set the dynamics for what
18 the next LTA--for what the next price--what the prices are
19 going to be in the next LTA. And that could be a function
20 of demand. That could be a function of competitive
21 pressures. That could be a function of prices being dumped
22 into the United States, et cetera, et cetera. And again,
23 there's many dozens of examples of the price competition
24 between Timken and Korean products at particular accounts on
25 particular items that are part of the record both in our

1 prehearing brief and the questionnaire responses. Look at
2 it by part number in the Exhibits 2 and 3 of our prehearing
3 brief. Walk through how the prices have changed through the
4 negotiations so that you can see what happens and you can
5 see there's substantial price reductions that have--that are
6 occurring where there is competition with the Korean
7 producers.

8 COMMISSIONER BROADBENT: Okay. Based on the
9 sales and cost data submitted by domestic producers, which
10 is confidential, the ratio of raw materials to sales and
11 total cost of goods sales was relatively stable from 2015 to
12 2017, albeit with a small increase. Unit sales values
13 increased more so than unit raw material costs. So how is
14 this indicative of price suppression?

15 MR. STEWART: Well we will respond in the
16 posthearing, because most of--I don't necessarily agree with
17 the characterization of what's in the confidential record,
18 and so it would be easier for me to do that posthearing, if
19 that's okay, Commissioner.

20 COMMISSIONER BROADBENT: Okay. And then to what
21 extent are the additional duties on imports of steel
22 articles under the Section 232 action affecting or will
23 affect the prices of TRBs, would you expect?

24 MR. COUGHLIN: So generally--first of all, we
25 don't really know yet, right? It's a moving target.

1 COMMISSIONER BROADBENT: Right.

2 MR. COUGHLIN: Generally speaking, though, there
3 is nothing positive in that for the Timken Company, as a
4 general, high-level thing.

5 There are a couple of things. In our U.S. plants
6 we highly source a lot of U.S. material, alright? So it's
7 not like we're importing steel from China, or something, or
8 Canada, or anything. Most of our steel we buy domestically.

9 Our biggest risk, and this is what we believe
10 will happen, is that the domestic industry, once it is
11 implemented, that the domestic industry will start raising
12 their prices of steel. And that is what is going to affect
13 the Timken Company.

14 It isn't that we're going to pay import duties,
15 or we can't import steel. It's that the domestic producers
16 will increase their prices.

17 But I mean as--well, as you all know, that is a
18 moving target as we sit here today, but that would be our
19 assessment. Our biggest concern with it long term is what
20 do our customers do? Right? Because many of our customers
21 are major steel consumers.

22 You know, one thing that we haven't talked about
23 here is: Do recognize that raw material costs are not
24 uniform around the world, right? So even when we, you know,
25 can get raw material recovery here in the United States,

1 oftentimes when we're competing with foreign imports they
2 have a lower raw material cost base than we have here in the
3 United States.

4 So there are different aspects of this, but we
5 will have to see how that plays out over a period of time.

6 COMMISSIONER BROADBENT: Okay, so you may have
7 trouble in your export markets to continue to be
8 competitive?

9 MR. COUGHLIN: Oh, definitely. Oh, absolutely.
10 I mean that will put pressure on our cost structures which,
11 you know, as we look to export out of the United States,
12 that will obviously be a pretty big negative.

13 We are a major exporter out of the United States,
14 though. So we'll just have to see what happens. We are a
15 very global company and, you know, we will adjust as the
16 market pushes us, or the dynamics of the cost structures
17 force us to adapt to compete on a global basis.

18 COMMISSIONER BROADBENT: Okay. Thank you very
19 much, Mr. Coughlin.

20 CHAIRMAN SCHMIDTLEIN: Commissioner Kearns?

21 COMMISSIONER KEARNS: I guess teeing off that last
22 point, and this is even much more speculative and more of a
23 moving target, but I guess we are also looking at a 232 on
24 automotive products now.

25 MR. COUGHLIN: Correct.

1 COMMISSIONER KEARNS: Would that then kind of
2 have the opposite impact on you all? In other words, more
3 likelihood of production of automobiles in the U.S., which
4 would be good for Timken? Or how do you look at that?

5 MR. COUGHLIN: You know, once again we don't
6 know. It's just so hard to say. I mean, is Mexico
7 included? Is Mexico not included? You know, because I'm
8 sure you know Mexico is a major automotive center for the
9 North American automotive industry.

10 So depending on how the dynamics of that would
11 play out, you know, I would say, sitting here today, we just
12 don't know. When we analyze these things, we've even
13 stopped analyzing them, quite frankly, because the
14 permutations are almost infinity depending on what specifics
15 actually occur. So as of right now, we're just sitting here
16 waiting and watching it carefully, obviously.

17 COMMISSIONER KEARNS: I think this touches on
18 something that Commissioner Williamson raised, but on page
19 48 of their prehearing brief, Respondents argued that Timken
20 is focused more on serving the heavy equipment and
21 industrial segments of the market. They argue the demand in
22 that segment is the market has fallen over the POI, and as a
23 result the value of the U.S. producers' shipments fell.

24 How would you all respond to that?

25 MR. STEWART: In terms of the overall industry,

1 we'll obviously respond posthearing. But I can tell you
2 that, looking at the breakout in Timken's questionnaire
3 response it's not an accurate reflection.

4 COMMISSIONER KEARNS: And I guess this kind of
5 leads into some of the discussion we've been having about
6 the Fixit or Exit strategy. And I think some of the
7 questions that Vice Chairman Johanson asked you, or some of
8 the questions I asked you as well, so I'll skip over those,
9 but I guess one question I would have is:

10 Mr. Ruel, you pointed out that about 25 percent
11 of Timken's product is sold to the automotive and heavy
12 truck sector during the POI. Can you all provide us with
13 more information about what that would have looked like
14 before the Fixit-Exit strategy, you know, ten or so years
15 ago before the financial crisis? What were those numbers
16 like then?

17 MR. STEWART: Yeah, it's probably in the
18 prehearing brief of the other side because they put in a lot
19 of annual reports, but the data that he referred to came out
20 of the 2015 to 2017 annual reports and showed automotive and
21 heavy truck being the 2325, and it will be a higher number
22 before two thousand.

23 COMMISSIONER KEARNS: Any idea how much higher?
24 I didn't see it in the Respondent's arguments about before
25 2007.

1 MR. RUEL: It's a little bit hard to compare
2 because there's two major divestitures that took--three
3 major divestitures that took place. Timken sold off its
4 steering business. Timken split its steel business off in
5 2014. And Timken sold its needle roller bearing business in
6 2009, all of which would have had a heavy concentration of
7 automotive and heavy truck sales. So I think we would have
8 to normalize that so that you can see it for the--and
9 compare it directly to the period of interests.

10 COMMISSIONER KEARNS: Okay. Thank you.
11 Commissioner Broadbent was asking about the pricing data. I
12 guess one thing on this is business proprietary information,
13 so if you could just address it in your posthearing brief,
14 but the Respondents made some arguments trying to explain
15 what might be going on in product 6 and 7, and if you all
16 could address those arguments in your posthearing brief that
17 would be helpful.

18 MR. STEWART: Sure. We will be happy to address
19 them.

20 COMMISSIONER KEARNS: Okay, good. Thanks.

21 MR. STEWART: You will not be surprised that we
22 don't agree with the analysis that was provided.

23 (Laughter.)

24 COMMISSIONER KEARNS: Okay. And Vice Chairman
25 Johanson raised the question of, you know, market share and

1 how much is significant. In footnote 340, and I guess there
2 are 340 footnotes plus in your brief, which is impressive,
3 you describe the market share as held by subject imports in
4 a number of cases in support of an affirmative determination
5 in this case.

6 In your posthearing brief, could you also report
7 the market share held by U.S. producers in those cases?

8 MR. STEWART: Sure. The answer is, yes.

9 COMMISSIONER KEARNS: I think that's all I have
10 for now.

11 CHAIRMAN SCHMIDTLEIN: Okay, I guess I want to
12 go back to questions about the arguments with regard to
13 price depression and suppression. And if I understand it
14 correctly, the argument with regard to suppression is really
15 based on the COGs ratio, and that it was going up. Okay.
16 So for price depression, can you walk me through what your
17 primary points are in support of that? And then discuss how
18 we consider the fact that demand was declining?

19 MR. STEWART: Well, I guess there would be
20 several. First, you have I believe in the public staff
21 report an indication that three of the domestic producers
22 indicated that had to reduce prices. Typically reduction of
23 prices is what is considered to be price depression where
24 there is not a declining cost structure, and there hasn't
25 been a declining cost structure.

1 Second, Timken Company provided enormous amounts
2 of information showing the levels of price reductions that
3 they made sometimes in efforts that were successful to
4 obtaining business, and other times in efforts that were not
5 successful in obtaining business. All of those would
6 suggest significant price depression, at least on the sales
7 that they got, and lost sales obviously on the rest.

8 I would think that those would be the primary
9 issues.

10 CHAIRMAN SCHMIDTLEIN: Okay, so when we look at
11 the pricing products--you don't really rely on the pricing
12 products for this?

13 MR. STEWART: Pricing products, in terms of
14 whether there is price declines?

15 CHAIRMAN SCHMIDTLEIN: I mean there's some--they
16 show price declines in some of the products, and in others
17 some increase. So that's not part of the evidence here?

18 MR. STEWART: I would think that some of it
19 would show that that's the case. I think that we have a
20 bigger database in terms of what Timken has provided, in
21 terms of contract by contract. But--and I didn't go back
22 and relook at the confidential record, so I'll clarify in
23 terms of whether we think that the pricing data you have on
24 the eight parts and seven parts is supportive of that.

25 CHAIRMAN SCHMIDTLEIN: Okay. And maybe this is

1 a question for posthearing as well, but when you look at the
2 pricing products there are different trends among the
3 different pricing products. I don't know if you can speak
4 to this now, but the Korean prices, whether they slightly
5 decrease in some cases, you know, they're staying sort of
6 flat, and then you see U.S. prices in some cases, you know,
7 varying quite a bit.

8 Why do we see such different trends over these
9 products--which I understand are different sizes, but they
10 are all less than 8.

11 MR. STEWART: Well I think the--Let me give you
12 a--since my client hasn't seen any of these things, he
13 wouldn't--

14 CHAIRMAN SCHMIDTLEIN: Right.

15 MR. STEWART: --have any idea what we're talking
16 about. But my belief is that for a company like Timken
17 where products, the same product may be sold to a number of
18 companies, you may lose business, and hence you may lose a
19 low price or a higher price, and so your volume may change
20 and the prices may go up or down, and hence you may have
21 gone from five customers to three customers, to seven
22 customers, depending on what the product is that you've sold
23 the item to. Some may be large. Some may be smaller.

24 Whereas, I would think on the Koreans--and I
25 don't know because it's not part of what gets filled out in

1 the questionnaire--is that if you obtain a major contract
2 with an OEM, the volumes that you see could be a reflection
3 of what you ship to a single OEM, and hence they would be
4 subject to a single contract. Most contracts would have a
5 flat price with a possible adjustment for changes in raw
6 materials. And with a productivity reduction in many cases
7 that would result in small declines over time.

8 So depending on when they got a contract, whether
9 there were multiple contracts, those types of things that
10 would affect it, and for the Koreans I would think that it
11 would be more likely that it would be one contract versus
12 for a company like Timken where they may have had a number
13 of people who were buying a product.

14 CHAIRMAN SCHMIDTLEIN: So it would probably be--
15 I appreciate that answer, but it would be helpful I guess to
16 go into more detail in the posthearing, I suppose?

17 MR. STEWART: I think the only thing that we
18 could do in the posthearing is that we could ask our client
19 to go back and take a look at--take a look at the data they
20 provided us, to the extent that the data you have is theirs,
21 to take a look at what's going on.

22 CHAIRMAN SCHMIDTLEIN: Okay.

23 MR. STEWART: Because we wouldn't have access to
24 the other people's data over the Korean producers data.

25 CHAIRMAN SCHMIDTLEIN: Okay. And maybe this

1 question has already been asked, but given the underselling
2 here, why don't we see a bigger impact on market share?

3 MR. STEWART: Well I guess the issue from our
4 point is, you have a rapid runup in market share from a
5 small base. But when you get the import data corrected, as
6 we believe you will do, you will see that in a market that
7 was basically flat we believe that the Korean imports will
8 account for a very sizeable part of the reduction in volume
9 in 0 to 8, and hence whether it's 0 to 8 or the totality on
10 a quantity basis you will see that they will account for a
11 very sizeable part of that. So...

12 CHAIRMAN SCHMIDTLEIN: Okay. Alright, and then
13 finally when you look at the AUV for U.S. shipments, right,
14 we do see AUVs going up from '15 to '17, it dips a little
15 bit in '16. So how should we take that into account in
16 looking at price depression or price suppression?

17 MR. STEWART: I think the reason that COGs is a
18 good measure in a product line, whether you're looking at 0
19 to 8 or the larger grouping, is because of product mix,
20 right? I could have a 5 percent price decline in every
21 product, but have a change in mix and show an average unit
22 value that goes up. And that's the challenge with a product
23 line like TRBs, and particularly where you have growing
24 demand in certain segments like there was a big spike, as I
25 understand it, in the mining sector. And so you would have

1 much higher priced bearings that would be going into that
2 sector, as an example.

3 And if that happened, you could have declines in
4 virtually everything, but an increase in the average unit
5 value, which is the reason that the kind of typical analysis
6 on cost/price squeeze is looking at your COGs percentage is
7 a pretty good measure whether or not you've got a squeeze
8 going on, or whether there's a reduction.

9 CHAIRMAN SCHMIDTLEIN: So are you saying in the
10 increase in '17 they should have been able to increase more?

11 MR. STEWART: What I'm saying is there may not
12 be any increase in '17, because you don't have any idea of
13 the change in mix.

14 CHAIRMAN SCHMIDTLEIN: Okay, I guess I'll have
15 to--

16 MR. STEWART: If I have 100 part numbers that vary
17 in price, I could have no change in price, I could have a 5
18 percent reduction in price, or a 10 percent reduction in
19 price, or some increase, and depending on the change in
20 volume in each of those 100 parts, I could have the
21 identical--

22 CHAIRMAN SCHMIDTLEIN: But aren't they all
23 subject? I mean, this is all--this is just for subject--the
24 in-scope product, right?

25 MR. STEWART: Are you talking 0 to 8?

1 CHAIRMAN SCHMIDTLEIN: Yes, 0 to 8. I mean,
2 you're--this information on the C Table that's provided with
3 regard to unit value of U.S. shipments is just for in-scope
4 product, right?

5 MR. STEWART: Not on C-1. Are you looking at
6 the extended--is it C-1 or C-2?

7 CHAIRMAN SCHMIDTLEIN: C-1, just for U.S.
8 producers.

9 MR. STEWART: Yes, but that is all TRBs.

10 CHAIRMAN SCHMIDTLEIN: Okay, alright, maybe
11 that's--okay. Alright.

12 Okay, um--

13 MR. STEWART: But we--

14 CHAIRMAN SCHMIDTLEIN: Go ahead.

15 MR. STEWART: We will try to provide more
16 information in posthearing, but just factually the reason
17 that mix is such a big issue on virtually any product where
18 you don't have a standardized limited number of products is
19 exactly that. I could have a 10 percent price reduction and
20 show an average unit increase simply because the mix has
21 changed. We'll provide a couple of examples of that in the
22 postconference.

23 CHAIRMAN SCHMIDTLEIN: Right. Okay, alright
24 well I will stop there for now. I may have another question
25 after the other Commissioners.

1 Vice Chairman Johanson?

2 VICE CHAIRMAN JOHANSON: Thank you, Chairman
3 Schmidtlein. The prehearing staff report notes purchaser
4 comments respecting certain types of TRBs being available
5 only from certain country sources. To what extent are eight
6 inch tapers of premium quality only available from Korea,
7 and this issue is raised at page II-9 of the staff report.

8 MR. STEWART: Obviously, we wouldn't concur
9 that quality TRBs 0 to 8 are only available from Korea.

10 VICE CHAIRMAN JOHANSON: It's premium quality
11 is what they -- is how they note it.

12 MR. STEWART: Yeah. If the concept is that
13 the only country that can provide premium quality TRBs is
14 Korea, then the answer from the Timken Company that
15 obviously is an incorrect statement.

16 VICE CHAIRMAN JOHANSON: Okay. That's
17 actually I should have anticipated that answer. But I'm
18 still interested. I wonder if they are referring to
19 specialized product.

20 MR. COUGHLIN: No. I mean these products that
21 we're talking about pretty, you know, a normal tapered
22 roller bearing type applications.

23 VICE CHAIRMAN JOHANSON: Okay. Thank you, Mr.
24 Coughlin. Is it true that metric sizes are not available
25 from U.S. producers. This issue is raised at page II-9 of

1 the staff report, citing purchaser responses.

2 MR. COUGHLIN: Totally incorrect. Timken's
3 been producing metric for, you know, 30 years. So you know,
4 the dynamics of it are the United States is much more of
5 what we call an inch-based ANSI-type market. As you move
6 outside the United States into the rest of the world,
7 primarily Europe-Asia, it's much more a metric oriented type
8 market.

9 So I don't know where those kind of comments
10 come from, but that's the reality of it. So we compete with
11 metric all over the world.

12 VICE CHAIRMAN JOHANSON: Out of curiosity, my
13 staff and I were sitting around the table yesterday, and I
14 was trying -- we were trying to figure out if any other
15 country would use inches.

16 MR. COUGHLIN: Yeah. Well yeah, so yeah.
17 Lots of places. As an example, the oil field industry which
18 the design center for the global oil field industry is
19 Houston, okay. So if you go around the global oil field
20 equipment industry, there's a lot of inch-based designs.
21 It's primarily driven where is the design center, okay. So
22 design in an engineering sense.

23 So if take certain industries, you know, will
24 be say European-dominated, they'll tend to be more
25 metric-oriented, where oil as an example is a U.S.-dominated

1 industry. So it's more inch-based. and then you know,
2 quite frankly though it's never that simple. There is a
3 mix, a mish-mash of different types of design standards.
4 Major bearing makers are capable of both inch-based and
5 metric type designs.

6 VICE CHAIRMAN JOHANSON: Okay. That's
7 interesting what you said about the design centers. That
8 never would have entered my head.

9 MR. COUGHLIN: Uh-huh, yeah.

10 VICE CHAIRMAN JOHANSON: Okay, thank you.
11 Respondents contend that Korean imports have had virtually
12 no presence in the industrial segment in this market, and
13 this is described at page 48 of their prehearing brief. Do
14 you dispute this?

15 MR. COUGHLIN: No. You know, we primarily
16 once again see them in very heavy automotive, heavy truck,
17 which in our terminology those are automotive-oriented
18 markets versus industrial markets. So assuming that their
19 characterization is similar to that, I would say that we
20 would not have an issue with that statement.

21 MR. STEWART: The staff report, of course,
22 includes the information from the two producers who supplied
23 data, that shows what segments those are in. So you can
24 review that to see whether that confirms it or not. As we
25 said before, we're seeing some increased activity in the off

1 the road segment, which is the logical next place that you
2 go once you start to attack the --

3 MR. COUGHLIN: Yeah. So the exception, I mean
4 to Terry's point, the next logical place for them to go will
5 be like agriculture and things of that nature, which now in
6 our terminology that is industrial. But as we sit here
7 today, yeah they're a heavy, heavy, automotive heavy truck
8 oriented companies.

9 VICE CHAIRMAN JOHANSON: Okay. Thanks for
10 your responses. The prehearing staff report notes that
11 certain importers stated that the OEM market continues to
12 drive growth for TRBs, and this is at pages II-15 to 16 of
13 the staff report. Is this your experience, and which
14 suppliers does this benefit?

15 MR. COUGHLIN: Hold on one second.

16 VICE CHAIRMAN JOHANSON: Certainly.

17 MR. STEWART: Where is it?

18 VICE CHAIRMAN JOHANSON: Page II-15 and II-16
19 of the staff report.

20 (Off mic comment.)

21 VICE CHAIRMAN JOHANSON: Okay. They note that
22 the OEM market drives growth for TRBs, and does this benefit
23 one set of suppliers more than another set of suppliers? In
24 other words --

25 MR. COUGHLIN: Well, I think it depends a lot

1 on which industries are growing, and I mean once again, this
2 is varied space depending on what type of tapered bearing,
3 what type of industry we're talking about. You know, we've
4 provided the data for the market from the period of interest
5 in this case.

6 When someone says the OEM market is growing, I
7 mean that's a very, very generalized statement. You know,
8 which OEM market, right? As I pointed out in 2017, the
9 heavy truck market took off. So that market was clearly
10 growing in 2017. So you know, I think the long term
11 demographics of the market, for lack of -- or demand
12 patterns for the market I think would be in the data that's
13 been provided.

14 MR. STEWART: Referring to the statement at
15 the top of page II-16.

16 VICE CHAIRMAN JOHANSON: What does that -- I
17 don't have it in front of me I'm afraid.

18 MR. STEWART: Okay. It says "Importer
19 purchaser stated that it anticipates that the TRB market
20 will decline as the OEM market continues to move towards
21 bearing inside hub assemblies." Is that --

22 VICE CHAIRMAN JOHANSON: I believe that's what
23 I'll say here.

24 MR. STEWART: Well our client of course is
25 involved in producing hub assemblies, railroad bearings and

1 house bearings. So those become internal transfers,
2 internal consumption. So if the question is is the domestic
3 industry being driven by OEM? You have data in the staff
4 report that shows the percent that goes distribution versus
5 OEM, and I think that's been fairly constant over time. I
6 don't think there's a big change in that.

7 It's I think the numbers show that you have a
8 higher -- you have a higher percentage if you're looking at
9 industrial than you would looking at automotive in terms of
10 distribution. But the OEM, whether they're doing this or
11 they're doing further process product, obviously it's a
12 demand-driven business, right? So if the demand is there,
13 they produce the bearings.

14 VICE CHAIRMAN JOHANSON: Okay, and this might
15 have been addressed in the staff report; I just don't
16 recall. But in many investigations that come before the
17 Commission, you'll have domestics supplying more to the OEMs
18 and importers more to the after-market. Is there any type
19 of distinction here?

20 MR. STEWART: Well, I think here, at least for
21 Korea, the information that our client has is that they're
22 heavily concentrated if not exclusively concentrated in the
23 OEM part of the market, with a little bit of distribution.

24 VICE CHAIRMAN JOHANSON: Okay, for automotive?

25 MR. STEWART: Yeah.

1 VICE CHAIRMAN JOHANSON: Okay. So do you
2 contend as far as OEMs go, do you contend that the
3 industry's losing sales to Korean imports in the OEM market,
4 and also in the aftermarket?

5 MR. STEWART: The aftermarket, the answer
6 would be nothing significant. In the OEM market, the answer
7 is yes, very significantly.

8 VICE CHAIRMAN JOHANSON: Thanks. I appreciate
9 your response. Timken has argued that Korean product is
10 broadly accepted throughout the market, and particularly the
11 high volume OEM, automotive and heavy truck segments, and
12 increasingly in other OEM applications. This is at page 6
13 to 7 of your brief. What are some of the other OEM
14 applications for which you describe increasing concentration
15 by Korean product?

16 MR. STEWART: The product, as Mr. Coughlin
17 just explained, the product that we're seeing it in terms of
18 imports coming in is in the -- is in the automotive and
19 heavy truck. We're also seeing increased efforts by Koreans
20 in the off the road side, which would be agriculture,
21 construction, etcetera.

22 VICE CHAIRMAN JOHANSON: Okay, thanks. The
23 ratio of cost of goods sold to net sales is relatively
24 stable from 2015 to 2017, albeit with a small increase. How
25 is this small increase indicative of price suppression?

1 MR. STEWART: I'll try to respond, Vice
2 Chairman, in our post-hearing, since it's confidential
3 information, and I'm not sure that I would necessarily agree
4 that it's a small increase.

5 VICE CHAIRMAN JOHANSON: Okay. My time's
6 about to conclude. Thank you for your responses.

7 CHAIRMAN SCHMIDTLEIN: Okay. Commissioner
8 Williamson.

9 COMMISSIONER WILLIAMSON: Okay, thank you.
10 I'm going to be jumping around with questions. Was the
11 domestic industry's financial performance in 2015 sufficient
12 to justify capital investment, and if you want to do it
13 post-hearing, you can.

14 MR. STEWART: We will do it post-hearing,
15 because you asked about the industry in total. I think that
16 the point that was made by the Timken witnesses is that as
17 capital investments are teed up, they are teed up in the
18 context of a new investment and what the investment is being
19 made for.

20 It is in that context that they are unable to
21 justify capital expenditures, because they cannot make the
22 cost of capital for themselves. So at least on the Timken
23 case, that would be the answer for them.

24 COMMISSIONER WILLIAMSON: Okay. The question
25 is how did that vary over the Period of Investigation, and I

1 mention particularly 2015. So but you can address that
2 post-hearing.

3 MR. STEWART: Okay.

4 COMMISSIONER WILLIAMSON: Another one for
5 post-hearing. On Table VI-1 of the staff report, take a
6 look at the cash flow numbers, and just comment on that
7 relative to the size of the numbers. Again, that's --

8 MR. STEWART: We'll do so.

9 COMMISSIONER WILLIAMSON: Yeah, good. Thank
10 you. On table -- getting back to this question of utility
11 of the volume versus value numbers, and if we look at Table
12 VI-4 and also look at the C-2 table, the change, the value
13 numbers, they seem to be consistent. They do see
14 differences when you come to the volume numbers, and I was
15 just wondering to what extent might the volume numbers be a
16 question of bearing equivalence and how that is calculated?

17 In other words, it seems like on the value
18 numbers there's some consistency in what we see in the
19 statistics and --

20 MR. STEWART: Well, the two tables that you
21 have here are both based off of import statistics.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. STEWART: And C-2 is -- you have subject
24 imports, which is the same as what you have in C-1 from
25 subject imports, so you would expect to see identity. I

1 believe that's what you see in here. I'm not sure I
2 understand -- not sure I understand the question.

3 COMMISSIONER WILLIAMSON: The question is
4 getting to -- you're saying use a volume rather than value.

5 MR. STEWART: Well yes, I've done that.
6 That's correct.

7 COMMISSIONER WILLIAMSON: Yeah, and it would
8 seem to me that we're seeing more consistency in the value
9 than in the volume, and I was trying to figure out why the
10 difference in the volume, and does that have anything to do
11 with how the numbers are calculated, how the bearing
12 equivalence is calculated or something like that?

13 MR. STEWART: Well, in the value, you're
14 looking at domestic shipments, or looking at the total
15 apparent consumption. Apparent consumption is about 50
16 percent higher for the extended because you're included
17 overrate, both in terms of imports and --

18 COMMISSIONER WILLIAMSON: No, I'm looking -- I
19 think I'm looking really more at the Korean imports.

20 MR. STEWART: Okay. Well the Korean imports
21 are going to be the same because there's virtually no
22 overrate action.

23 COMMISSIONER WILLIAMSON: Okay, okay.

24 MR. STEWART: I'm sorry. I'm obviously what
25 the question, what you're trying to get at.

1 COMMISSIONER WILLIAMSON: Okay. Let's we'll
2 give it to you post-hearing, because that might be rather
3 than spending a lot of time trying to figure that out.

4 MR. STEWART: Okay.

5 COMMISSIONER WILLIAMSON: Okay. You note that
6 purchasers report subject imports on the domestic like
7 product is comparable in all purchasing factors, and that
8 includes price. With 12 of 15 reporting the domestic like
9 product of subject imports is comparable. This is at your
10 brief on page 57. Does this suggest that price doesn't
11 differentiate subject imports from domestic imports, from
12 domestic like product?

13 MR. STEWART: I think what it means is that if
14 you're going to win a contract for an awful lot of the
15 situations at the OEM level, you have to be the low priced
16 supplier, and that's certainly what Timken has experienced
17 on a lot of renewal contracts, etcetera.

18 If they don't get their price down to where
19 the Korean price is, they're not going to win the contract.
20 If they do, they do and that would be consistent with
21 something where price is quote-unquote "comparable." You
22 win if you get the low price; you don't win if you don't
23 have the low price.

24 COMMISSIONER WILLIAMSON: But a lot of the
25 purchasers are also saying that price isn't the primary

1 reason for purchasing decisions.

2 MR. STEWART: I know, but this is --

3 COMMISSIONER WILLIAMSON: And are you saying
4 that record is not reliable?

5 MR. STEWART: No. What I'm saying is is that
6 in every case I think I've ever been in Commissioner, if you
7 ask purchasers how they base their decisions, they will
8 always say quality, availability and some other things along
9 with price are important. That's all true. But if quality
10 is viewed as comparable and if availability is viewed as
11 comparable, which it is in this case, then what that
12 basically says is for qualified suppliers it's going to come
13 down to who has the lowest price.

14 If you look at our Exhibits 2 and 3, which go
15 through a number of examples with great detail, you will see
16 that that's exactly how the game has been played or won in
17 terms of individual contracts. If you've got the low price
18 and you're up against somebody who's qualified, you're going
19 to win the business. If you don't have the low price,
20 you're going to lose the business.

21 COMMISSIONER WILLIAMSON: So in a sense -- and
22 you can look at this post-hearing, what the purchasers may
23 be saying about the importance of price, if all things are
24 equal, if all everything else is equal, then price is the --

25 MR. STEWART: Sure, of course that's the case.

1 It doesn't make the statement incorrect. They care about
2 quality. They care about availability. They care about --

3 MR. BISHOP: Terry, stay with your mic please.

4 MR. STEWART: They care about engineering
5 services, etcetera. But if you view the Korean and the U.S.
6 producers as comparable on those things? What does it tell
7 you? On a given situation if they both have competitive
8 products, you're going to do it on the basis of price.

9 You know years ago on another tapered roller
10 bearing case, there was a purchasing person from Caterpillar
11 who was here, and his basic statement that he read was that
12 in fact no, no, quality was the most important and, you
13 know, they had very rigorous standards. If you didn't meet
14 it, you couldn't -- you simply wouldn't be involved.

15 My question to him was well, you know,
16 Supplier X, are they qualified? Yes. Is Supplier B
17 qualified? Yes. Is Timken qualified? Yes. Doesn't that
18 then mean that it basically comes down to price when it's
19 between them? They said okay, I guess that's what it means.
20 So it's the same situation here.

21 COMMISSIONER WILLIAMSON: Okay. That was
22 before my time you did that one. But anyway, thank you for
23 those answers.

24 CHAIRMAN SCHMIDTLEIN: No more questions
25 Commissioner Broadbent. Commissioner Kerns.

1 COMMISSIONER KEARNS: Yeah. I wanted to get a
2 better feel for the aftermarket, and we touched on this a
3 little bit a minute ago. But especially we have some graphs
4 that show OEM markets and then aftermarket, and I'm trying
5 to get a sense of how much of that aftermarket is auto
6 aftermarket sales, or can you really kind of divide up the
7 aftermarket into equal shares of the OEM markets, if you're
8 trying to figure out overall auto, overall industrial and so
9 forth.

10 MR. STEWART: Well, there is information, I
11 think. We put in our prehearing brief I believe a table
12 that tries to identify purchases by channel, and that looks
13 at automotive, heavy truck and then looks at the people who
14 list themselves as kind of an automotive distributor.

15 And I don't know that the data that you've
16 collected would give you -- would give you an exact number.
17 My understanding is that the automotive aftermarket, it
18 tends to be a smaller portion versus OEM than you would find
19 in industrial, because the industrial distribution carries a
20 very large portion of the product going to plants for
21 replacement on their production lines, etcetera.

22 MR. RUEL: Maybe I could just add a little
23 more color to that. So relative to automotive aftermarket,
24 you probably have to ask yourself how many times have you
25 swapped out your tapered roller bearings in your own

1 personal vehicle.

2 COMMISSIONER KEARNS: I did it this morning
3 actually.

4 MR. RUEL: You would be an exception. For the
5 vast majority, it is very limited, and particularly when
6 we're talking about the product that is in scope, sort of
7 eight inch TRBs. It is a very small portion. It's an OEM
8 driven market. When you look at a heavy truck, it's a
9 little bit larger element, where trucks are running longer
10 cycles and tougher duty cycles, that that, you know, you'll
11 start to see an element of that.

12 But relative to just general industrial
13 distribution or general aftermarket that would go into steel
14 mills or cement mills or wind energy, that is a significant
15 portion of the overall sales. But for automotive very
16 limited; for heavy truck, a little bit larger. But much,
17 much -- it's much lower than what you would expect for a
18 general industrial distribution business.

19 COMMISSIONER KEARNS: Thank you. And I don't
20 think we have this in our record yet, but maybe I just
21 missed it. Can you estimate what percentage of the overall
22 market for these bearings I guess 0 to 8, maybe it answer it
23 both ways, 0 to 8 and over 8, is automotive market bearings
24 either after market or OEM?

25 MR. STEWART: I think you in fact have that

1 information in the staff report and we'll certainly put it
2 in the post-hearing, but the reality is you will not find
3 any automotive in the over 8. And so you'll find 100
4 percent of automotive in the 0 to 8.

5 COMMISSIONER KEARNS: No, but my question is of
6 the overall market for tapered rolling bearings, whether
7 define 0 to 8 or --

8 MR. STEWART: You mean the totality or just
9 these two groups that are being covered in the case?

10 COMMISSIONER KEARNS: Yeah, what percentage of
11 tapered roller bearings go to the automotive market?

12 MR. STEWART: Okay. There is information in the
13 staff report for the areas that they covered, which is not
14 the entirety of tapered roller bearings, because it doesn't
15 include --

16 COMMISSIONER KEARNS: How --

17 MR. STEWART: -- where they're manufactured.
18 But within that, there is information from the staff report
19 and we'll be happy to put it in our post-hearing brief.

20 COMMISSIONER KEARNS: Okay, because I'm
21 wondering, I mean, given that it sounds like Korean bearings
22 are almost exclusively in the auto market --

23 MR. STEWART: That's right.

24 COMMISSIONER KEARNS: -- if it's for example 25
25 percent of the total market, then you could basically

1 quadruple Korea's subject imports in order to determine
2 their market share within the automotive segment.

3 MR. STEWART: Yeah, we can -- we will provide
4 that, our estimate of that, in a post-hearing.

5 COMMISSIONER KEARNS: Okay, thank you. On
6 capacity utilization, this might be getting an issue that
7 Commissioner Williamson raised, but you all mention in your
8 materials today that in a highly capital intensive industry,
9 such low capacity utilization and disinvestment are not
10 sustainable over the long term and that's looking at, and I
11 think this is all public information, 2017, the industry's
12 capacity utilization was 66.8. But in 2015, it was only
13 68.8. I mean, is that a level where you would continue to
14 invest?

15 I mean, it seems to me that that number is
16 strikingly low and --

17 MR. STEWART: It is low.

18 COMMISSIONER KEARNS: -- can't be attributed to
19 Korean imports?

20 MR. STEWART: And we haven't attributed the
21 starting point to Korean imports, although when the case was
22 filed, you would have gone back to 2014. So maybe we would
23 attribute any change from 2014.

24 But part of the consolidation that's going on at
25 Timken is a reflection of the continued damage in the 0 to 8

1 part of the market. And as you lose volume a couple
2 percentage points of capacity utilization, what ends up
3 happening is you make decisions to consolidate and that
4 whether the facility that closes is directly involved in the
5 production of the product, you're moving it from one
6 facility to another because the other facility, which may
7 very well have lost a lot of the 0 to 8 business, needs to
8 be -- needs to have a higher utilization rate.

9 COMMISSIONER KEARNS: Okay. And then my last
10 two questions just go to some arguments that the respondents
11 have made. One is I think they in general point out, and
12 part of this I won't be too specific because this is -- some
13 of this is proprietary, but on a number of issues, we see
14 the trend from 2015 to 2017 going on, but the trend from
15 2016 to 2017 in terms of the health of the industry or the,
16 you know, demand for the product in other areas might be
17 going up. So can you speak to what we should do, given
18 that, you know, more complicated picture?

19 MR. STEWART: Well, it's a picture you have in
20 literally dozens, if not hundreds of your cases that you've
21 looked at over the last 30, 40 years at the Commission. So
22 it's not a unique -- that you have some kind of a V is not
23 unique.

24 And so you're typically looking at starting and
25 ending point, whether there's a upward or downward trend.

1 And what you see on all of the critical factors that you
2 have downward trends from 2015 to 2017. Yes, there's some
3 recovery in 2017 versus 2016 in a number of those things and
4 that wouldn't be surprising in a economy that's supposed to
5 be growing and where unemployment is supposed to be at an
6 18-year low.

7 COMMISSIONER KEARNS: Okay, and then the last
8 question I had, according to Table C-1 and C-2, Chinese
9 tapered roller bearings have lower average unit values than
10 Korean TRBs and have gained much more market share and on
11 larger volumes than Korean TRBs. How do we know that any
12 injury to the U.S. industry does not come from Chinese TRBs?

13 MR. STEWART: Well, I don't know that they have
14 grown more than the -- more than Korea's. I'll look at that
15 in the post-hearing. Certainly for nonsubject imports, the
16 answer is that they have not grown as much as Korean
17 imports. The numbers I gave you, 3.8 billion pickup in
18 Korean imports based on import statistics before you make a
19 correction, versus 1 million for all other countries
20 combined, all right, would tell you that Korea is by far the
21 largest part of the net increase in imports on a quantity
22 basis.

23 And China valuation goes down over time. So in
24 fact, they show a decline in value. Most of the Chinese
25 product is subject orders. The orders remain with some very

1 high cash deposit rates. There are a few companies that
2 have low, very low cash deposit rates and they may be
3 shipping product in. And we do administrative reviews from
4 time to time to try to address what's going on if we can
5 figure out who the exporter is of those particular products.

6 But the answer is is that in the OEM automotive
7 and truck, that's not where we're seeing Chinese product
8 because the major Chinese producers of OEM truck and
9 automotive largely are still covered by significant duties.

10 COMMISSIONER KEARNS: Okay, thank you.

11 CHAIRMAN SCHMIDTLEIN: Thank you. All right, so
12 I have the right C table in front of me now. So going back
13 to this question, this C-2, which is just the co-extensive
14 with the scope, right?

15 MR. STEWART: Okay.

16 CHAIRMAN SCHMIDTLEIN: And for U.S, shipments,
17 we see the average unit value going up overall and
18 specifically, it jumps from 16 to 17. And this is not
19 confidential. The average unit value of U.S. shipments goes
20 up 6.9 percent, right?

21 MR. STEWART: Yeah.

22 CHAIRMAN SCHMIDTLEIN: So the question is how do
23 we take that? What do we do with that in terms of analyzing
24 whether there's price depression or suppression? Because it
25 looks like, again, this is the co-extensive with the scope

1 only less than 8 inches, that prices went up in '17.

2 MR. STEWART: Yeah, if you take a look simply at
3 the AUV for all product, you come to that conclusion. My
4 point about mix remains true, whether you're looking at 0 to
5 8 or more than 8, which is you probably have for domestic
6 producers 1,000 part numbers in the 0 to 8 range. And so
7 prices will be -- will vary.

8 And so depending on the mix, you could still
9 have on a product by product basis, a 5 percent, 10 percent
10 decline and come up with a price increase overall. And
11 that's a mathematical issue.

12 CHAIRMAN SCHMIDTLEIN: Right.

13 MR. STEWART: Right, so --

14 CHAIRMAN SCHMIDTLEIN: Meaning some prices went
15 up and some prices went down?

16 MR. STEWART: No --

17 CHAIRMAN SCHMIDTLEIN: No?

18 MR. STEWART: -- I would say and even if you had
19 all prices that went down, a change in mix could result in
20 you showing an average unit value that goes up.

21 CHAIRMAN SCHMIDTLEIN: Okay.

22 MR. STEWART: Okay.

23 CHAIRMAN SCHMIDTLEIN: All right.

24 MR. STEWART: That's mathematically just --

25 CHAIRMAN SCHMIDTLEIN: Yeah.

1 MR. STEWART: -- just a factual potential
2 reality.

3 CHAIRMAN SCHMIDTLEIN: Right.

4 MR. STEWART: That's not the only piece of
5 information that you have. And that's the reason I said
6 where you have a product that -- where there's -- there a
7 lot of different part numbers. And so mix could be
8 shifting.

9 Looking at a -- whether the COGS is going up or
10 not, that may be a better indication of whether you're
11 having price depression, price suppression.

12 CHAIRMAN SCHMIDTLEIN: But I guess -- so you
13 would be asking the Commission to say, well, we've got
14 pricing product, some went up, some went down. We've got
15 AUVs that overall show an increase. Maybe they all went
16 down. We don't know for sure, but given that the pricing
17 products show some of them going up, I'm not sure it would
18 be a fair assumption to jump in and say we're going to
19 assume that all of the pricing products, all of the SKUs in
20 the AUVs went down, right?

21 But we're going to find price suppression based
22 on --

23 MR. STEWART: And I have --

24 CHAIRMAN SCHMIDTLEIN: -- the statements of the
25 companies?

1 MR. STEWART: And I haven't asked you to make
2 that conclusion. I was trying to respond to your question.

3 CHAIRMAN SCHMIDTLEIN: Well, so, but the
4 question was what evidence would we rely on? And so I'm
5 looking at the pricing products, I'm looking at the AUVs,
6 and I thought you weren't relying too much on the pricing
7 products.

8 MR. STEWART: And --

9 CHAIRMAN SCHMIDTLEIN: It doesn't like you --

10 MR. STEWART: -- what I had indicated to you was
11 that there were several other sources of information that
12 are part of the record. The first is an extraordinarily
13 extensive list of contracts that Timken has bid on, some
14 they've won, some they've lost, where their prices have gone
15 -- have been reduced significantly against Korean
16 competition, so which they've lost.

17 And you have all of that information, which
18 would give you some idea of the kind of price decreases that
19 they have offered and then many instances taken.

20 You also have staff report information that says
21 the three U.S. companies reduced prices because of the
22 Korean competition. So that's two besides Timken, because
23 obviously Timken was one of those companies. So there's
24 that information.

25 CHAIRMAN SCHMIDTLEIN: Right.

1 MR. STEWART: I, you know, we didn't design the
2 questionnaire, so I understand the limitations you have in
3 terms of the data that's in front of you. I'm trying to
4 identify other things that are in the record that would be
5 supportive of the claim that we've made.

6 CHAIRMAN SCHMIDTLEIN: Okay. Okay. I don't
7 have any further questions.

8 Commissioner, Vice Chairman Johanson, any?

9 VICE CHAIRMAN JOHANSON: Yes, I just have one
10 question. This caught my attention when I was reading the
11 staff report. The pre-hearing staff report notes that most
12 producers, importers and purchasers indicated that the U.S.
13 market for TRBs is not subject to business cycles. And this
14 is at pages 2 -- at page 211 of the staff report. And the
15 petitioner noted this as well at page 52 of their staff
16 report.

17 Could you please provide explanation with
18 respect to business cycles in this market?

19 MR. STEWART: Yeah, well, I think the question
20 in the questionnaire is the business cycle different than
21 the general economy? And what most people responded was
22 that demand follows the demand for the end products.

23 VICE CHAIRMAN JOHANSON: Okay. That makes
24 complete sense. I appreciate it. That concludes my
25 questions. I thank you all for appearing here today.

1 CHAIRMAN SCHMIDTLEIN: All right, I think --

2 COMMISSIONER WILLIAMSON: Just one --

3 CHAIRMAN SCHMIDTLEIN: Oh, I'm sorry,
4 Commissioner Williamson?

5 COMMISSIONER WILLIAMSON: Just quick question.

6 I -- you already asked about the impact of this Section 232
7 investigation of steel. I was curious what if you know what
8 the impact of the -- I guess the VR rate that the U.S.
9 negotiated with Korea on steel and does that impact these
10 products in any way?

11 MR. COUGHLIN: It does not impact Timken because
12 we don't use Korean steel.

13 COMMISSIONER WILLIAMSON: Yeah, yeah.

14 MR. COUGHLIN: You'll have to ask the other
15 companies about the impact on them.

16 COMMISSIONER WILLIAMSON: Yeah.

17 MR. COUGHLIN: I can't comment.

18 COMMISSIONER WILLIAMSON: Will do, but I just
19 was --

20 MR. COUGHLIN: Yeah.

21 COMMISSIONER WILLIAMSON: -- wondering if you
22 had some -- okay, thank you.

23 CHAIRMAN SCHMIDTLEIN: Okay, I think that
24 concludes the Commissioner questions. Do staff have any
25 questions for this panel?

1 MR. CORKRAN: Douglas Corkran, Office of
2 Investigations, thank you, Madam Chairman. Staff has no
3 additional questions.

4 CHAIRMAN SCHMIDTLEIN: All right, thank you. Do
5 respondents have any questions for this panel?

6 UNIDENTIFIED SPEAKER: No.

7 CHAIRMAN SCHMIDTLEIN: No questions. All right,
8 good. All right, so that brings us to the lunch hour. It's
9 1 o'clock, so we will take an hour for lunch and reconvene
10 at 2 o'clock. And I apologize, again, thank you all for
11 being here. I will dismiss this panel at this time.

12 Let me remind you, the hearing room is not
13 secure, so please take your documents and confidential
14 information with you. And we will stand in recess until 2
15 o'clock.

16 (Whereupon, at 1:00 p.m., a lunch break was had
17 to reconvene at 2:00 p.m.)

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1 AFTERNOON SESSION

2 (2:03 p.m.)

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

4 CHAIRMAN SCHMIDTLEIN: Good afternoon. Mr.

5 Secretary, are there any preliminary matters?

6 MR. BISHOP: Madam Chairman, I would note that
7 the panel in opposition to the imposition of the Antidumping
8 Duty Order have been seated. This panel has 60 minutes for
9 their direct testimony.

10 CHAIRMAN SCHMIDTLEIN: Okay.

11 Mr. Marshak, you may begin when you're ready.

12 STATEMENT OF MICHAEL G. JACOBSON

13 MR. JACOBSON: Good afternoon. My name is
14 Michael Jacobson. I am an attorney at Hogan Lovells
15 appearing today on behalf of the Respondents.

16 Before turning to our industry witnesses, I am
17 going to walk through the statutory criteria for injury and
18 explain why the Commission should render a negative
19 determination.

20 First, volume. As our witnesses will explain,
21 only two Korean producers--Schaeffler and ILJIN--are selling
22 TRBs in the United States. Subject imports are directed
23 nearly entirely to one segment of the market: automotive
24 customers. Korean imports were no greater than 4.4 percent
25 of U.S. apparent consumption during the Period of

1 Investigation. This is not a flood of imports.

2 And as our economist Jim Dougan will show,
3 domestic market share has been steady from 2015 to 2017. If
4 there is any volume impact by Korean imports, it is to
5 non-subject imports not the domestic industry.

6 Timken nevertheless claims it should have sold
7 more TRBs during the Period of Investigation. However, as
8 you will hear shortly, Timken deliberately abandoned \$110
9 million of its automotive business from 2009 to 2014 through
10 its "fix or exit" program. This is at Exhibit 3 of our
11 brief, page 25 of their 2014 financials. Timken blindsided
12 its customers with immediate requests for extraordinary
13 price hikes. If the customers didn't comply, Timken would
14 exit.

15 This policy forced customers to undertake a
16 lengthy and expensive process to qualify new suppliers.
17 You will hear today that Timken's policy put many of its
18 longstanding automotive customers between a rock and a hard
19 place during their time of greatest fragility on the heels
20 of the Great Recession and the collapse of the auto
21 industry. These customers were forced to consider
22 alternative suppliers, most of them Japanese and now
23 justifiably have serious reservations about giving Timken
24 new business.

25 Second, Prices. As our witnesses today will

1 testify, TRBs are highly engineered products that compete
2 mostly on technology, quality, availability, and service.
3 The questionnaire data shows that price is at most a
4 tertiary purchasing factor.

5 As our witnesses today will confirm, there is
6 limited competitive overlap between Timken and the Korean
7 producers. As you will hear from our economist, the pricing
8 product data covers a tiny portion of the domestic
9 industry's sales and shows, at worst, mixed overselling and
10 underselling, and domestic producers' total AUVs are up.

11 Third, Impact. As our economist will testify,
12 the domestic industry is extremely successful. Timken's
13 mobile industries segment reported nearly 25 percent
14 increases in Q4 2017 sales as compared to 2016. This
15 success can be seen in the domestic industry's reporting of
16 its financial results which are strong and trending upward.
17 From 2016 to 2017, the domestic industry reported increases
18 in gross profits, operating income, net income, employment
19 indicators, production, and net sales. This is a clear
20 picture of strength, not material injury.

21 Finally, Threat. You will hear from our
22 witnesses today why there is no threat of material injury
23 from subject imports. Timken projects 2018 sales to
24 increase by 17 percent in the mobile industries segment--
25 even without the trade protection it is seeking from the

1 Commission. And as our testimony will further demonstrate,
2 the Commission's other threat factors point to a negative
3 finding.

4 Let me turn the floor over now to Ned Marshak who
5 will address the domestic like-product issue.

6 MR. MARSHAK: We were surprised when, after the
7 Commission issued a preliminary determination and found that
8 all TRBs, regardless of size, were a single like-product,
9 that Timken devoted 38 pages of its prehearing brief
10 resurrecting its small-bearing like-product argument, and
11 based its economic analysis on this assumption that the
12 Commission would agree with this claim.

13 One June 19th, 2012, at the public hearing for
14 the third sunset review of TRBs from China, Mr. Stewart
15 testified--and I quote--"As for the issue of like-product,
16 the Commission got it right in the original investigation in
17 this case in the first two sunset reviews. TRBs are a
18 continuum and constitute a single like-product."

19 Later in the hearing, Mr. Stewart elaborated, and
20 I quote, "If you ask why is it a continuum, it's pretty
21 clear. There are 26,000 part numbers, both housed and
22 unhoused. The size range goes from an inch to more than six
23 feet. The price range goes from a few dollars to more than
24 \$100,000. There are no clear dividing lines. Never have
25 been. Never will be in terms of the product line. TRBs

1 are a classic continuum." Unquote.

2 Respondents agree. The record in this case
3 clearly supported the Commission's preliminary
4 determination. And additional evidence placed on the record
5 at this final stage compels the same result.

6 Mr. Stewart suggests that there somehow is or
7 should be a different test for deciding whether TRBs are a
8 classic continuum when the classic kind of merchandise
9 targeted for investigation does not encompass the entire
10 continuum than when it does.

11 This argument does not make sense. It is not
12 supported by Commission precedent. This is not a case in
13 which Petitioner targets a very small, discrete subset of
14 TRBs. Rather, Timken asks for relief from all Korean TRB
15 imports, regardless of intended use or channel of
16 distribution or physical characteristics, based solely on
17 the cut off on the sides of the TRB's outside diameter.

18 But as Timken testified under oath, quote, "The
19 sizes goes from an inch to more than 6 feet. There are no
20 clear dividing lines. Never has been. Never will be."

21 Mr. Ovendorf from Schaeffler will now discuss the
22 six factor test from his perspective of having worked in the
23 bearings' industry for almost 30 years.

24 STATEMENT OF ERIC OVENDORF

25 MR. OVENDORF: Hello. I'm Eric Ovendorf. I've

1 worked at Schaeffler since 1989. In my present position as
2 Senior Vice President, Industrial OEM since 2009. As Senior
3 VP I am responsible for industrial OEM sales and engineering
4 in North and South America.

5 Schaeffler Group USA has been operating in the
6 United States since 1964. The North American headquarters
7 are in Fort Mill, South Carolina. Schaeffler has eight
8 planes in four states--Ohio, Connecticut, South Carolina,
9 and Missouri. We employ approximately 6,000 full-time
10 employees in the United States, and have a presence in 29
11 states.

12 I would like to discuss two issues today:
13 Like-product and competitive conditions in the TRB
14 industrial market.

15 First, like-product. Timken asks the Commission
16 to separate TRBs into two distinct industries: bearings
17 under 8 inches and bearings over 8 inches in outside
18 diameter. Timken claims that there are clear dividing lines
19 between TRBs of different sizes based on an analysis of six
20 factors which the Commission normally considers in its
21 like-product determinations. Based on my near-30 years
22 working at Schaeffler USA and having visited Schaeffler
23 production facilities in both the U.S. and around the world,
24 Timken's suggestions do not make sense.

25 First, physical characteristics and usages. All

1 TRBs, regardless of size, share the same basic elements--
2 cups, cones, rolling elements, and cages. All TRBs,
3 regardless of size, have the same purpose--to reduce
4 friction among moving parts.

5 Use is dictated by the final application. For
6 example, in the drive system of many tract vehicles there
7 are both large tapers above 8 inches and small tapers below
8 8 inches in the same device.

9 Timken claims that there are differences between
10 TRBs over and under 8 inches with respect to surface
11 finishes, cage types, and load capacity. There may be
12 differences, but there is no 8 inch dividing line. We offer
13 similar finishes, similar cage types, and load capacities
14 for tapered roller bearings of all sizes.

15 Second, Interchangeability. The overwhelming
16 majority of the TRB we import from Korea are made to order
17 for specific purposes. One custom-made TRB is not
18 interchangeable with another. But this has nothing to do
19 with any demarcation at 8 inches.

20 Third, Manufacturing Facilities, Production
21 Process, and Employees:

22 Timken claims that there are distinct differences
23 between TRBs over and under 8 inches based on the fact that
24 below 8 inches are high-volume products requiring part
25 specific tooling and having automatic loading equipment--

1 characteristics not shared by TRBs above 8 inches.

2 This statement is not correct. For example,
3 there are tapered roller bearings used in spindles that are
4 very small, low-volume products that are produced manually--
5 the process for producing these is not automatic. In
6 contrast, the suspension bearings over 8 inches for use in
7 locomotive engines are relatively high-volume parts and the
8 processes are automated.

9 Fourth, Channels of Distribution: This is easy.
10 I am responsible for sales and engineering for the OEM
11 industrial business. I have also been responsible for the
12 North American distribution business for several years.
13 TRBs both over and under 8 inches are sold to the same
14 industrial customers.

15 Fifth, Producer and Customer Perceptions: This is
16 also easy. Neither Schaeffler nor Schaeffler customers
17 differentiate between TRBs based upon an 8 inch dividing
18 line. We don't have separate websites or catalogues. We
19 don't have different marketing strategies. We don't have
20 separate employees. And neither do our customers.

21 The final factor is Price: Larger TRBs are not
22 always more expensive than smaller TRBs. In general, larger
23 bearings use more steel, the most expensive input in the
24 TRB, and this tends to result in higher pricing. However,
25 there could also be TRBs under 8 inches that are more3

1 highly engineered and therefore cost more than bearings over
2 8 inches. Prices are based on a variety of factors, but
3 there are no clear dividing lines at 8 inches.

4 Finally, I'd like to spend a minute discussing
5 the TRBs I am responsible for selling in the United States:
6 TRBs for the industrial market.

7 Sales to industrial end users consist of TRBs
8 both under and over 8 inches. Approximately 20 percent of
9 these sales are under 8 inches, and 75 percent of these
10 sales of smaller TRBs were sourced from Schaeffler
11 facilities in other countries, and not from Korea.

12 In my opinion, NTN is the price leader in the
13 United States in the industrial market, producing many of
14 the TRBs they sell into this market out of their Macomb,
15 Illinois, facility. Our success in this market is not based
16 on offering TRBs at the lowest prices. Our success is
17 based on using our engineering know-how to improve the
18 performance of our customers' products.

19 Finally, assessing antidumping duty on the Korean
20 TRBs we sell into this market serves no purpose. We will
21 continue to compete with Timken for industrial sales from
22 other Schaeffler plants around the world, in the same manner
23 as other multi-national bearing producers, including Timken,
24 who also imports TRBs into the United States from their
25 multiple facilities.

1 Thank you for listening to my testimony, and I
2 will be happy to answer any questions you may have.

3 STATEMENT OF HARRY SCHUSTER

4 MR. SCHUSTER: Good afternoon. My name is Harry
5 Schuster and I am the Director of Sales for Transmission
6 Applications and Chassis Systems for Schaeffler Group USA,
7 based in Fort Mill, South Carolina.

8 I have been with Schaeffler Group and its
9 predecessor company INA Bering Company, for over 30 years.

10 Schaeffler Group is part of the Schaeffler Group--
11 -sorry--Schaeffler Group USA is part of the Schaeffler
12 Group, one of the premier bearing manufacturers worldwide.
13 Schaeffler manufactures TRBs in the United States, Korea,
14 and seven other countries--in Europe, Latin America, the Far
15 East, and Mexico. Schaeffler bearings are sold in virtually
16 every country in the world under the INA and FAG Brands.

17 We compete worldwide with Timken, SKF, NSK, NTN,
18 and Koyo, all of whom share Schaeffler's business model of
19 producing bearings at multiple locations and selling branded
20 bearings worldwide.

21 In my current position, I deal with all U.S.
22 transmission and axle manufacturers, including General
23 Motors, Ford, Ford, FCA--which was Fiat/Chrysler, and
24 Daimler, as well as ZF Transmissions, Dana GKN, and other
25 tier one and tier two suppliers to North American OEMs.

1 We sell TRBs only to a handful of automotive end
2 users. In my testimony today, I would like to focus on our
3 sales of TRBs in the automotive market. Automotive sales
4 make up approximately 50 percent of Schaeffler's TRB sales
5 in the United States--from all sources, not just Korea--in
6 the past three years.

7 Our remaining sales are to industrial end users
8 and distributors. As Eric has explained, our marketing and
9 sales strategy is not divided into small and large bearing
10 groups; rather, Eric and his group are responsible for
11 industrial customers and my group sells TRBs in the
12 automotive market.

13 The vast majority of our automotive sales are in
14 sizes ranging from 2 to 5 inch outer diameter. Most of
15 these TRBs currently are sourced from our affiliated
16 facility in Korea, although we also import TRBs from Europe
17 and Mexico.

18 Tapered roller bearings are a key component in
19 transmission and chassis systems. I am responsible for the
20 quoting and pricing of tapered roller bearings for
21 transmission, chassis, and related applications with these
22 customers, including annual price discussions and
23 negotiations, and the implementation of new programs.

24 We also coordinate and schedule the importation
25 of TRBs from South Korea, Europe, and Mexico, and the

1 warehousing and shipping of those bearings to our customers
2 in North America.

3 Prior to 2010, Schaeffler Group USA had
4 relatively minimal sales of TRBs to automotive OEMs. It is
5 our understanding that Timken dominated this market with
6 TRBs both made in the United States and imported from Timken
7 plants in Poland, Romania, and India.

8 In 2010-2011, the automotive market changed when
9 Timken implemented its "fix or exit" strategy. This
10 strategy was Timken's answer to underperforming product
11 sectors. To Timken, under-performance took place when a
12 particular product did not achieve its desired profit margin
13 or a customer refused to accept a prohibitive price
14 increase. To "fix" this, Timken abandoned that customer.
15 In other words, if you cannot get the underperforming
16 sector to perform, get out of that business. And that's
17 what Timken did.

18 Customers chose Schaeffler as an alternative
19 source of supply because they already purchased other
20 bearings from Schaeffler or they knew that FAG and INA
21 brands were associated with high quality, excellent
22 technical support, and worldwide reliability.

23 Schaeffler is a premier producer and got the
24 business, and has been able to maintain the business because
25 of our technical expertise, high quality products, and

1 worldwide reputation. We have had premium product and
2 customer support. It was not because of price that these
3 customers approached Schaeffler, and to the test of our
4 understanding we have never been awarded a major parts
5 program in the United States because we have offered the
6 lowest price.

7 To break into this business we needed to become
8 an approved vendor for a particular program, notwithstanding
9 our reputation and previous dealings with certain customers
10 for other programs in other markets.

11 It takes up to three years from its initial
12 quotation to initial delivery for a bearing to become a
13 component in an automotive product. Thus, there is the
14 request for quotation, approval of quotation, sourcing
15 decisions and mass production approvals, validation testing
16 and approval, start of production, and finally delivery.
17 Every bearing product that goes into an automotive product
18 goes through this exhaustive validation process before it
19 makes its way into the end product.

20 Once a company exits certain bearing lines and
21 later decides to get back into them, it must submit to this
22 process again. There are no shortcuts. And once a company
23 decides to exit, it is especially difficult to break back
24 into that product again because new relationships have been
25 developed in the interim between customer and supplier that

1 are not easily reversed.

2 In addition, there are further demands from the
3 automotive OEMs regarding annual price reductions,
4 productivity and technical improvements which must be
5 considered.

6 Our sales to our U.S. customers have fluctuated
7 over the POI. For some customers, sales increased. For
8 others, sales declined. This ebb and flow of sales on a
9 customer specific basis was caused by demand for the
10 customer's product in the marketplace.

11 As demand for a customer's transmission
12 increased, so did our sales. When demand slowed, in cases
13 where our customer phased out a product, or in a worst case
14 when our customer's customer lost a contract bid, our
15 business suffered. This fluctuation in demand for our TRBs
16 was not driven by price.

17 When Timken decided to exit the market for
18 certain programs in 2010 through 2011, Timken should have
19 known that it would not be able to regain this business in
20 2015 through 2017 by simply offering its underperforming
21 customers the same products at pre-exit prices.

22 Timken cannot claim that it is injured by
23 Schaeffler's imports when Schaeffler's ability to enter the
24 market and to maintain its presence in the market resulted
25 from Timken's business decision to exit a market it could

1 not fix.

2 Timken's decision to exit certain lines In 2010,
3 2011, 2012, 2013, and 2014 continue to impact it to this
4 very day. Customers who relied upon Timken product at that
5 time were devastated when Timken announced it would exit the
6 lines. Of necessity, they found other suppliers and will
7 not readily return to Timken for that reason.

8 Customers have long memories. They need to rely
9 upon their supplier's steady supply in order to keep their
10 factories running. Regardless of what happens in this
11 investigation, those customers will never return to single
12 sourcing with Timken. If they cannot get the bearings from
13 South Korea, they will simply get them from other country
14 sources.

15 Schaeffler produces TRBs in China, Mexico,
16 Brazil, Romania, Austria, Hungary, and Vietnam. We would
17 expect that our U.S. automotive customers would continue to
18 look to Schaeffler for TRBs sourced elsewhere if prohibitive
19 duties are assessed on Korean imports.

20 In any event, regardless of the results of this
21 investigation, Schaeffler has no plans to increase shipments
22 of TRBs from Korea to the United States. Our Korean
23 facility was not constructed to service the U.S. market, and
24 we will sell many times more TRBs made in Korea to the
25 Korean home market and third countries than we do to the

1 United States. Prior to the filing of this Petition,
2 Schaeffler decided to convert some of our TRB capacity in
3 Korea from TRBs to ball bearings. This has been a long and
4 expensive process, expected to conclude in 2019, and we have
5 no plans to return that capacity to producing TRBs.

6 Thank you for your attention, and I will be glad
7 to answer any questions you may have.

8 STATEMENT OF JOHN DIX

9 MR. DIX: Good afternoon and thank you for the
10 opportunity to testify today. My name is John Dix. Since
11 2012, I have served as president of Iljin USA Corporation,
12 an importer and distributor of highly engineered precision
13 tapered roller bearings and manufacturer of other bearings
14 and products.

15 We're headquartered in Novi, Michigan. We're
16 affiliated with Bearing Cart, a Korean producer of tapered
17 roller bearings. I previously served as vice president and
18 then director of automotive sales at the Timken Company,
19 which I joined in 1980. I have over 35 years of experience
20 in the anti-friction bearing market.

21 First, I'd like to talk a little bit about
22 Timken and the U.S. market. This is deeply personal for me
23 because many of the folks you heard from this morning were
24 colleagues for many years. Additionally, I left Timken
25 after 30 years primarily because of the ramifications of the

1 fix or exit strategy you've heard so much about.

2 In 2009, Timken believed that the U.S.
3 automotive sector was in a long-term decline. Timken's CEO
4 publicly stated that it was pursuing a fix or exit policy
5 that led to the abandonment of much of Timken's automotive
6 business unless customers agreed to massive price hikes.

7 This strategy was driven by Timken's CEO's goal
8 to reduce Timken's exposure to the collapse of the
9 automotive market following the Great Recession. Timken
10 also was chasing the strong performance in the industrial
11 markets, including bearings for mining, construction,
12 agriculture, and railway. Overall, Timken was catering the
13 financial markets by taking deliberate moves to reduce
14 exposure in the automotive sales while increasing its
15 industrial sales. Timken's strategy continued until 2014
16 and was widely reported in the press.

17 I was Timken's vice president and director of
18 automotive sales from 2003 to 2010. I can report first-hand
19 that many of Timken's long-term automotive customers were
20 deeply angered by Timken's fix or exit policy. Neither
21 fixing or exiting made customers happy.

22 By fix, Timken meant immediate price hikes of 20
23 to 40 percent. Exit meant abruptly abandoning supply
24 programs and leaving long-term customers desperate for
25 supply. This policy launched by Timken as U.S. automotive

1 companies were filing bankruptcy was very disruptive and
2 upset many of Timken's automotive sector customers.

3 Several long-term customers told me directly
4 that they were so angered by this experience that they would
5 never work with Timken again ever. GM, Ford, and Chrysler
6 moved most of their business away from Timken at this time.
7 In fact, one of these major automotive manufacturer told me
8 they would never buy a Timken OEM bearing ever again. To my
9 knowledge, this manufacturer today still does not buy OEM
10 bearings from Timken

11 It was a rough time for me to leave Timken's
12 auto sales and even a tougher time for many of my automotive
13 customers. The industry was forced for diversify to supply
14 options in turn to mostly Japanese and European-owned
15 suppliers. Iljin's current or Iljin's recent entry into the
16 U.S. tapered roller bearing market has been mostly almost
17 exclusively in these same lines of business that Timken
18 dropped years ago.

19 We have rarely encountered Timken in our new
20 U.S. business. To my knowledge, there are only two programs
21 where we have competed. Timken won one and we won the
22 other.

23 It is puzzling that Timken is now arguing that
24 we are causing it injury in the U.S. market. Timken still
25 dominates the U.S. market, notwithstanding its abandonment

1 of automotive customers following the great recession. If
2 Timken has been slow to regain this business, it is entirely
3 unrelated to small amounts of imports from Korea.

4 Second, I'd like to tell you about how tapered
5 roller bearings were sold. Tapered roller bearings are
6 highly engineered precision products designed specifically
7 for a customer's needs and must meet rigorous safety
8 standards.

9 We sell our TRBs to the automotive industry,
10 which is defined as passenger cars, SUVs, and light trucks.
11 A customer cannot simply buy off the shelf, insert a TRB
12 into an application. Our products must undergo a very long
13 design and testing process which can take up to three years
14 from start to finish.

15 Even if a TRB is technically qualified, other
16 non-price factors come into play in securing this kind of
17 business. Most of our TRB sales are to supply a specific
18 part for specific end use program that must operate safely,
19 reliably, and consistently over the entire lifespan of the
20 car program. Those programs typically last four to six
21 years.

22 This complex chain cannot tolerate any weak link
23 because it will disrupt the entire chain. A customer
24 purchasing bearings from us is thus doing much more than
25 simply purchasing a bearing. They're entering into a

1 long-term relationship where our ability to adapt to
2 changing circumstances counts for far more than the price of
3 the bearing.

4 As a result, our technology, product quality,
5 and 100 percent on-time delivery are the key competitive
6 factors we strive towards to win and retain our customers.
7 Price is not the major factor for our customers. This is
8 typically where our customers have only two or three
9 approved TRB suppliers.

10 Third, let me tell you a little bit more about
11 Iljin Group in Korea. The TRB business is a new and
12 relatively small part of the Iljin group's overall
13 operations. The Iljin Group traces its origins to a small
14 forging operation established in the 1970s. Iljin's TRB
15 business is effectively a start-up with a commercial
16 production starting in 2014.

17 We seek a balanced portfolio through an expanded
18 presence in the Korean home market in growing non-U.S.
19 export markets such as Europe, China, and Thailand. We plan
20 to maintain our current limited level of U.S. sales in the
21 immediate future.

22 Finally, let me describe our broader operations
23 in the United States. We are not simply a resale operation
24 for Korean-manufactured TRBs. The Iljin Group also
25 manufactures and sells several other products to the United

1 States, such as chassis components and other anti-friction
2 bearings, including ball bearings and wheel hub units.
3 These non-TRB operations account for more than 90 percent
4 of the -- of our U.S. sales.

5 We employ more than 200 Americans in our U.S.
6 operations. Our facility in Greer, South Carolina employs
7 66 workers in manufacturing with wind turbine bearings and
8 chassis components. Our factory in Phoenix City, Alabama
9 employs 78 workers manufacturing automotive ball bearing
10 wheel hub units for automotive customers GM, Chrysler, and
11 Hyundai. We plan to further grow our operations here in the
12 United States including additional American jobs. Thank
13 you.

14 STATEMENT OF DON COOPERRIDER

15 MR. COOPERRIDER: Good afternoon and thank you
16 for the opportunity to testify today. My name is Don
17 Cooperrider. Since 2012, I have served as the executive
18 director of sales and engineering at U.S. Iljin USA
19 Corporation. Before I joined Iljin USA, I worked at Dana
20 for two years selling axles and drive shafts to commercial
21 vehicle customers. Before that, I served as director of
22 sales at the Timken Company, which I joined in 1989. All
23 together, I have nearly 30 years of experience in the
24 anti-friction bearings market.

25 As my colleague John mentioned, Iljin is a very

1 recent entrant and a very small player in the U.S. market.
2 Most U.S. auto makers in axle and transmission makers hadn't
3 heard of us when we first opened our U.S. operations in
4 2013.

5 Our strategy as a new entrant has been to
6 demonstrate to prospective U.S. customers the
7 high-technical quality and innovation of our products and
8 our company's extraordinary track record of reliability and
9 service in Korea that we have brought to our U.S.
10 operations. Plain and simple, Iljin's competitive edge is
11 not its prices.

12 As John also mentioned, we are not simply a
13 resale operation importing and reselling Korea bearings in
14 the North American market. Our commitment to and
15 investments in the United States are much deeper than that.

16 At our Novi, Michigan headquarters, we have
17 established a cutting edge research and development center
18 and engineering staff that conducts extensive R and D and
19 product development. Novi handles all R and D for Iljin's
20 global TRB business.

21 The group has approximately 70 engineers,
22 scientists, and customer support employees. We generate
23 patented new products and technology right here in the
24 United States. Indeed our engineering and research staff
25 have secured multiple U.S. patents across many different

1 technologies.

2 This R and D operation is contributing important
3 skilled jobs to the Michigan community. As a former Timken
4 Employee for over two decades, I have a good deal of insight
5 into Timken and its automotive business. Timken is a
6 world-class company with outstanding people and a very
7 successful business model. Based on its public statements,
8 Timken has experienced great success over the years and
9 continues to project strong returns. I wish them well.

10 However, as John mentioned, Timken made a
11 strategic business choice in 2009 to shift away from the
12 automotive sector, which was then in rapid decline during
13 the Great Recession. This strategy had its costs.

14 For example, I heard from the purchasing manager
15 at one of the major vehicle manufacturers just a few weeks
16 ago that they won't buy from Timken as long as he works
17 there. Iljin USA only began selling TRBs in commercial
18 quantities in the United States starting in late 2014.

19 Our sales are limited to the automotive sector
20 and just to a handful of automotive customers. Our U.S. TRB
21 business remains a tiny portion of the U.S. market. Thank
22 you.

23 STATEMENT OF STEVE SCHAMP

24 MR. SCHAMP: Good afternoon, commissioners and
25 staff. My name is Steve Schamp and I'm the senior

1 purchasing manager for Dana, Incorporated headquartered in
2 Maumee, Ohio and I'm responsible for global bearing
3 purchasing within Dana.

4 Dana purchases tapered roller bearings for use
5 in our production of drive axles and is steer axles, which
6 we manufacture in the United States in our production
7 facilities in Indiana, Kentucky, Missouri, Pennsylvania,
8 South Carolina, and Tennessee.

9 Overall, our U.S. production operations comprise
10 22 plants and employ more than 15,000 workers many of these
11 located in Ohio. Our customer base includes virtually every
12 major vehicle manufacturer in the global light, commercial,
13 and off highway markets.

14 In order for Dana to even consider purchasing
15 from a tapered rolling bearing supplier, there's a minimum
16 18 to 24 month time period in which we qualify and validate
17 a given supplier and their specific parts.

18 This process continues even after a supplier is
19 qualified, as we continue to monitor quality and product
20 performance. The process involves company-wide resources
21 involving product engineers, application engineers, program
22 managers, supplier development engineers, and others.

23 This qualification and validation process can
24 cost Dana up to \$300,000 per application. However, it is
25 necessary because suitability of a particular tapered roller

1 bearing for a particular application cannot be determined
2 merely by considering the overall dimensions of the bearing.

3 Instead, we must consider the overall design
4 parameters, including material, internal raceway geometries,
5 finishing processes, heat treatment, and other factors.

6 Besides our design qualification process, we
7 also require any new supplier and any new facility of any
8 existing supplier to pass quality audits. These audits
9 includes review of quality operating systems and special
10 process audits, which look at things like heat treatment,
11 forging operations, and machining.

12 If a supplier feels any of these, it cannot be a
13 supplier to Dana no matter what price it offers. In fact,
14 Dana does not buy TRBs from Chinese manufacturers today for
15 most North American applications, despite their pricing
16 being significantly less than other global bearing
17 manufacturers.

18 Dana was hit hard by Timken's fix it or exit
19 strategy in 2009 that Mr. Dix and others previously have
20 mentioned. In this time frame, when Dana sourced Timken on
21 roughly 80 percent of the tapered roller bearings that we
22 buy, Timken passed along enormous price increases of about
23 30 percent virtually overnight on its bearings in exchange
24 for Dana to secure capacity.

25 This level of price increase is unheard of in

1 our industry. In fact, it is expected that manufacturers
2 become more efficient year over year in their operations and
3 can pass on some of these efficiencies in the form of price
4 reductions to their customers. This expectation is passed
5 on from the OEMs to us and we in turn pass it along to sub
6 tiers in the supply chain. Price increases of 30 percent
7 are never normal for any commodity in our industry.

8 Sometimes we can discuss modest price increases
9 with our suppliers when input costs increase legitimately,
10 such as when raw material costs increase. However, that was
11 not the case in this situation. Because Dana did not have
12 any qualified alternatives at that time, we had to pay the
13 increase, but were not able to pass these on to our
14 customer.

15 They would not allow us to pass these increases
16 because it was not based on actual cost increases. As a
17 result of Timken's actions, Dana undertook a major
18 purchasing strategy shift and began the arduous and costly
19 task of qualifying new suppliers for our commercial vehicle
20 and light vehicle businesses so that we never again have one
21 supplier being able to hold us -- our company hostage.

22 Dana was burned by Timken's hostile actions and
23 we committed our company to resourcing to new, loyal
24 suppliers. Within the commercial vehicle market, we chose
25 Scheffler after doing a comprehensive search of the market,

1 as they had the best technology and experience in the size
2 range and for similar vehicle applications.

3 Within the light vehicle market, we chose Fersa
4 and Ilgin for similar reasons. Today, we source from a
5 number of different suppliers. They supply us from their
6 various facilities in different parts of the world. So for
7 example, we source from Timken today and Interlux to supply
8 its tapered roller bearings at manufacturers in the U.S.,
9 Poland, and India.

10 We source from Scheffler and Interlux to supply
11 us from Korea, Mexico, and Austria. We source from Coyo and
12 Interlux to suppliers from Japan and U.S. manufacturing
13 operations and we also purchase tapered roller bearings from
14 Ilgin in Korea, Fersa from Spain, and NTN from its U.S.
15 operations.

16 We now diversify among suppliers much more than
17 we did and we follow a long-term award system. In the
18 United States, in the last three years on the light vehicle
19 side, we award business-based on the life of program,
20 meaning the model and application of the vehicle. These
21 life program awards can often last six or seven years.

22 On the commercial vehicle side, we contract
23 particular length of time with a program award, generally
24 four or five years. These contract awards have fixed levels
25 of productivity, which dictate price. So we negotiate all

1 commercial issues at the beginning of the program and price
2 can only vary by a specified pre-determined amount during
3 the length of the contract.

4 We are not alone in this regard. We understand
5 that other tapered roller bearing purchasers operate in much
6 the same way. And therefore, after business award, U.S.
7 producers are insulated from any possible adverse price
8 effects from importers.

9 Price, however, is only one factor in a
10 multi-faceted commercial proposal that takes into
11 consideration many other factors. Before we ever get to the
12 point of discussing prices for our contract, we first
13 require potential suppliers to respond to a specification
14 tender, which requires the supplier to offer a design
15 proposal, which meets this tender.

16 This usually can take up to six weeks and
17 beyond. And before we even consider a supplier's commercial
18 proposal, our engineers consider whether the supplier meets
19 all the requirements and what approach they include in their
20 design proposal.

21 A supplier's design analysis is key. We need to
22 be assured that the supplier knows what it is doing because
23 Dana does not purchase off-the-shelf bearings.

24 Aside from design and price, other commercial
25 considerations include freight terms, payment terms,

1 warranty terms, delivery performance, delivery terms,
2 warehousing and many other factors.

3 We consider all of these in a supplier's
4 proposal and a lack of performance in any of these areas
5 could far outweigh any price advantage. The best price
6 never wins a commercial award if all these factors don't
7 line up as well.

8 I'd like to briefly also address the issue of
9 Timken delivering a superior product for which it charges
10 above market prices. Until last year when Timken
11 implemented its good, better, best marketing campaign, Dana
12 had found that Timken offered a product that often
13 incorporated design attributes that were not necessary for
14 the specific application.

15 What I mean is that Dana does not always need
16 the highest bearing tolerances, the best heat treatment
17 solutions, the specialized profiles from any of its
18 application in which it's used tapered roller bearings.

19 Don't get me wrong, for some of our
20 applications, Dana demands the highest design attributes
21 available in the market, but for other applications, we
22 simply don't need these same attributes as our customers
23 will not pay for them.

24 This is an additional reason why Dana has
25 diversified our supply base, so that we could consider

1 multiple design alternatives for new applications.

2 Since our experience in 2009 when Dana was so
3 dedicated to Timken as a supplier, even if a supplier now
4 has the best commercial and engineering proposal, it is
5 still possible that Dana may not award it a particular piece
6 of business because of our overall purchasing sourcing
7 strategy of ensuring no single supplier ever becomes too
8 large.

9 Dana sees the tapered roller bearing market as a
10 global market place. If we were not to purchase from
11 Scheffler or Ilgin in Korea, we would not purchase
12 alternatively from Timken or other domestic tapered roller
13 bearing manufacturers, but from other global manufacturers
14 who offer the same level of design capability as Timken and
15 which offer a value proposition comparable or better than
16 Timken's. We will not return to sourcing to Timken with
17 such a large percentage of our TRB spend after we lost trust
18 in them after the ridiculous fix or exit price increases.

19 Thank you. Be happy to answer any of your
20 questions.

21 STATEMENT OF WES RIPPERGER III

22 MR. RIPPERGER: Good afternoon, my name is Wes
23 Ripperger, III. I am Vice President at Superior Bearing &
24 Supply.

25 MR. BISHOP: Bring your mike a little bit

1 closer.

2 MR. RIPPERGER: Superior is a two-million dollar
3 supplier of bearings, wheel hubs, seals and other components
4 to the automotive aftermarket industry across the United
5 States.

6 In my capacity as Vice President, I manage
7 product development, vendor relations and marketing. We are
8 based in Florida. We're a small buyer of tape and roller
9 bearings in the U.S. market. Our products are in
10 performance race cars, including stock cars, NASCAR and drag
11 racing vehicles, just to name a few.

12 Superior's primary concern when selecting a
13 bearing supplier is whether a supplier will be able to
14 readily deliver a high-quality bearing in a timely manner.
15 If a race car is down for repairs, my customer cannot wait
16 months for a replacement bearing.

17 Superior began purchasing Timken bearings some
18 thirty years ago. In 2008, however, Timken adopted "Fix it
19 or Exit" strategy, or as we knew it, "Take it or Leave it"
20 strategy. The fallout of Timken's strategy was that many
21 bearings were frequently out of stock.

22 If a Timken bearing was still available, we were
23 experiencing increased lead times as long as six months.
24 This severely limited Superior's ability to run our
25 business. We were forced to look elsewhere for bearings and

1 we ultimately chose to buy from European, Chinese and
2 Japanese-owned suppliers.

3 We first encountered Iljin in mid-2017. Iljin
4 introduced us to its high-tech fuel-efficient bearing
5 designs. Iljin can reliably deliver bearings on time and
6 are willing to hold inventory for us in their U.S.
7 warehouse. We decided to qualify them as a supplier and
8 offer their bearings to our end users. Thank you for your
9 time.

10 STATEMENT OF JAMES P. DOUGAN

11 MR. DOUGAN: Good afternoon, I'm Jim Dougan from
12 ECS appearing on behalf of respondents. In my testimony,
13 unless otherwise noted, I will address the data for all TRBs
14 consistent with the Commission's preliminary determination
15 on the domestic like product.

16 I will first address volume effects. I show at
17 Slide 1 imports from Korea have a very minor presence in the
18 U.S. market. Subject imports held the market share ranging
19 between 3 and 5% of the market. And this share increased by
20 only 1.5 percentage points over the POI.

21 Neither this share, nor the increase in this
22 share are significant. It's strange credibility to suggest
23 that this tiny little green/yellow bar on this chart is
24 having a material impact on the domestic industry.

25 This is especially the case because, as shown at

1 Slide 2, when revisions to Timken's data are included,
2 domestic producers' market share was essentially flat over
3 the POI. This means that any increase in subject import
4 market share came at the expense of nonsubject imports, not
5 domestic producers.

6 The subject imports gain was not the domestic
7 industries' loss is also clear from other evidence on the
8 record. In addition to the flat market share, U.S.
9 producers' questionnaire responses, while confidential, were
10 far from consistent as to whether they had lost sales to
11 subject imports over the POI. See Pages 51 to 52 of
12 respondents' prehearing brief.

13 Finally, only one of thirty-six responding
14 purchasers indicated that they had purchased subject
15 imports, rather than domestic TRBs, on the basis of price.
16 And this company's actual purchasers of Korean TRBs, shown
17 at Staff Report Table 5-13, were vanishingly small, relative
18 to its purchases of domestic TRBs, meaning that any alleged
19 lost sales here were far below the threshold of materiality.

20 This case is somewhat unusual for the Commission
21 in that, because of the highly concentrated nature of the
22 industry and customer base, it is possible to understand
23 with a fairly high degree of certainty, where the sales of
24 subject imports are actually being made.

25 As the chart on Slide 4 shows, essentially all

1 subject imports were sold into the automotive segment,
2 compared to a much broader mix of channels by domestic
3 producers and nonsubject imports. And in fact, the panel
4 this morning agreed that, basically, subject imports are
5 only sold into the automotive market.

6 As shown at Pages 53 to 55 of respondents'
7 prehearing brief, just a handful of customers in the
8 automotive segment account for the entirety of the increase
9 in subject import volume over the POI. These companies all
10 stated that they did not purchase subject imports instead of
11 domestic TRBs because of low prices. These purchasers were
12 instead driven by other factors, including the desire to
13 maintain a diversity of suppliers.

14 As you've heard in testimony from the industry
15 witnesses, this was driven by these customers' experience
16 with Timken's "Fix It or Exit" strategy. The record
17 evidence overall supports the fact that these purchasers
18 would be driven by non-price factors. As shown at Slide 5,
19 price is most frequently cited by purchasers as only the
20 third-most important purchasing factor, after quality and
21 availability/supply.

22 And ten purchasers provided reasons that they
23 purchased TRBs from one source, although a comparable
24 product was available at a lower price. Over one-third of
25 responding purchasers, thirteen, noted that they only

1 sometimes purchased the lowest priced product.

2 And as shown at Slide 6, the purchase factors
3 ranked more often than price as very important were:
4 product consistency, reliability of supply, quality meets
5 industry standards, and availability.

6 Timken argues that the domestic and subject
7 import TRBs are essentially equivalent on these factors. So
8 purchasing decisions come down to price. This is not true.

9 Domestic TRBs and subject imports are not
10 otherwise equal with respect to critical non-price factors.
11 Nine of thirty-three responding purchasers indicated that
12 they experienced some kind of supply constraint with regard
13 to domestic producers. Purchasers "cited back orders, late
14 shipments and reduced capacity from Timken, and long lead
15 times in general from U.S. manufacturers," along with
16 "delivery issues with Timken and an inability of U.S.
17 producers to meet increasing demand."

18 A Timken witness on this morning's panel
19 explained that his company was "scrambling" to meet
20 unexpected demand in the heavy truck market for nine months,
21 from January to December, 2017. This indicates that Timken
22 had nowhere near the available capacity that its
23 questionnaire data would suggest.

24 Now, the Commission might look at nine out of
25 thirty-three and think, "Well, this is just a minority.

1 It's less than one-third of responding purchasers." But
2 keep in mind that subject imports held only 3 to 5% of the
3 market. It doesn't take a majority of purchasers having
4 supply issues with domestic producers for subject imports to
5 get to 3 to 5% of the market. This is also where the
6 fallout from "Fix It or Exit" comes in to play.

7 Timken claims "that activities that occurred
8 back in the 2008-2010 timeframe are not relevant to the
9 market conditions in 2015-2017, the period of
10 investigation." In other circumstances, that might be true.
11 But in this case, on this record, it is false.

12 You have testimony from purchasers here today
13 that, after the events of "Fix It or Exit", they changed
14 their entire procurement strategy to ensure that they would
15 never again be vulnerable to being held up by Timken or any
16 other single supplier. You have other information on your
17 record, including witness testimony from this panel, where
18 very significant customers stated that after "Fix It or
19 Exit", they would never purchase from Timken again.

20 These facts are very much relevant to the
21 Commission's consideration of the current POI. Finally, on
22 this point, you have confidential declarations attached to
23 respondents' prehearing brief, stating from multiple sources
24 that just prior to the beginning of the POI, customers were
25 approached by a domestic supplier who claimed to no longer

1 have the capacity to supply certain TRB part numbers that
2 they required and asked them to seek alternative sources.

3 This was not a price-driven consideration, and
4 again shows that domestic producers and subject imports are
5 not otherwise equal when it comes to availability and
6 reliability of supply. These declarations are also relevant
7 to the Commission's consideration of price effects. The
8 part numbers referenced in the declarations are the pricing
9 products that account for essentially all of the observed
10 underselling by volume.

11 Aside from these products, there is overselling
12 in a majority of instances in quantity. Given this fact
13 pattern that virtually all underselling observed in the data
14 can be explained by domestic capacity constraints. The
15 Commission should find that underselling is not significant.

16 The Commission also heard from Mr. Schamp that
17 Timken's products are sometimes higher in price simply
18 because they're over specified with features not required by
19 every customer for every application, not because imports
20 are underselling for an equivalent product.

21 Slide 8 shows another reason the Commission
22 should find that underselling is not significant in this
23 case. U.S. producers' sales of all pricing products
24 combined represent an extraordinarily small share of U.S.
25 producers' overall shipments. According to the Staff Report

1 at 5-8, less than 1% of just the small-diameter TRBs, which
2 is an even smaller fraction of all TRBs, as shown in this
3 pie chart.

4 Therefore, even if subject imports undersold
5 domestic producers in all instances, and they did not, and
6 even if that underselling led domestic producers to lose all
7 of these sales in these products, which it did not, it would
8 constitute only a tiny, tiny fraction of U.S. producers'
9 sales and therefore not amount to material injury.

10 On to other price effects. The domestic
11 industry did not suffer price depression by reason of
12 subject imports. First, the Commission should keep in mind
13 that demand declined over the POI by roughly 10% using the
14 Staff Report figures, and to a slightly different degree
15 when corrected for Timken's revised questionnaires.

16 In a market with declining demand, one would not
17 normally expect price increases to occur. Also as Mr.
18 Schamp explained and as corroborated by petitioners this
19 morning, in this industry, it is typical for contracts to
20 include provisions for lower prices over time, as TRB
21 manufacturers gain efficiencies from enhanced productivity.

22 Nevertheless, the unit value of U.S. producers'
23 U.S. shipments increased over the POI by 5% for all TRBs and
24 by even more, 6.9% for small TRBs. There cannot be price
25 depression if prices are increasing.

1 Now, petitioners this morning said, on the one
2 hand, that the increase in U.S. shipment AUVs are unreliable
3 because there are changes in product mix. On the other
4 hand, they've argued that you can use quantity to measure
5 volume effects for the small-diameter TRBs because product
6 mix is stable enough that you don't need to use volume. But
7 they can't have it both ways.

8 Moreover, trends in the pricing products, the
9 very products chosen by petitioners to supposedly show the
10 most aggressive head-to-head competition with subject
11 imports are a mix of increases and decreases over the POI.
12 Only one of thirty-six responding purchasers reported that
13 U.S. producers reduced prices to compete with subject
14 imports.

15 And this purchaser was not only small, but its
16 purchases of subject imports were only a tiny fraction of
17 its total purchases. Therefore, this response is not
18 representative of the market.

19 There was likewise, no price suppression by
20 reason of subject imports. While the industry's COGS to
21 sales ratio increased slightly over the POI, the decline
22 between 2016 and 2017, and you heard testimony this morning
23 that TRB contracts include provisions to adjust the prices
24 on raw material prices.

25 Moreover, we believe that Commissioner Broadbent

1 got it right at the preliminary phase when she found no
2 price suppression in the preliminary because both demand and
3 the industry's overall COGS declined. Since the same fact
4 pattern exists in this final phase, we submit a similar
5 finding is warranted.

6 The absence of adverse volume and price effects,
7 I've discussed is apparent in the lack of adverse impact on
8 the domestic industry, which had strong and steady profit
9 margins over the POI. And as shown at Page 75 of
10 respondents prehearing brief, any declines in the industry's
11 absolute operating income were disproportionately
12 concentrated in the larger TRBs, where subject imports don't
13 compete.

14 The lack of adverse impact from subject imports
15 is also evidence from employment indicators. While there
16 was a decline in production workers over the POI, all of
17 this decline was in large TRBs, in which subject imports do
18 not compete. Employment in small TRBs remains steady. And
19 what's more, even in a period of declining demand, hourly
20 wages increased by 1.7% for all TRB workers and by even
21 more, 3.1% for workers in small TRBs.

22 The domestic industry's investment indicators
23 are also not adversely impacted by subject imports. You may
24 not remember this from what you heard this morning, but
25 Table C-1 and C-2 show that the industry's capital

1 expenditures increased over the POI significantly, by
2 double-digit percentages, both in under 8 TRBs and all TRBs.

3 And while petitioners argue that the industry's
4 capital investments are inadequate because they don't exceed
5 depreciation expense, this isn't because of any impact of
6 imports. As shown on this slide, the free cash flow
7 generated by the industry's operations is more than
8 sufficient to cover depreciation, sometimes, several times
9 over, both in all TRBs and in small TRBs.

10 This industry, however defined, generated a ton
11 of cash over the POI. And 2018 is looking even better. At
12 Page 25 of its First Quarter 2018 results, Timken states
13 that it "expects to generate operating cash of approximately
14 \$370 million in 2018," which is an increase from 2017 of
15 approximately \$133 million or 56%.

16 Now, we recognize that Timken has other lines of
17 business. But their questionnaire shows, if you compare
18 those numbers, to the very significant portion of that cash
19 was generated from its TRB business. So that would tend to
20 suggest that 2018 cash flow will be even better.

21 Therefore, the industry's allegedly inadequate
22 capital expenditures are clearly not attributable to any
23 lack of investment funds, or to insufficient returns, given
24 the industry's strong and steady profit margins. They have
25 to be attributable to other factors, most likely the

1 cyclical demand downturn in the market, especially in the
2 industrial segment, to which U.S. producers have a
3 proportionally greater exposure.

4 The domestic industry's other investment
5 indicator, R&D expenses, also increased over the POI. Now,
6 it was low as a percentage of sales. And Timken, at Page 86
7 of its brief, claims that this is inadequate because it
8 compares unfavorably to end users of TRBs such
9 Fiat/Chrysler, General Motors and Caterpillar.

10 Now, if we can compare the TRB industry's R&D to
11 net sales ratio to that of the TRB end users, we can also
12 compare the TRB industries' profit margins to those of the
13 TRB end users. And so this raises the question. How does
14 the industry's profitability compare to that of its
15 customers? As Slide 13 shows, it compares very, very well.
16 The precise comparisons involve the industry's confidential
17 margins, but this graph shows the relative levels.

18 We'll present the full data comparisons in our
19 post-hearing brief, but it's obvious that whatever their
20 relative R&D to sales ratios, these companies,
21 Fiat/Chrysler, GM and Caterpillar, would absolutely love to
22 earn the profit margins earned by domestic TRB producers
23 over the POI, either for TRBs of all sizes or for small
24 TRBs. These comparisons provide further confirmation that
25 the domestic TRB industry, however defined, is not suffering

1 material injury by reason of subject imports or otherwise.

2 Thank you.

3 STATEMENT OF JONATHAN T. STOEL

4 MR. STOEL: Good afternoon, Commissioners. My
5 name is Jonathan Stoel. I'm a Partner at Hogan Lovells
6 appearing today on behalf of respondents.

7 The domestic TRBs industry is not threatened
8 with imminent material injury by reason of subject imports
9 from Korea. On the contrary, for all of the reasons Mr.
10 Dougan has just explained, this industry is doing very, very
11 well and it is not vulnerable to future imports from Korea.
12 Timken's President and CEO Richard Kyle reported just this
13 past February that "strong fourth-quarter results capped an
14 excellent 2017 for The Timken Company."

15 Mr. Kyle further explained that Timken entered
16 2018 with "broad strength across our end markets. We expect
17 our execution combined with robust markets will result in
18 another year of strong revenue and earnings growth with
19 margin expansion."

20 Timken confirmed in May that its outstanding
21 performance will continue in the imminent future. In
22 announcing its First Quarter 2018 results, Timken
23 significantly raised its outlook for 2018. The company
24 reported that First Quarter 2018 sales increased
25 approximately 25% over sales in the same quarter in 2017.

1 Net income for First Quarter 2018, likewise, increased to
2 more than \$80 million, a whopping 110% gain over net income
3 for the same quarter in 2017. Last month the company also
4 raised its dividend paid to shareholders.

5 Timken's performance has been particularly
6 strong in what the company calls the "mobile industries"
7 segment, which includes TRBs sold to the automotive sector.
8 Timken reported that its 2017 Fourth Quarter sales in this
9 segment were 24.4% higher than its 2016 sales for the same
10 period; moreover, just last month the company reported that
11 its First Quarter 2018 sales in this segment rose by 27.5%
12 over the same quarter sales in 2017. Timken's bright
13 outlook is corroborated by projections showing that both
14 U.S. and North American auto production will remain at high
15 levels and will increase moderately over the next two years.

16 The domestic industry's success is not new. In
17 year 2012, third Sunset Review of TRBs from China, the
18 Commission found that "strong financial performance" meant
19 that the domestic industry was not vulnerable to material
20 injury. This "strong financial performance" occurred even
21 during the depths of the Great Recession.

22 Other factors likewise confirm that exports from
23 Korea do not threaten the domestic industry. First, the
24 Korean TRB industry is operating at high and rising capacity
25 utilization rates, meaning that imports from Korea are not

1 likely to increase by significant quantities. The
2 production facilities of Korean producers also have very
3 little potential for product shifting.

4 Second, the future plans of both Iljin and
5 Schaeffler belie possible threat to the domestic industry.
6 Iljin's capacity utilization has been rising, and its
7 limited available capacity is focused on increasing
8 shipments to the Korean domestic market and to meeting
9 rising demand in China, Europe, and Thailand. As in the
10 U.S. market, Iljin's plans for these markets are anchored by
11 long-term contracts to meet specific automotive customer
12 needs.

13 The U.S. market is likewise a distant fourth in
14 terms of Schaeffler Korea's principal markets, and that is
15 not expected to change in the imminent future. Schaeffler
16 has well-established, long-term arrangements with Korean OEM
17 manufacturers that will continue for years, as well as a
18 robust and exclusive distribution network to supply TRBs to
19 Korean aftermarket customers.

20 Schaeffler is also focused on expanding its
21 exports to growing markets in Southeast Asia and Europe.
22 Additionally, prior to this investigation, Schaeffler
23 decided to convert certain Korean TRB capacity to ball
24 bearings. This long and expensive process will be completed
25 in 2019.

1 Lastly, the Korean industry has limited
2 inventories. This further confirms that there is no threat
3 of imminent material injury to the domestic industry. This
4 concludes our testimony. Thank you.

5 CHAIRMAN SCHMIDTLEIN: Okay, thank you very much.
6 Again, I'd like to thank this panel of witnesses for being
7 here today, to help us understand this case. We will start
8 the questioning with the Commissioners this afternoon with
9 Commissioner --

10 MR. BISHOP: Madam Chairman.

11 CHAIRMAN SCHMIDTLEIN: Oh, I'm so sorry. We
12 do have a visitor.

13 MR. BISHOP: Yes. We have our final
14 Congressional witness for the day. We're joined by the
15 Honorable James B. Renacci, United States Representative
16 with the 16th District from Ohio.

17 CHAIRMAN SCHMIDTLEIN: Welcome Congressman.

18 STATEMENT OF THE HONORABLE JAMES B. RENACCI

19 REPRESENTATIVE RENACCI: Good afternoon
20 Commissioners, and thank you for giving me the opportunity
21 to testify before you today. I'm here today representing
22 the 16th District of Ohio. As you know, the Timken Company
23 is a Petitioner in this case. The Timken Company has
24 headquarters in my district and employs thousands of my
25 constituents.

1 In recent years, the Timken Company and other
2 domestic manufacturers have suffered severe harm from the
3 dumping of tapered roller bearings, also known as TRBs, into
4 the U.S. market. The domestic industry has already had to
5 shut plants down as a result. In 2009, Timken closed the
6 Canton Bearing facility, and in 2010 Timken closed TRB
7 plants elsewhere in Ohio.

8 I am here today to support the Timken Company
9 and all of their work in advance of your final injury
10 determination. Absent an anti-dumping order, Korea will
11 continue to flood the United States market with under-priced
12 TRBs causing irreparable harm to the domestic TRB industry
13 and our local economy.

14 Capacity utilization in United States TRB
15 plants has declined from 69 percent in 2015 to 66 percent in
16 2017. This is believed to be the direct result of Korean
17 dumping which surged to 45.9 percent by quantity and 36.2
18 percent by value during the same period. Earlier this year,
19 the Department of Commerce announced its affirmative
20 preliminary determination agreeing with the Timken Company,
21 that certain TRBs from Korea are being sold into the U.S.
22 at less than fair value.

23 Commerce preliminary found that Korean
24 manufactures were dumping TRBs into the United States at
25 margins for 21.23 percent and 45.53 percent. Such imports

1 are seriously injuring the domestic industry by shrinking
2 market share, decreasing capacity utilization and flat or
3 declining employment within the domestic TRB industry.

4 Timken's Ohio TRB plants include North Canton,
5 Bucyrus and New Philadelphia. The wages for the workers in
6 these facilities average \$24 an hour. These high skilled
7 jobs providing livable wages for Ohioans will risk being
8 destroyed if dumping of Korean TRBs continues.

9 In conclusion, I strongly urge you to make an
10 affirmative final determination that imports of certain
11 tapered roller bearings from Korea materially injure or
12 threaten material injury to the domestic TRB industry.

13 An anti-dumping order is desperately needed to
14 protect our domestic producers from unfair trading practices
15 that distort market. Our local manufacturers depend on a
16 level playing field, and I sincerely hope and upon reviewing
17 the record the Commission will conclude that an affirmative
18 final determination is warranted in this case. I thank you
19 for your time and consideration.

20 CHAIRMAN SCHMIDTLEIN: All right. Thank you,
21 Representative Renacci. Do Commissioners have any
22 questions? No. All right, thank you very much for your
23 time today.

24 REPRESENTATIVE RENACCI: Thank you.

25 MR. BISHOP: Madam Chairman, that concludes

1 Congressional testimony for the day.

2 CHAIRMAN SCHMIDTLEIN: All right. Thank you
3 very much. We will now move to Commissioner questions, and
4 we begin with Commissioner Broadbent this afternoon.

5 COMMISSIONER BROADBENT: Thank you, Chairman
6 Schmidtlein. Mr. Marshak, our statute requires that subject
7 imports just be a cause of injury, not the sole cause of
8 injury. Why wasn't the fact that subject imports increased
9 at prices that undersold the domestic product at least a
10 cause of serious injury, of injury excuse me?

11 MR. MARSHAK: I'll be very briefly from the
12 legal standpoint, then I'll turn it over to Mr. Dougan
13 economically. Look at the facts in this case. One, is the
14 domestic industry injured? If you look at their
15 profitability, you look at their trends, you look at their
16 employment, their financial performance on the shipments, we
17 believe there's no injury at all to the domestic industry.

18 Secondly, could we contribute to any injury,
19 if there is injury? Look at our market share. It's
20 minuscule. Our market share, the graph that ECS had up
21 there, it's you know, 2.9 to 4.4 percent during the POI.
22 Very, very small proportion and it's not really going up.
23 We could pinpoint the increase in our imports to, and it's
24 confidential, to less than a handful of customers, and
25 there's an increase in our imports are to those customers,

1 and each of those customers has given a precise reason why
2 the increase is not injurious.

3 So we don't believe there's any injury, and if
4 there was injury, there's no contribution from Korean
5 imports. MR. DOUGAN: This is Jim Dougan from ECS. Mr.
6 Marshak summed it up pretty well, and he actually went over
7 into the economic criteria and did my job for me, but I'd
8 sort of echo the fact. I mean, you know, you would expect
9 to be seeing a shift in market share. You're not seeing a
10 shift in market share, and this isn't a situation where, you
11 know, imports and domestic producers are sort of out there
12 in market competing on price head to head.

13 As Mr. Marshak, you have a handful of
14 customers who have provided either responses to the
15 Commission in one form or another, basically explaining the
16 non-price reasons that the import from Korea. So you know,
17 whatever, whatever increase from the Korean imports, it's
18 certainly not as the expense of domestic producers. And
19 that even -- that's even aside from the question of whether
20 the domestic industry is injured or not.

21 MR. STOEL: Commissioner Broadbent, Jonathan
22 Stoel for the record. I think you can also see from this
23 chart that's now up on the screen from ECS, it's not a
24 binary question. You've always have non-subject imports in
25 this market. So to the extent, and some of the details are

1 confidential, but to the extent that there was gain by
2 Korea, it came at the expense of non-subject as this chart
3 shows.

4 I think also as far as Mr. Dougan said, you
5 know, we don't believe there's been any adverse price
6 effects in this case. There isn't price suppression, you
7 have mixed overselling and underselling. We don't believe
8 this is a price case.

9 MR. LEWIS: Commissioner Broadbent, if I
10 might. Craig Lewis for Bearing Art from Hogan Lovells. I
11 think just going back for a moment to the pricing data as
12 well, I think it was pointed out earlier this morning and in
13 the testimony from this afternoon that the pricing data does
14 not show uniform trends, downward trends.

15 There's pricing products that go up and
16 pricing products that go down, and I would also like to echo
17 a comment from Mr. Dougan that with respect to the pricing
18 products that exhibited the appearances of underselling,
19 there's confidential information in declarations we attached
20 to our prehearing brief that explain very clearly on a
21 part-specific program-specific basis what underlies that
22 data, and it's not price competition.

23 COMMISSIONER BROADBENT: You acknowledge there
24 was a market share shift here?

25 MR. DOUGAN: Excuse me, a market shift?

1 COMMISSIONER BROADBENT: Market share shift in
2 favor of the Korean imports?

3 MR. DOUGAN: No, there was no market share.
4 The market share shift between non-subject and subject, but
5 not between subject and domestic industry.

6 COMMISSIONER BROADBENT: Okay, because I was
7 looking at it as about a one percent shift.

8 MR. DOUGAN: Okay. This is reflective of the
9 revisions to Timken's questionnaire, and we left the numbers
10 off the chart because the specific numbers are confidential.
11 But if you look at our prehearing brief where we've
12 incorporated that, you don't -- you basically don't see that
13 shift anymore.

14 MR. MARSHAK: Also any shift I think we've
15 quantified any increase in the Korean imports. We've
16 quantified to which customers were responsible for that
17 increase, and we've described the reasons why those
18 customers purchase Korean bearings. What happens, it's not
19 that we go out there and get more bearings from more
20 customers.

21 The particular customer has a parts program,
22 and if that parts program is doing well, we sell more
23 bearings to that customer because of our long-term contract
24 with that customer. It happens over the POI. We've
25 quantified this to a handful of customers, where some of our

1 other customers lost sales and our shipments went down.

2 So there really hasn't been a shift in market
3 share, both from the gross numbers and from the very precise
4 sales contracts.

5 COMMISSIONER BROADBENT: Okay. What happens
6 to the injury argument if we agree with Petitioners in
7 defining the domestic like product co-extensive with the
8 scope?

9 MR. DOUGAN: Commissioner Broadbent, Jim
10 Dougan. I made reference throughout my testimony, while I
11 began the discussion starting from the expanded like
12 product, I guess, I also sort of brought in other commentary
13 with important key indicia for the smaller TRBs, and those
14 indicia don't exhibit injury either.

15 You see even greater increases in wages. You
16 see no change in employment. You see even greater increases
17 in average unit value of shipments. You see very strong
18 cash flows. You see, you know, strong profitability. You
19 see similar growths in capital expenditures. So we don't
20 see the picture being very different at all between the two.

21 COMMISSIONER BROADBENT: Okay. Mr. Dougan,
22 this morning there seemed to be a lot of data that Mr.
23 Stewart took issue with in our staff report. As someone who
24 has appeared before the Commission often, what is your sense
25 on the data issues? Are there substantive problems on our

1 record?

2 MR. DOUGAN: You know, we don't think so.
3 There are some things we're going to -- that involve a
4 discussion of proprietary information having to do with the
5 importers' questionnaires and the foreign producers'
6 questionnaires that we're going to have to address in
7 post-hearing.

8 But we think that the Census Bureau data are
9 reliable for purposes of your assessment of apparent
10 consumption and volume effects. We also want to take issue
11 with the contention that quantity is how the Commission
12 should be viewing apparent consumption and volume effects,
13 and you know, that the Commission should somehow go against
14 its long-standing practice in this industry of measuring
15 apparent consumption and volume effects on the basis of
16 value.

17 I don't have to tell the Commissioners that
18 you found time and again, including in the two most recent
19 sunset reviews, that you, you know, your approach has been
20 consistent in measuring this in terms of value. But just a
21 couple of other points. I believe the Petitioners this
22 morning argued that those -- the arguments in favor of that
23 practice were less relevant when you restricted the scope,
24 I'm sorry, if you restricted the like product to be
25 co-extensive with the scope.

1 If you're only looking at, you know, TRBs of
2 less than eight inch in outer diameter, well then those
3 arguments don't apply anymore and you can look at quantity.
4 As I pointed out in my testimony, they were sort of
5 contradicting themselves on that. On the one hand they said
6 that you could use quantity because if you're only looking
7 below eight inches in outer diameter, the product mix was
8 steady enough that you didn't need to use value. You should
9 really use quantity.

10 But then on the other hand they said that the
11 average unit value changes over the POI were unreliable
12 because of tremendous shifts in product mix that would show
13 an increase in AUV, even if the prices for every product
14 went down. That just doesn't make any sense, and they can't
15 have it both ways.

16 The other thing that I would point out on that
17 is that another reason that the Commission would not use
18 quantity to measure apparent consumption of volume here is
19 that parts are part of the scope, and that -- and those are
20 not reported in terms of bearing equivalence. Even in the
21 questionnaire data, they're only reported in terms of value,
22 and there's also one HTS category that's among the suite of
23 HTS categories that you use that the quantity's reported in
24 kilograms, not in bearing or bearing equivalent or cups or
25 cones.

1 And so, you know, if you don't use value
2 you're missing that, and you're also missing other things
3 here. So for all of those reasons, we think that it's just
4 not a good indicator to be using quantity, and you should
5 stick with your consistent practice over the decades of
6 using value.

7 MR. STOEL: Commissioner, just one point.
8 Jonathan Stoel for the record. You know, we frankly were
9 surprised to see Mr. Stewart going after data questions.
10 They submitted four changes to their domestic producer
11 questionnaire after your staff report. We've all been, all
12 of us on this panel, Mr. Lewis and Mr. Schutzman, have been
13 around a long time.

14 We've not seen that kind of changes after the
15 staff report in an investigation. There's only one
16 Petitioner in this case. He's sitting right over there.
17 Why do they have to change their data four times?

18 So when it comes to data questions, we're just
19 really surprised that Mr. Stewart and Timken have been
20 raising this, when frankly it's been them that's made it
21 very difficult for all of us to understand the data, and for
22 the Commission staff which worked so hard to try to
23 understand the data as well. Thank you.

24 COMMISSIONER BROADBENT: Okay. My time has
25 expired. Thanks.

1 CHAIRMAN SCHMIDTLEIN: Commissioner Kearns.

2 COMMISSIONER KEARNS: Thank you all again for
3 coming here today. We really appreciate it. I want to
4 start with the domestic like product issue again. I guess
5 should we be including wheel hub units in the domestic like
6 product definition?

7 MR. MARSHAK: Just, you know, nobody's asked
8 for it. Petitioner has said, you know, no wheel hub units.
9 We have not asked for wheel hub units. I don't believe that
10 you have the information to include wheel hub units. So the
11 answer is at this point in the proceeding, no.

12 COMMISSIONER KEARNS: Okay. I mean I'm asking
13 because, you know, you've made a lot about being consistent
14 across investigations, and I mean as I see it, the
15 Petitioners actually have some consistency in the sense that
16 they are saying, you know, as I interpret it, we should
17 start with the scope of the investigation and as I look at
18 it, it looks like we should sort of take as a starting point
19 at a minimum that we're going to try to find a domestic like
20 product that's co-extensive with the scope, unless there's
21 no clear dividing line that allows for that.

22 If we're going to do that though, I mean all
23 the quotations you all cite to from Mr. Stewart in the China
24 case, were all about whether or not we should include wheel
25 hub units. So I don't -- to me like what should be our

1 guiding principle be, and what kind of consistency should we
2 find?

3 It seems like it's either once you find a
4 domestic like product in one tapered roller bearing case,
5 then the decision's already made for future ones, or we
6 should instead try to find a definition that is co-extensive
7 with the scope?

8 MR. VANDER SCHAAF: Commissioner Kearns, this
9 is Lyle Vander Schaaf for Dana. Five years ago, we
10 participated in the sunset review for China. We made
11 extensive arguments that wheel hubs should be a separate
12 like product. They were not the same as tapered roller
13 bearings, based on the six like product factors.

14 At that time, Timken disagreed with us. The
15 Commission agreed with Timken. You accepted their
16 arguments. In the preliminary investigation in this case,
17 Timken flipped, and they changed their position. They said
18 that wheel hubs are not the same as tapered roller bearings.
19 In your preliminary determination you drafted a lengthy
20 footnote where you pointed out that Timken has taken the
21 position that wheel hubs are not like tapered roller
22 bearings.

23 You carved them out because of Timken, and you
24 noted that Respondents do not disagree. I think the
25 Respondents are being consistent with the position, and

1 certainly Dana took five years ago in the sunset review.
2 It's Timken that has changed its position. We now agree
3 with Timken, that wheel hubs should not be in the same like
4 product as tapered roller bearings. We agreed with them in
5 the prelim, the Commission agreed with them in the prelim,
6 and we agree that that should be the position.

7 COMMISSIONER KEARNS: Okay.

8 MR. SCHUTZMAN: Commissioner Kearns, Max
9 Schutzman back here, way back here. Commissioner Kearns, a
10 wheel hub unit is in effect a housed bearing. Housed
11 bearings are not part of this continuum because they come in
12 a housing, and the wheel hub units are similar to that.
13 They are -- yes, they may contain a tapered roller bearing
14 or other kind of bearing, but they're housed in a hub unit.

15 And so that's where you can draw the
16 distinction. We're talking about just the bearings, below
17 and above eight inches in outside diameter.

18 COMMISSIONER KEARNS: Thank you. I hear you,
19 and that makes some sense. But to me it also make sense
20 that the difference between wheel hub units and 0 to 8 inch
21 diameter tapered roller bearings is that the Petitioners
22 have alleged dumping of 0 to 8 inch tapered roller bearings.
23 It hasn't alleged wheel hub units. It hasn't alleged
24 dumping with respect to over eight inch tapered roller
25 bearings.

1 So it seems to me that the guiding principle
2 should be, you know, look first to the scope, and only if
3 you can't really find a clear dividing line where the scope
4 has been defined should we -- should we consider going
5 beyond the scope.

6 COMMISSIONER KEARNS: Go ahead.

7 MR. MARSHAK: All the lawyers want to talk
8 about this, and it's dear to our heart because we were here
9 when Mr. Stewart said, you know, never has been, never will
10 be a clear dividing line for TRBs. He was talking about the
11 low price and the high price, and he was talking about the
12 size. When you look at the facts, the specific facts in
13 this case, you know, is there a clear dividing line between
14 eight inches below and eight inches above and the testimony
15 of Mr. Ovendorf.

16 What you found in the preliminary and the
17 facts in this record, there just is no clear dividing line
18 based on an eight inch factor. So they may have a class or
19 kind, but it's a cherry-picked class or kind, and you have
20 to find the clear dividing line between their class or kind,
21 which is what the petition does and what Commerce decides,
22 and it's your responsibility to find a clear dividing line
23 to whether it's a continuum that ends at eight inches.

24 I think the facts in this case, especially Mr.
25 Ovendorf's testimony and the examples of the over and under,

1 where he sells industrial bearings over and under to the
2 same customers. There is absolutely no clear dividing
3 lines.

4 COMMISSIONER KEARNS: Okay, thank you. I
5 wanted to turn to something that Commissioner Broadbent
6 raised, this question about the import statistics. Just to
7 be more specific, I hear you all say that you don't see any
8 real problems with the Census data. But how
9 do you respond to this specific issue of the fact that the
10 average unit values for large diameter bearings are \$2.09,
11 and the AUVs for smaller ones are more than twice the price,
12 and I guess the same is true of the weight? You don't see
13 any issues there?

14 MR. MARSHAK: We're going to have to go -- look
15 -- dig down deep into the data to see the reason. I mean,
16 there may be an anomaly in the data. There may -- you know,
17 there's probably a reason. We don't know what it is right
18 now, okay? But this was definitely something we'll address
19 in the post-hearing brief.

20 COMMISSIONER KEARNS: Yeah, we'd appreciate it.
21 And I think if you do see an issue there, and again, it's
22 not just AUVs, but I guess also the weight, what do we about
23 it would be helpful.

24 MR. MARSHAK: You know, one thing you could do
25 would be include the Korean large bearings as part of the

1 class or kind, you know, part of subject merchandise. And I
2 think the difference is going to be infinitesimal because
3 there's, you know, my new shipments of Korean bearings that
4 are classified right now as large bearings. It's very, very
5 small.

6 COMMISSIONER KEARNS: Okay.

7 MR. LEWIS: Craig Lewis with Hogan Lovells, too.
8 I would just add to that that, again, endorsing what my
9 colleagues has said. We don't see any problem with the
10 official Census data, but assuming that there was a problem,
11 I think it stands to reason it would be on the quantity
12 side, not on the value side, knowing as we've already
13 discussed the value side as the value data is what you
14 should be using for your analysis in any event. So it's
15 probably a harmless issue, if it exists, but we don't
16 believe it does.

17 COMMISSIONER KEARNS: Okay, unless I guess it's
18 that customs misclassified something as an above 8 inch,
19 right, in which case it would be a different issue?

20 MR. LEWIS: I guess that's possible, but we
21 don't know that that's the case.

22 COMMISSIONER KEARNS: Yeah. Okay, thank you.
23 Okay, so I guess this question is on the threat side. You
24 know, it looks as though while imports from Korea, subject
25 imports from Korea, start off with a very low share of the

1 market, they've increased at a pretty good clip over the
2 past three years and they are increasing at an even greater
3 clip, I guess, at least at the very beginning of 2018.

4 What specifically can you point to that would
5 suggest this growth won't continue in the future? For
6 example, one thing that I heard mentioned in the opening was
7 I think for Mr. Schuster talking about the shift to
8 producing ball bearings as opposed to tapered roller
9 bearings.

10 So one thing that'd be helpful is anything you
11 can do to help us document that would be helpful. But what
12 else can you really do to make us think this trend is not
13 going to just continue to go up at, you know, it is a pretty
14 high rate of increase year on year?

15 MR. MARSHAK: The rate of increase may look
16 high, but if you have, you know, it's from a miniscule
17 amount, so the absolute increase is miniscule from 2.9
18 percent to 4.4 percent of the market, it is tiny. I mean,
19 it looks like a lot.

20 And again, when you look at the reason for the
21 increase, you look at a handful of customers who did better
22 because their customers wanted more of their product. So
23 there's a reason. We're not going out there to find a
24 gazillion customers and sell a gazillion bearings to
25 distributors. We have a handful of automotive customers and

1 we'll go up and down as their sales go up and down and we're
2 pulled into the market.

3 MR. SCHAMPT: Commissioner Kearns, this is Steve
4 Schamp from Dana. I would just add to that that I guess
5 just as our purchasing strategy -- thank you. Just as our
6 purchasing strategy for Timken was that we don't want them
7 to get so large, I think the same would be for any of the
8 Korean manufacturers as well and that would be a reason why
9 we don't feel that they're going to grow within Dana anyway.

10 COMMISSIONER KEARNS: Okay. Okay, thank you
11 very much.

12 MR. SCHUSTER: This Harry Schuster from
13 Schaeffler. I mean, maybe I answered two questions to
14 Commissioner Broadbent why is the volume going up. And the
15 thing is we see a shift in transmissions in the automotive
16 industry from 6 speed to 9 speed. And for example, 6 speed
17 they have mainly ball bearings, at least the ones Schaeffler
18 supplies. And the 9 speed has tapers.

19 So as you see the shift in this industry, the 6
20 speed going down, 9 speed going up, the volumes have to go
21 up. And I mean, Schaeffler selected to purchase them from
22 Korea, but same as with Dana, we have contracts to shift
23 that volume from Korea down to Mexico. So we want to -- I
24 mean, it's not the U.S., I understand that, but at least in
25 North America, we want to produce it.

1 And the engineering expertise to support
2 supplier support, supply qualifications are coming from the
3 Asfar (*4:45) Mexican plants.

4 So it's a shift in the industry, but it's also
5 back to your point, how can you be sure that we don't leave
6 the product in Korea? It's the custom commitments that we
7 have.

8 COMMISSIONER KEARNS: If -- so if you're -- I'm
9 hearing you say you're going to shift from Korea to Mexico
10 of the tapered roller bearings. If you could document that
11 as well, we'd appreciate it. Thank you.

12 MR. SCHUSTER: Yeah, some of them, we have
13 contracted and we can talk on that in the post-hearing.

14 COMMISSIONER KEARNS: Thank you.

15 MR. LEWIS: Commissioner Kearns, if I might,
16 Craig Lewis for Hogan Lovells. Just speaking for Bearing
17 Art, too, we need to address this in a confidential
18 submission, but there are some specific marketing objectives
19 that Bearing Art has that supports that it's not likely to
20 be increasing in the short-term or foreseeable future.

21 And I'd also note, you know, going back to the
22 chart on the market share data that even with the miniscule
23 increases in market share that Korean imports gained in that
24 period, it was not at the expense of the domestic industry.

25 CHAIRMAN SCHMIDTLEIN: All right, thank you.

1 Let me start with some questions about the pricing. When --
2 and I don't know who would be the best person to answer
3 this. I don't know if Mr. Dougan would be because you have
4 access to the pricing tables or maybe one of the fact
5 witnesses.

6 But when you look at the pricing products and
7 the results of those, we see a substantial volume of
8 underselling. So my question is if the subject imports are
9 being brought into the market for the purpose of
10 diversifying supply, why do we see so much -- such a high
11 volume of the product being under -- underselling the U.S.?

12 MR. DOUGAN: Commissioner Schmidtlein, I'll
13 start off with that and try to tip toe around any
14 confidential information.

15 CHAIRMAN SCHMIDTLEIN: Yeah.

16 MR. DOUGAN: And this may be something we can
17 address more fully in post-hearing.

18 CHAIRMAN SCHMIDTLEIN: Sure.

19 MR. DOUGAN: One is with respect to the volume,
20 as I mentioned in my testimony and as you can see from the
21 data, it's highly concentrated in just a couple of the
22 pricing products. I don't want to even be more specific
23 than that, but there's a couple out of the eight that
24 basically account for essentially all of the underselling
25 volume.

1 Apart from them, it's actually a majority
2 overselling by quantity and instance. And as we pointed out
3 in our pre-hearing brief, and in touch declarations of the
4 pre-hearing brief, those are specific part numbers where
5 just prior to the beginning of the POI, there was a supplier
6 who basically went to its customers and multiple customers,
7 because we have multiple declarations, and said we don't
8 have the capacity to sell this stuff anymore. You're going
9 to have to go out and find someone else to get -- to supply
10 it to you.

11 And so they did. And so that volume kind of --
12 that sort of started coming in as a result of -- a
13 consequence of that. And I have to sort of stop there on
14 that point.

15 When you talk about why is it of a particular
16 price or why does it appear to be underselling or why is it
17 a lower price, you know, we can get into that more, but I
18 think again, I would refer also back to Mr. Schamp's
19 testimony, which is that at least with respect to Timken,
20 there are, you know, to put in colloquial terms for a very
21 long period until maybe in the last year or two, Timken was
22 only selling Cadillacs when its customers would have been
23 just fine with Chevys. And so, if the -- if a particular
24 bearing is overspecified for a particular application, and
25 we command a higher price, but the customer is prepared to,

1 you know, basically make due with the adequate Chevy and
2 purchases the Chevy, you know, that's not necessarily
3 underselling. It's basically buying and sourcing the value
4 that it's required for that -- for a particular application.

5 CHAIRMAN SCHMIDTLEIN: So are you saying that
6 within the pricing products here, there would be
7 differentiation between U.S. and subject that doesn't appear
8 in the description that would affect the price?

9 MR. DOUGAN: It could be, could be, based on the
10 -- and again, the fact witnesses don't have access to that
11 specific data, but maybe we can talk to some of them, you
12 know, and see if they can talk to anything -- to give a more
13 specific answer with regard to these products if we know
14 that they reported sales of them. I certainly wouldn't want
15 to speak to it in this -- in the hearing.

16 CHAIRMAN SCHMIDTLEIN: Okay, well, if you could
17 follow up in the post-hearing.

18 Mr. Lewis, do you want to add something?

19 MR. LEWIS: Yeah, if I could. Craig Lewis,
20 Hogan Lovells. Just one other comment on the pricing data.
21 I think this was mentioned in some earlier comments that I
22 think the Commission needs to approach this pricing
23 comparison or underselling, overselling data with some
24 caution because of the existence of long-term contracts.
25 This is not a spot market where if you're looking on a

1 quarterly basis, you're seeing, you know, what are pricing
2 levels at that quarter. What's being reported as a
3 quantity and value in any given quarter may very possibly
4 relate to pricing that was established a couple years, three
5 years earlier than where you're seeing that data reported.
6 So that's one caution.

7 And then just on this last point that you raised
8 about, you know, are there -- is there possibly other
9 features of the pricing products that are not being
10 differentiated in the pricing data. We did actually have a
11 discussion of that with our clients yesterday. And in fact,
12 that is the case that there are a number, for a given part
13 number as defined in your product categories, you know,
14 pricing product categories, there can be additional features
15 that distinguish and reflect pricing differences that are
16 not captured or distinguished in that data.

17 CHAIRMAN SCHMIDTLEIN: Okay, well, maybe it
18 would be helpful to follow up with more specifics in the
19 post-hearing.

20 Another question about the pricing products
21 that, again, you might be better off answering in the
22 post-hearing, but we'll see, is when you look at the -- each
23 of the products, and in the staff report, you know, we have
24 two different types of graphs. We have the line graph and
25 then the bar graph, right, on volume.

1 And it's sort of interesting when you look at
2 those and you compare those two, right? So you can see what
3 the prices are doing and then you see the volumes, what
4 they're doing.

5 And when you look across them, not -- so in
6 product 1, not so much, or you could make an argument, but
7 definitely in product 2, 3, product 4, product 6, product 7,
8 I think, where you see the margin increase of underselling,
9 right, and all you got to do is look at the graph and then
10 you look at the volumes, you see a corresponding increase in
11 the amount from Korea.

12 So does that not appear to be a pattern that the
13 underselling is having an impact? So again, you know, for
14 instance when you look at product 3, and you see where the
15 margin, you know, of underselling goes way up, and then you
16 look down to see what's happening and you see there that
17 suddenly, the bar graph becomes in my -- I don't have the
18 color ones right here. I have light gray and dark gray,
19 right?

20 So all of a sudden, you see the bar graph become
21 dark gray, right? It's like the margin goes like this, and
22 it's like dark gray, dark gray, dark gray, right?

23 So the volume from Korea goes right up. So this
24 -- it looks like, you know, you could say well, there's a
25 pattern here when the margin of underselling increases, you

1 do see increases in those particular pricing products from
2 Korea. So is the underselling having an impact?

3 MR. DOUGAN: Well, I think I would harken a bit
4 back to -- this is Jim Dougan again for the record. I would
5 harken back a bit to what Mr. Lewis said in a reminder that
6 these aren't necessarily price to price spot comparisons
7 for, you know, oh, if you offer me this price this quarter,
8 I'm going to go here and then if you charge me a different
9 price the next quarter, I'm going to go there. These are
10 prices and sometimes quantities that were determined by
11 contract at a different period.

12 Now we recognize that there are, you know,
13 periods or times over the POI when a contract expires and a
14 new one begins. And you may see some impact of volume at
15 those places or you may see or a decline in volume that you
16 observe from the domestic producers may be them coming to
17 the end of the life of that program and not necessarily that
18 that volume was per se lost to Korea, but just that they --
19 that contract is expiring.

20 And the increase that you observe in the Korean
21 volume may be for a completely different contract to a
22 completely different customer who's then -- who's as I think
23 as Ned said earlier, as Mr. Marshak said earlier, their
24 customer's customers product application is seeing increased
25 demand.

1 And so they're selling more volume under a
2 contract that was already concluded in the past. So it's
3 not a quarter to quarter comparison.

4 CHAIRMAN SCHMIDTLEIN: Uh-huh.

5 MR. DOUGAN: It could be simply a reflection of
6 end use demand for that application. We can -- it's
7 difficult to -- that's about as far as I can go.

8 CHAIRMAN SCHMIDTLEIN: Yeah.

9 MR. DOUGAN: I think, but that may -- I think if
10 you -- if this was a market that was mostly spot, I think,
11 you know, that might be more to support that theory.

12 But I think here, it's really -- because of how
13 business is conducted, I think it's a little bit of a
14 different situation.

15 CHAIRMAN SCHMIDTLEIN: Okay. Mr. Lewis, did you
16 want to add?

17 MR. LEWIS: Chairman Schmidtlein, actually Jim
18 made basically all the points I wanted to make, except for
19 one.

20 CHAIRMAN SCHMIDTLEIN: Okay.

21 MR. LEWIS: And I can't get into details here,
22 but I think it's also important to bear in mind that this
23 pricing product data doesn't cover an average across, you
24 know, seven or eight or even two or even four or five
25 contracts. It's quite limited what that data reflects.

1 It's only, and I can't tell you how many it's in our
2 declarations.

3 CHAIRMAN SCHMIDTLEIN: Uh-huh.

4 MR. LEWIS: But there is very specific, there
5 are specific stories behind that data. And they're in our
6 declarations and I strongly encourage the Commission to read
7 what the purchasers behind those contracts have explained
8 that was the story behind those sales.

9 CHAIRMAN SCHMIDTLEIN: Okay, all right. Thank
10 you very much.

11 MR. SCHUSTER: Maybe one more comment?

12 CHAIRMAN SCHMIDTLEIN: Oh, sure.

13 MS: This is Harry Schuster with Schaeffler.

14 CHAIRMAN SCHMIDTLEIN: Sure.

15 MS: So just to go back to what I said earlier
16 with 9 speed, so when we go back into the 2014, '15 range, I
17 mean, on the Schaeffler side, we mainly sold into the
18 heavy-duty, the tapers. And the average price is probably
19 four times, three times, four times of the transmission
20 bearing price.

21 So taking that into consideration, you had low
22 sales in transmission, but high sales compared to the heavy
23 duty. So now we see the shift. The heavy duty will stay
24 the same, but a transmission sales goes up.

25 So your average price has to come down. So your

1 volume goes up, but the average price comes down. So that's
2 explaining probably what you're seeing there, you know,
3 because heavy duty trucks, I mean, it's closer to the 8
4 inch. It's sometimes a little bit above. And the
5 transmission bearings, they're closer to between two and
6 four inch, I want to say. We have to look that up, but I'm
7 pretty sure about that. So that's where you see the shift
8 coming down.

9 CHAIRMAN SCHMIDTLEIN: Uh-huh, yeah, I think
10 you're right, you're probably talking about the AUV
11 question, yeah.

12 Okay, Vice Chairman Johanson, thank you.

13 VICE CHAIRMAN JOHANSON: Thank you, Chairman
14 Schmidtlein and thanks to all of you for appearing here
15 today. Petitioners contend that domestic TRBs and Korean
16 TRBs are high substitutable and compete in the same segments
17 of the domestic market, which they argue at pages 56 to 59
18 of their brief, their pre-hearing brief. How do you respond
19 to these arguments about direct head-to-head competition
20 between the producers?

21 MR. LEWIS: This is Craig Lewis for Hogan
22 Lovells. I think it's important in evaluating that to
23 recognize the evidence in the Commission report indicating
24 how non-price -- how important non-price factors are in the
25 purchasing equation.

1 And what that translates to, and I invite our
2 industry witnesses maybe to elaborate on that, but as you've
3 heard I think repeatedly, is that even for suppliers who are
4 qualified for -- to bid on a particular program, these
5 non-price factors feature very large in that decision.

6 In fact, there is a confidential document in
7 petitioner's brief that I don't want to describe too much
8 further because of the confidentiality, but there's a
9 presentation in there that I think does a very good job of
10 explaining how those kind of non-price factors are even
11 quantified in evaluating competing bids.

12 And so the notion that it comes down to even for
13 otherwise qualified suppliers simply to who has the lowest
14 price is just not supported by the record.

15 MR. DICHAIRMAN SCHMIDTLEIN: This is John Dix
16 with Iljin. Very often when we look at a new application,
17 the customer will ask us for a bearing design and we often
18 will come in with actually a different part number than
19 Timken or one of our other competitors.

20 So very often, when we're going head to head in
21 competition, we're not always talking about exactly the same
22 bearing. In today's environment, our customers want low
23 torque, they want better fuel economy, and I'm finding that
24 as time goes on, we're actually differentiating ourselves a
25 little bit more.

1 We often will sell a through hard and bearing
2 and a differential application is an example. Timken may
3 sell a case carburized bearing, which is a little bit more
4 expensive.

5 So very often, we are not A to A. Very often,
6 we're A to B when we come in with the designs.

7 MR. STOEL: Vice Chairman Johanson, Jonathan
8 Stoel from Hogan Lovells. Suzanna, could you put up the
9 chart showing where we are versus what the industry segment
10 chart showing industrial versus automotive?

11 Commissioner, I just want to ask you to focus on
12 this chart as a reminder that, you know, Timken is selling
13 and the others in the U.S. are selling in lots of places
14 that we're not. So head to head competition is actually,
15 you know, not that big, just for a matter of segmentation.

16 And then as Mr. Lewis and Mr. Dix explained,
17 when you get down to specific part numbers, you're talking
18 about really, really small opportunities even to have that
19 very limited head to head competition. And there's a lot of
20 other things as Mr. Dougan explained that might explain why
21 a purchaser would want to, you know, purchase from Iljin or
22 somebody else than one of the domestics.

23 I guess I'd also just like to point out, again,
24 that this automotive sector that we're talking about is
25 exactly where as Mr. Jacobson explained, Timken abandoned

1 \$110 million of sales. And everybody here on the panel has
2 spoken to you about the fix or exit strategy. They left
3 this market in a very substantial way. And so that's one of
4 the reasons why there is very limited head to head
5 competition. Suppliers are -- have been invited because
6 purchasers were concerned about Timken's reliability, not
7 about price. They were concerned on other things.

8 VICE CHAIRMAN JOHANSON: Getting to the parts
9 number issue, I'm a little confused. Could you all please
10 explain the bearing numbering process? Does each producer
11 have its own numbering system that correlates to a commonly
12 accepted numbering system? Or do multiple firms produce --
13 do multiple firms produce the same parts numbers?

14 MR. DIX: Yeah, that's a really good question.
15 There is something called an ABMA standard, which was
16 established many years ago, and within this ABMA family
17 there is a rhyme and reason. The part number may have a LM
18 in front of it, which means light-medium. It could have a
19 letter M. So in early days, with tapered roller bearings,
20 in fact Timken was the company that you went to to define
21 this ABMA standard.

22 As time has gone -- as time has moved on, many
23 companies are not using the ABMA standard anymore. Timken
24 makes a P900 bearing. Iljin makes an ST bearing, and
25 there's no rhyme or reason really with those part numbers.

1 So you really have to get an industry standard ABMA part
2 number if you want to compare. I hope I'm making sense.

3 MR. LEWIS: Craig Lewis, Hogan Lovells. I'd
4 also ask John maybe to elaborate too, to go back to the
5 question about whether the part number, for example, as
6 defined for the pricing products fully describes bearings,
7 so that you're actually comparing apples to apples. Maybe
8 you could explain a little bit about the thing.

9 MR. DIX: Yeah I -- only because I spent 30
10 years at Timken, if you picked a part number, as an example
11 a differential bearing, LM501349, Timken will have an
12 inspection code. It could be 20024, it could be 40024.
13 Within that inspection code will define how the bearing is
14 honed, how it's machined, the internal geometry, etcetera.

15 So even though you look at two part numbers
16 made by two different companies, I will tell you honestly
17 they're very different. We might be through hardened steel.
18 Timken might be case carburized. There's a lot of variation
19 between those two part numbers. I hope I answered your
20 question.

21 MR. LEWIS: Craig Lewis again, if I might just
22 elaborate a little further on that too. There was testimony
23 I think from Mr. Schamp about how Timken in the past, maybe
24 they're changing their approach more recently, has had a
25 policy of trying to overload the bearing part with these

1 extra features that purchasers may not need for a particular
2 application.

3 The obvious reason for doing that because they
4 can charge more for the part in doing that. So it's an
5 economic rationale. But I think that also may be tainting
6 the pricing data that the Commission's looking at. Just to
7 be specific, you know, looking at some of the product
8 definitions in front of me in the public staff report,
9 there's two products, Products 6 and 7 that are really two
10 parts of the same bearing.

11 The LM501349, Product 6, is the cone assembly
12 and the LM, Product 7 LM501314 is the corresponding cup. So
13 these are two halves of the same bearing. So actually
14 Products 6 and 7 are really the same bearing, and there's
15 some information we can point to in a confidential brief to
16 kind of demonstrate that actually those pricing data are
17 almost certainly showing the same shipment activity for both
18 products.

19 In other words, they really should be viewed
20 as one collapsed product. I think there should be reason to
21 be concerned about the comparability of the data that's been
22 reported in that category.

23 MR. SCHUSTER: Harry Schuster with Schaeffler.
24 So there's certainly a catalogue where you can get tapers on
25 their ABMA standard. But I want to say 90 percent of the

1 automotive brands are custom made. So tailored to the
2 application and design and load and friction, stuff like
3 that. Cleanliness is a big point.

4 So 90 percent I want to say, I mean you have
5 some that are catalogue. But the rest, the majority are
6 certainly custom made.

7 VICE CHAIRMAN JOHANSON: And Mr. Schuster,
8 maybe you can help out here a bit. What is the differences
9 in this market between standard TRBs and customized TRBs.
10 Would you -- how would you quantify the breakouts between
11 the two in terms of different standards or different
12 channels in the distribution market?

13 MR. SCHUSTER: So the first question,
14 standardized is when you go into the catalogue you exactly
15 see what is the inner diameter, the outer diameter, the
16 width, the load. So that's a standardized bearing across
17 the industry.

18 VICE CHAIRMAN JOHANSON: What you said is like
19 a smaller percentage in the market.

20 MR. SCHUSTER: It's very, very small
21 automotive. I mean I'm going through my head right now. I
22 probably can't count the parts that Schaeffler has on one
23 hand. So everything else, as we call it in Schaeffler's an
24 F number, which is specially made for the customer, and it
25 has to do with again load specifications, again material,

1 heat treatment, whatever goes into a product.

2 Sorry, the second part. Can you please repeat
3 that?

4 VICE CHAIRMAN JOHANSON: Oh, the distribution
5 channels.

6 MR. SCHUSTER: Right. So I mean we on the
7 Schaeffler side we sell direct to any automotive OEM or
8 Tiowon. So we're not selling through a distributor or yeah,
9 a distributor a second party in between.

10 VICE CHAIRMAN JOHANSON: Okay. So you're
11 going directly to the auto producer for that market?

12 MR. SCHUSTER: In terms of Korea, since that's
13 the case here, we import the parts at Schaeffler USA. We
14 put it in a warehouse and then supply it to any customer.

15 MR. DIX: This is John Dix. Iljin's the same.
16 I agree with those comments.

17 VICE CHAIRMAN JOHANSON: Okay. Just one more
18 quick question. My time's expired but I had just wanted to
19 follow up a little bit. Do imports focus on one type of TRB
20 on domestic products than the other in your view, when it
21 comes to customization? Or is it more per auto company?

22 OO I think it's mixed. I mean on the
23 industrial side, where it's just probably more catalogue,
24 automotive is really all specials for us. Industrial is
25 more of a catalogue mix with specials. But as far as

1 import-domestic, I mean it's -- I think it's just a big --
2 it's a really big mix basically.

3 VICE CHAIRMAN JOHANSON: Okay. Yes.

4 MR. DIX: I will jump in. John Dix with
5 Iljin. Timken traditionally made their bearings with case
6 carborized steel. We make both products. We make a through
7 hardened bearing and a case carborized steel. So if you
8 talk to probably Steve at Dana, he would tell you that
9 Timken traditionally sold a premium-based case carborized
10 steel bearing.

11 Iljin sometimes sells that, but we also will
12 sell a lower grade through hardened bearing depending upon
13 the application so -- thank you.

14 VICE CHAIRMAN JOHANSON: All right. Thank you
15 for your responses. My time's expired.

16 CHAIRMAN SCHMIDTLEIN: Commissioner
17 Williamson.

18 COMMISSIONER WILLIAMSON: Thank you. I wanted
19 to express my appreciation to all the witnesses for their
20 testimony. I want to return briefly to things that are
21 policy. In 11 years on the Commission, I don't think I've
22 had so many purchasers dump on a Petitioner about one
23 particular policy.

24 So given that this has been seven or eight
25 years, even ten years old, I was -- I'm asking both

1 Petitioners and Respondents, are there any good Harvard
2 Business School or like case studies?

3 So independent documentation that we can
4 quickly see the impact of this policy. It seems to me like
5 if it's as bad as you said it is, I'm sure there should have
6 been a bunch of case studies. But anything that could be
7 provided post-hearing that would kind of get to this.

8 MR. LEWIS: This is Craig Lewis, Hogan
9 Lovells. I'm not aware of any studies on it, but obviously
10 we have placed multiple declarations on the record and --

11 COMMISSIONER WILLIAMSON: I'm looking for an
12 independent analysis.

13 MR. LEWIS: Well, I guess I can point out just
14 the obvious too, that you know, several witnesses here today
15 have been willing to publicly speak out about this issue,
16 which I think should tell you something. I think it takes a
17 certain amount of gumption to be willing to do that.

18 On the issue of, you know, this was eight or
19 nine years ago, the past is the past and let's not worry
20 about it, I think Mister --

21 COMMISSIONER WILLIAMSON: I think the past is
22 we're worrying about it. It's very relevant. It's very
23 relevant to the case.

24 MR. LEWIS: Yeah, that's exactly what I'm
25 trying to say, is I think that is has live repercussions

1 because purchasers like Dana had to move to a diversified, a
2 more diversified purchasing scenario going forward, and that
3 continues until today. And you know, going back to this
4 question of you know, is there price to price and if
5 everything else is equal, you know, is there direct
6 competition?

7 If everything else is equal, you know, why
8 would you choose a Korean supplier over perhaps Timken on a
9 program? Well you know, the easy ready answer to that is --

10 COMMISSIONER WILLIAMSON: I'm sorry. I have
11 lots of other questions. What I'm trying to do is get some
12 independent documentation, and it seems to me that it's been
13 long enough time and if it's as bad as it has been,
14 somebody's got have written about it in an authoritative
15 way.

16 MR. LEWIS: Craig Lewis again. There are
17 contemporaneous articles which we did provide with our -- I
18 think at the preliminary stage, and we can certainly make
19 sure to gather more of those for the post-hearing.

20 MR. JACOBSON: Commissioner Williamson, very
21 briefly, Michael Jacobson. Just in the 2014 Timken annual
22 statement, which is not an unbiased source but it's Timken's
23 source, they specifically state that they reduced sales in
24 the light vehicle sector due to planned program exits that
25 concluded in 2013 of approximately \$110 million.

1 So there is a study internally at Timken, and
2 we've also put documents on the record that have been
3 mentioning the fix or exit policy in presentations that were
4 publicly available.

5 COMMISSIONER WILLIAMSON: Okay, good. That's
6 a segue to the second part of my request to the Petitioners
7 about what you can document about the extent of the program.
8 What do the numbers show about your volume of sales of
9 products that are existing. In other words, I'm just trying
10 to get some documentation. I'm try to get it concisely
11 without people having to go through a whole lot of extra
12 work, just so we can get a handle on this.

13 MR. STOEL: We understand Commissioner. Of
14 course, we'll respond.

15 COMMISSIONER WILLIAMSON: Good, thank you.
16 Let's turn to some other questions. Let me see. Okay.
17 What's the appropriate time frame from determining whether
18 the domestic industry experienced a cost-price squeeze? It
19 is 2015-2017 or 2016 to 2017, and why?

20 MR. DOUGAN: This is Jim Dougan. You know, I
21 think the Commission can look at all the data available to
22 it to try to understand this. But I think it's interesting,
23 the trends in 2016 to 2017 are helpful in that regard, and I
24 think the lawyers can speak to this too. So I don't want to
25 overstep my legal knowledge. But you know, the trade remedy

1 laws are intended to remedial and not punitive. So the
2 question is, is the domestic industry experiencing current
3 material injury versus, you know, things that may have
4 happened in the past.

5 So in that case, our recent experience would
6 be perhaps more probative for your analysis at this point.
7 I'll let anyone else go --

8 COMMISSIONER WILLIAMSON: Okay, and you want
9 to do it -- and it gets more concise to do it post-hearing,
10 to say this time frame is probative because of this, this
11 time frame is not or vice-versa.

12 MR. DOUGAN: We can address it more in
13 post-hearing.

14 COMMISSIONER WILLIAMSON: Good, thank you.

15 MR. DOUGAN: Thank you.

16 COMMISSIONER WILLIAMSON: Thank you. You
17 argue that the prevalence of long-term contracts attenuates
18 competition. But do these contracts have fixed volumes? Do
19 they allow for price adjustments aside from raw material
20 price changes?

21 MR. DIX: This is John Dix with Iljin. Yeah,
22 typically if you think about t, it takes two or three years
23 to develop a car, right? Once you're awarded the business,
24 the platform of the vehicle will last maybe five to six
25 years. Most of our customers want some form of a long-term

1 agreement. That could be typically three years.

2 Within that contract, they'll probably ask for
3 a couple of things. One would be yearly price downs for
4 productivity. Productivity --

5 COMMISSIONER WILLIAMSON: I'm sorry, price
6 what?

7 MR. DIX: Pricedowns, productivity. A yearly
8 --

9 COMMISSIONER WILLIAMSON: Oh okay, reductions
10 in price. Okay.

11 MR. DIX: Yeah.

12 COMMISSIONER WILLIAMSON: Because you become
13 more efficient at doing it.

14 MR. DIX: Yes, and the answer being that
15 you're running the part, you tooled up, you're running more
16 efficiently, you become more proactive with the
17 manufacturing process. The other thing typically is there's
18 some material adjustment we may tie to a steel index.
19 Typically if steel goes through the roof, then we may want
20 some type of relief.

21 By the same token, if steel drops, our
22 customers would want some type of reduction. But that's
23 typically our contract.

24 MR. LEWIS: This is Craig Lewis. I just
25 wanted to add one thing to that. Just in terms of the

1 volumes too, and correct me if I'm wrong on this, but if
2 you're selling a particular part number for particular car
3 platform I guess is the term they use for it; I won't
4 venture to know the names of these cars.

5 But you know, you're laying out a program over
6 a four or five or six year period. You can't know with any
7 certainty what the production volumes are going to be of
8 that car, because it depends on how well the car sells. So
9 but I think that's important again in looking at the pricing
10 data that the Commission's collected too, because when you
11 see Commissioner, I think it was Schmidtlein's question
12 about, you know, volumes going up and down, those probably
13 reflect simply changes in the volume of the, you know, the
14 downstream car program that these bearings are going into,
15 not some competitive change in competition per se. It's
16 also the product.

17 COMMISSIONER WILLIAMSON: Meaning so the price
18 of the product may go down. If it's -- the product is
19 hugely successful, you need large volumes of it.

20 MR. LEWIS: Yeah, and I think related to that,
21 that sort of stepdown for product and production efficiency
22 or productivity I guess is the term they use for that.

23 As I've seen, and we looked at a lot of these
24 contracts for the Commerce Department side of this case,
25 that's a standard feature not just for Bearing Art but for

1 other bearing suppliers that purchasers expect that there
2 will be a moderate decline in the pricing over the life of
3 the agreement reflecting productivity gains.

4 MR. DIX: And with -- John Dix --

5 COMMISSIONER WILLIAMSON: Do the contracts
6 also allow for I guess competition, the price of competitor
7 products? How does that impact these?

8 MR. DIX: Yeah. Steve can probably answer is
9 better, but typically you're locked in with the business.
10 There may be some clauses in there, but we talked about this
11 yesterday prior to coming in here. We can't really recall
12 where a customer broke a contract. Typically if you abide
13 by the contract, supply on time, give the annual
14 productivity, meet the volumes, typically there's not
15 competition introduced.

16 Like Timken said earlier, the competition will
17 be introduced at the end of the contract typically. And
18 also regarding volumes, customers typically will give us a
19 forecast. If you looked at the forecast of the Dodge Dart
20 three years ago, they hit about 60 percent of what the
21 forecast was. If you look at the forecast of the current
22 Ram truck, they're probably 30 percent above.

23 That's one of the risks of being in the
24 automotive business. We sign up to this business and we
25 live or die with our customers' volumes.

1 COMMISSIONER WILLIAMSON: Okay, okay, thank
2 you.

3 MR. SCHUSTER: This is Harry Schuster with
4 Schaeffler. I mean to your end question, there's no
5 straight answer, and I completely agree with John said. I
6 mean from a sales side, I try to get a volume close, and
7 from a purchasing side, I think Steve will agree with me, he
8 doesn't want to have a volume close, because if he is not
9 reaching the volume, I mean every sales guy after him will
10 say hey, I need a higher price.

11 So it's a negotiation in the end, but
12 everything that John and Craig had said is completely the
13 case.

14 COMMISSIONER WILLIAMSON: Okay. You note the
15 presence of non-subject imports in the U.S. market, this is
16 Table 4-2, suggest that non-subject import volume,
17 particularly from Japan and China was lower in 2017 than in
18 2015. How are non-subject imports affecting prices with the
19 domestic like product, when you're arguing that rising
20 volumes of subject imports don't affect it?

21 MR. DOUGAN: This is Jim Dougan from ECS, and
22 we can get into this maybe more in post-hearing. But the,
23 you know, we're -- I think the record supports the idea that
24 the handful of purchasers who are basically accounting for
25 all the increases in subject imports are buying on the basis

1 of factors other than price.

2 I don't know that we can speak to the
3 customers who are buying the non-subject imports or the ones
4 from China. But we do know that the average unit values,
5 particularly the ones from China, are significantly lower
6 and on a declining trend. So to the degree that there are
7 other customer segments or those are, you know, maybe more
8 price sensitive than the ones who are buying from the Korean
9 producers, you know, that may be more of a factor for them.

10 COMMISSIONER WILLIAMSON: So are the
11 non-subject volumes having a different impact than the
12 subject volumes?

13 MR. STOEL: Commissioner Williamson, Jonathan
14 Stoel. I think we'll want to address this more
15 post-hearing. But I think what you've heard from this
16 panel, as well as from the panel this morning is that the
17 products we're talking about are in a very limited space,
18 and are highly differentiated. I think as Mr. Dougan has
19 testified, when you look at China, the volumes are going
20 way up and the AUVs are going way down.

21 So if there's any indication of price
22 suppression or depression, and we don't think there is, I'd
23 agree with Chairman Schmidlein. If you look at Table C-1
24 and C-2, you see domestic prices going up, regardless of
25 what the domestic like product is.

1 But if there is some indication of price
2 suppression, it makes sense that China, whose AUV has
3 absolutely plummeted during the POI, are much likely the
4 cause of that then subject imports.

5 COMMISSIONER WILLIAMSON: Even though their
6 volumes are going down?

7 MR. STOEL: Well, their volumes are going up.
8 The value is going down, Commissioner. The value is going
9 down, but the volumes are going up. Hence, the AUVs are
10 just going way, way down. I think we -- there's a section
11 of our brief where we detail this, and I'm sure your staff
12 can point to it.

13 COMMISSIONER WILLIAMSON: Okay. If you can
14 address it post-hearing since my time is way over.

15 MR. STOEL: Thank you, Commissioner.

16 COMMISSIONER WILLIAMSON: Okay, thank you.

17 CHAIRMAN SCHMIDTLEIN: Okay, Commissioner
18 Kearns?

19 COMMISSIONER KEARNS: I think Commissioner
20 Williamson asked some of the questions I wanted to ask about
21 -- long term agreements, but there is just one left. You
22 touched on steel price adjustments and I'm just curious
23 given that you all are importing a product so the U.S. steel
24 price doesn't seem to be all that relevant -- do contracts
25 that involve subject imports still include a steel price

1 adjustment clause that's based on the U.S. steel price?

2 Obviously it wouldn't matter if there were one
3 global price for steel but there doesn't tend to be and
4 there isn't going to be in the next few years I don't think
5 there will be very different prices?

6 MR. DIX: Yeah this is John Dix, I'll give it a
7 stab. Typically the steel indexes are global so whether the
8 steel -- the steel in our bearings is made by POSCO. Timken
9 gets a lot of steel from Japan. In fact I think that most
10 of their smaller bearings are probably made from forgings
11 from Japan.

12 General global steel indexes that are used -- the
13 scrap steel is kind of a global price so most of our
14 contracts would actually be tied -- sometimes we use the
15 Chicago -- yeah we use the Chicago number one bundle, so
16 typically steel prices are consistent on an index basis
17 globally.

18 COMMISSIONER KEARNS: Okay, okay thank you.
19 Alright and then I wanted to turn back to some of the same
20 issues again Commissioner Williamson was raising with
21 respect to the fix it or exit program. Mr. Dix I think you
22 had suggested that Timken thought that it was -- it thought
23 that the autos production in the United States was in a
24 long-term decline.

25 Now I didn't see that in the materials I read

1 from your Respondent's brief. In fact what I saw was kind
2 of surprising that I think Timken had suggested that the --
3 that they were aggressively pricing in order to recover
4 their rising commodity -- just to address rising commodity
5 prices and I'm not entirely sure why that would apply in
6 autos and not in other segments of the market but anyway, I
7 didn't come across anything that suggested that they wanted
8 to get out of the auto sector because they thought the auto
9 sector was declining.

10 So anything you all can do to document that I
11 think would be interesting because I think this goes to
12 Commissioner Williamson's overall point. Given the
13 importance that I think you all are attaching to this issue,
14 I think it's really worth digging into the details on this
15 so I also wanted to ask I think it was Mr. Schamp one thing
16 you had stated in testimony before that you've stopped sole
17 sourcing TRB's from Timken but you've also said that you
18 have a unique supplier for a particular application and that
19 you don't dual source each individual TRB.

20 And I guess I'm curious, you know, why you don't
21 -- why you don't have dual sourcing for each individual TRB?

22 MR. SCHAMP: That's a great question. So mostly
23 it's because of the validation cost to do a validate a
24 product would be cost prohibitive in most cases, when your
25 programs are only going to last maybe four years, to do a

1 validate is too costly generally so we dual source -- we
2 diversify the sourcing across applications.

3 COMMISSIONER KEARNS: Okay. And then I guess if
4 all of you could just, you know, Commissioner Williamson was
5 suggesting like Harvard studies, that sort of thing. If
6 there isn't that, I know you all have been provided some
7 news reports and that sort of thing but if we can get also
8 something internally within your companies given that at
9 least in the case of Dana but I get the sense this is more
10 general -- if there was a big strategic decision to start
11 diversifying more, if we could see more documentation of
12 that I think that would be really helpful.

13 You know, emails from that time saying we've got
14 to come up with a whole new way of purchasing TRB's that
15 would be helpful I think. And then I also just wanted to
16 kind of understand the timeline a little bit better for this
17 fix it or exit program.

18 I think I just heard you all say that -- that
19 according to Timken the program ended in 2013 so I guess is
20 that right and help us get from there to here, I guess. In
21 other words, I know it takes time to qualify new suppliers
22 but if you could either now or in your post-hearing brief
23 sort of help walk us through why frankly we're still talking
24 about this issue 10 years after the financial crisis that'd
25 be helpful.

1 MR. LEWIS: If I might Commissioner, Craig Lewis
2 for Hogan Lovells, we will of course, elaborate in the
3 post-hearing brief but I would point out that in our
4 pre-hearing brief we did lay out a series of quotations from
5 Timken's quarterly earnings reports and the status and
6 progress of the fix it or exit program featured pretty
7 prominently in those press releases as they were reassuring
8 their investors that they were reducing their exposure in
9 the automotive sector.

10 And in terms of the specific timing of that --
11 and I would ask my colleague Mike to correct me if I got the
12 date wrong, but I think in the first quarter -- one of the
13 quarters of 2014 there is a statement from Timken where they
14 are effectively saying -- I'm paraphrasing here, "We've kind
15 of achieved our goals of fix it or exit, we've exited out of
16 110 million dollars-worth of these programs that we didn't
17 want to be in and now the program's kind of completed." So
18 I think that's sort of the end point in 2014.

19 COMMISSIONER KEARNS: Okay.

20 MR. JACOBSON: Michael Jacobson from Hogan
21 Lovells, just verifying that's correct in your 2014
22 statements and if you match up automotive to sector demand
23 at the time it tells a pretty clear story of perhaps why
24 that's when they were ending the fix it or exit program as
25 they saw automotive demand, again, coming back to high

1 levels.

2 COMMISSIONER KEARNS: Okay, I'm sorry?

3 MR. STOEL: Sorry, Jonathan, so I do want to
4 elaborate on one thing Mr. Jacobson said. The staff has
5 done an excellent job of compiling data but one area where
6 we do respectfully disagree is that U.S. auto production
7 went down during the Great Recession but it's really come
8 back -- it's at very high levels.

9 And we put some information in our brief on both
10 U.S. and North American auto production. We're talking
11 about really, really high levels -- 17 million units of
12 production, not sales -- production. When they started the
13 fix it exit strategy, it was way down at like, you know, 9
14 or 10 million.

15 So the gap here that they lost -- we're talking a
16 huge part of the market they abandoned or at least severely
17 diminished that took off during this period and they
18 unfortunately for them were exiting during this time when
19 this huge growth happened. So we'll be putting on the
20 record after the hearing articles and lots of other things,
21 data from IHS, data from Ward's all the major
22 prognosticators who show that U.S. and NAFTA domestic
23 production of autos has been at very high levels over the
24 POI.

25 And it's even forecast as I said in my statement

1 at the beginning to go up a little bit more -- so there's no
2 threat in the future from Korea because there's plenty of
3 room for growth for everybody in that market.

4 COMMISSIONER KEARNS: Okay thank you, but you
5 know, even with what you say though that program ended in I
6 think you said 2014, so that's still before the POI started
7 and I think to some extent we are -- you all are arguing
8 that -- that shifts in the market even during the POI are
9 still attributable to that program.

10 So anything you can do to help us and I know like
11 with the pricing data you all in proprietary information,
12 you all provided some explanation. It was kind of a
13 two-step test, but if you can just provide more information
14 about that.

15 MR. LEWIS: Of course, Craig Lewis, I we'd be
16 happy to address that obviously in the post-hearing but just
17 to correct one thing at least from our perspective. I don't
18 think our argument is that there was a shift in shares
19 that's attributable during the POI 2015 and 2017
20 specifically to fix it or exit that had caused the shift,
21 but the shift had already occurred by 2014 in the most
22 relevant sense which is the purchasers -- the major ones
23 like Dana and smaller ones like Superior had -- who had gone
24 through that experience and their memory is not that long
25 ago, learned a lesson from that experience which was to

1 diversify their purchases.

2 And so what you do see and what does get
3 manifested during the POI 2015 to '17 is that lesson which
4 is we need to look at other sources of supply, not put 90%
5 of our purchases into Timken's hands.

6 COMMISSIONER KEARNS: Right, but if you had
7 already made -- if the purchasers have already decided
8 before the POI to diversify, you know, then I don't know why
9 we're still talking about the fix it or exit program.

10 MR. DOUGAN: Can I add a little bit to this
11 Commissioner? What you -- as I think we've heard from the
12 industry witnesses earlier today -- when fix it or exit
13 happened the U.S. purchasers didn't go to Korean suppliers
14 because the Korean suppliers weren't in the market -- they
15 went to European and other Asian suppliers.

16 And what you see during the POI -- to the degree
17 that you see -- and the data bared out, to the degree you
18 see Korean market share increasing it's at the expense of
19 non-subject so maybe what you had was a shift in share from
20 domestic to non-subject prior to the POI and then what you
21 see during the POI is a little bit -- you see Korean share
22 taking a little bit away but they're taking it away from the
23 non-subjects who were in the market after Timken reduced its
24 exposure.

25 MR. LEWIS: And Craig Lewis, if I might just add

1 to that which I completely subscribe to. Again, the
2 declarations that we've provided for specific programs that
3 are at issue with the pricing comparison data bears that out
4 -- it tells exactly that story.

5 COMMISSIONER KEARNS: Right, okay it seems like a
6 pretty complicated story to say that subject imports are
7 taking share from non-subject imports but --

8 MR. LEWIS: Actually not though because it really
9 was that shift I think and I don't want to name who the
10 suppliers were obviously, but they did occur as a direct
11 result of the fix it or exit. The Korean imports weren't in
12 any significant degree in the market at that point in time
13 so that shift obviously didn't go to them.

14 Later on it did but that was a shift not from
15 Timken and, you know, this was from other suppliers too.

16 MR. SCHAMP: And just one additional point there
17 -- while it takes you know, two to three years to qualify a
18 specific source within Dana, and that may have taken place
19 between 2010 and 2013, we need additional validation and
20 approvals from our customer base too and sometimes that
21 takes a whole other several years.

22 So what our strategy was to start off different
23 suppliers on lower complexity applications until we gained
24 some confidence in their abilities and then we brought them
25 in to our customers to sell those capabilities to them and

1 convince them that they would also be successful in more
2 rigorous applications as well and so that's why for some of
3 these things it took much longer than just right in 2010 to
4 switch over right away -- it took years.

5 COMMISSIONER KEARNS: Okay, thank you.

6 MR. SCHUSTER: Harry Schuster with Schaeffler.
7 Maybe one last -- I know your time is up but when Dana
8 approached us in 2010-2011 Schaeffler did almost have zero
9 TRB sales on the automotive fields in North America.

10 I mean the only place we had was Korea from a
11 capacity and volume standpoint and size volume standpoint.
12 So we started out with Korea to get it validated and I think
13 Steven in 2014 was the first year where we really had some
14 sales with Dana. And then '15-'16 of course we stabilized
15 the sales so it went up.

16 But we already had a plan in place that at one
17 point of time we wanted to shift production to North America
18 so that's why we're in right now. And I think in automotive
19 you see that often that when you get a certain volume you
20 want to localize production because it's not very beneficial
21 for us and for our customers to ship parts from overseas.

22 You have the long lead time if something goes
23 wrong, you know, you got stuck in a port somewhere and it's
24 all money so you want to produce it localize it as much as
25 you can.

1 CHAIRMAN SCHMIDTLEIN: Okay, just following up on
2 that -- so Mr. Schamp, did Dana continue to purchase from
3 Timken then for 2010-2011-2012-2013?

4 MR. SCHAMP: We did, we did not shift over 100%
5 of our applications to Timken and we continued to rely on
6 them today but to a much lesser extent.

7 CHAIRMAN SCHMIDTLEIN: And during that time
8 period though did you -- were you able to diversify to buy
9 from anybody else besides Timken, given the long lead times
10 it takes to qualify people?

11 MR. SCHAMP: We were but it would have been very
12 slowly and gradually ramped up from that time to you know,
13 around 2016 or, you know, we're at more stabilized to the
14 split in capacity that we have today -- or split in sourcing
15 that we have today.

16 CHAIRMAN SCHMIDTLEIN: So were there other
17 countries that you were purchasing from in the wake of that
18 in -- again in the wake of -- in your statement you talk
19 about 2009 is when it hit Timken or hit Dana hard, the
20 Timken strategy?

21 MR. SCHAMP: Yes, that's when they would have
22 come into us for the initial increase.

23 CHAIRMAN SCHMIDTLEIN: Well what I'm trying to
24 get at is what did Dana do and maybe this is better for the
25 post-hearing and that way you could do it confidentially but

1 I'm just curious who was Dana buying from after that --
2 right immediately after that -- so in 2010-2011-2012 were
3 there other non-subject countries that you were purchasing
4 from, other U.S. producers that you were purchasing from and
5 then when did you switch over to the subject producers?

6 MR. SCHAMP: We could do that in the post-hearing
7 to give more specific information.

8 CHAIRMAN SCHMIDTLEIN: Okay, I think that would
9 be helpful. And Mr. Ripperger -- sorry if I'm
10 mispronouncing the name. Let me see -- there's so many
11 people here where are you, you're in the back.

12 MR. RIPPERGER: Yes I'm in the back.

13 CHAIRMAN SCHMIDTLEIN: There you are, sorry okay.
14 And you say in your statement that you did not start
15 purchasing from a subject producer until mid-2017?

16 MR. RIPPERGER: From ILJIN Bearing?

17 CHAIRMAN SCHMIDTLEIN: Yes.

18 MR. RIPPERGER: Yes ma'am.

19 CHAIRMAN SCHMIDTLEIN: Mid-2017, right so that
20 was the first time you all had purchased from -- for subject
21 product from Korea?

22 MR. RIPPERGER: From ILJIN Bearing is when we
23 qualified them as a supplier.

24 CHAIRMAN SCHMIDTLEIN: Okay.

25 MR. RIPPERGER: As previously reported it takes

1 some time for our customers to get familiar with a certain
2 brand downstream from what we're distributing.

3 CHAIRMAN SCHMIDTLEIN: Right.

4 MR. RIPPERGER: So yeah we had samples,
5 qualification and then approval.

6 CHAIRMAN SCHMIDTLEIN: Okay.

7 MR. RIPPERGER: And then we provided that
8 product.

9 CHAIRMAN SCHMIDTLEIN: And they were displacing
10 product that you were buying from European, Chinese, and
11 Japanese-owned suppliers?

12 MR. RIPPERGER: That would be correct.

13 CHAIRMAN SCHMIDTLEIN: Okay and so -- and you say
14 here that you were -- it sounds like and I'm just asking, is
15 this because those suppliers would not hold inventory in the
16 U.S. for you or were not delivering on a reliable basis for
17 you?

18 MR. RIPPERGER: That -- we have, we have other
19 vendors from Japan -- N.S. Cane, NTN that provide us
20 bearings and now on occasion we needed to develop another
21 vendor that would be able to support us during time periods
22 of our business where we have fluctuation so we included
23 ILJIN in that during that time period, so yeah they did
24 start to cut in to those particular companies.

25 CHAIRMAN SCHMIDTLEIN: And what do you mean you

1 needed people who could support you during a time of
2 fluctuation?

3 MR. RIPPERGER: For us the summer is race and
4 replace season. And then as it transitions to the fall our
5 OE's begin to produce hubs and rears for over the winter.
6 So we'll have peak demand for certain taper roller bearings,
7 CRB's and then we'll have you know, then we'll just have a
8 lull during race and replace.

9 So some companies weren't sensitive enough to our
10 distribution to provide us that kind of volume so ILJIN was.
11 ILJIN provided us and they were sensitive to our needs and
12 they accommodated us so we qualified them.

13 CHAIRMAN SCHMIDTLEIN: So other companies
14 couldn't provide you with the volume that you needed?

15 MR. RIPPERGER: Sometimes their production demand
16 would be outside of wintertime so we needed that company
17 here. Yeah, so for instance, well if -- can I provide that
18 maybe post?

19 CHAIRMAN SCHMIDTLEIN: Okay, that's fine, yeah you
20 could answer this post-hearing if that's easier.

21 MR. RIPPERGER: Yeah I think that would be more
22 valuable.

23 CHAIRMAN SCHMIDTLEIN: Okay, very good. The last
24 question -- it's not really a question, I do note that Mr.
25 Marshak you said in your opening that you would respond to

1 the argument with regard to the census data?

2 MR. MARSHAK: So I just wanted -- it's
3 confidential in our post-hearing.

4 CHAIRMAN SCHMIDTLEIN: It's confidential so I
5 just wanted to invite you to do that.

6 MR. MARSHAK: Absolutely.

7 CHAIRMAN SCHMIDTLEIN: In response to a question.
8 Alright I have no further questions, Vice Chairman Johanson?

9 VICE CHAIRMAN JOHANSON: Thanks Chairman
10 Schmidtlein. I want to get back to the whole customization
11 issue which I finished with a few minutes ago. How would
12 you characterize the interchangeability of standard and
13 custom TRB's?

14 MR. DIX: This is John Dix with ILJIN. Quite
15 frankly they're not interchangeable. Most bearings that are
16 custom from my point of view are -- like I said most of the
17 auto companies they want lower torque, they want lower
18 weight. I would not interchange a standard bearing with
19 anything that was special made for an automotive customer --
20 it would be a major mistake.

21 MR. SCHAMP: Yeah and I would just add that I
22 mean the interchangeability is in the fit. I mean they
23 could fit in the same space for the same application but
24 they would perform completely differently.

25 VICE CHAIRMAN JOHANSON: Okay, thanks for your

1 responses. Are customized TRB's subject to certification by
2 the producer and/or the customer?

3 MR. SCHAMP: Definitely. So we validate the
4 bearings, both inhouse and in certain cases for certain
5 applications, what we'll do, road validations as well per
6 customer request. Customers will take our axle with the
7 TRBs in them and then validate our axles. So there are
8 multiple qualification processes along the way over a two to
9 three-year period.

10 VICE CHAIRMAN JOHANSON: How about standard
11 TRBs? Are they certified?

12 MR. SCHAMP: Again, we almost never use a
13 standard, off-the-shelf, TRB.

14 VICE CHAIRMAN JOHANSON: Okay.

15 MR. OVENDORF: In the industrial world, even if
16 it's standard, they still validate it. Customers, John
17 Deere, Caterpillar, etcetera, they're not gonna just accept
18 --

19 VICE CHAIRMAN JOHANSON: You just don't get some
20 out of the catalog and order it up and you put it in your
21 machine?

22 MR. OVENDORF: No.

23 VICE CHAIRMAN JOHANSON: Okay.

24 MR. OVENDORF: The process is always long.

25 VICE CHAIRMAN JOHANSON: Okay. Thanks. I don't

1 know much about these obviously. This is a question that I
2 brought up with the petitioners this morning, and I wanted
3 to raise it with you all as well. The prehearing staff
4 report notes the certain importers stated that the OEM
5 market continues to drive growth for TRBs. And this is
6 mentioned in the staff report at Pages 215 to 216. Is this
7 your experience? And does this benefit domestic producers
8 or Korean importers, if that's the case? The whole issue
9 of OEMs driving the market.

10 MR. STOEL: I think, Vice-Chairman Johanson, you
11 guys have a specific response, we can address this
12 post-hearing as well.

13 MR. DIX: This is John Dix with Iljin. One of
14 the things that we're seeing in the auto market is Ford and
15 Chrysler specifically have announced that they're gonna make
16 less cars. Ford is actually saying that they might even get
17 out of the car business.

18 We're seeing a real uptick in truck builds.
19 Trucks built use a lot of tapered roller bearings, so a
20 light truck market is gonna grow over the next few years.
21 Chrysler just took a car plant and transformed it over to a
22 truck plant. So you're gonna see a lot more trucks sold,
23 probably because gasoline's so low in price. So you'll
24 probably seen an uptick in the tapered roller bearing
25 market.

1 MR. SCHAMP: And I would agree with that. For
2 Dana Products, specifically, we compete more in the SUV and
3 light-duty truck market, so we're on the Jeep Wrangler
4 program, the Ford Super Duty program, the Chevrolet Colorado
5 Canyon programs, all of those vehicles are increasing, those
6 market segments are increasing in volume over the next few
7 years.

8 MR. SCHUSTER: Harry Schuster with Schaeffler.
9 As I mentioned before, right now we see a shift in the
10 transmission industry from 5-, 6-speeds to 8-, 9- and
11 10-speeds. And the 8- and 10-speeds are mainly on the SUV
12 light vehicles and the demand is very high, so I completely
13 agree with what Steve and John have said.

14 MR. LEWIS: This is Craig Lewis. Just wanted to
15 add one thing to that, too, that while the passenger side
16 has clearly dropped and significantly so, it's really
17 important to recognize that the growth in the SUV and truck
18 segment has offset that, so the combined demand is actually
19 not, at least from data that we've looked at and we're happy
20 to put more information along these lines, into our
21 post-hearing brief, but it has not reflected a significant
22 decline overall.

23 VICE CHAIRMAN JOHANSON: And that is during the
24 period of investigation?

25 MR. LEWIS: Correct.

1 VICE CHAIRMAN JOHANSON: Okay. So they balance
2 themselves out.

3 MR. STOEL: Commissioner, Jonathan Stoel. If
4 you look at Page 48 of our brief, we have a chart that shows
5 the differentiation between light trucks and passenger car
6 and makes the points that Mr. Dix and Craig were making.

7 VICE CHAIRMAN JOHANSON: And has the shift to
8 more SUVs away from passenger cars, has that required more
9 customization? Or is that just typically what happens in
10 the market at any time anyway when the market changes
11 somewhat?

12 MR. DIX: Yeah, John Dix with Iljin. I don't
13 think it really changes the customization so much. The
14 light trucks are more demanding. Steve can probably get
15 into that.

16 VICE CHAIRMAN JOHANSON: Due to the weight load
17 or --

18 MR. DIX: Yeah, the weight loads, the testing.
19 We're looking at a Super Ram truck that's 650 horsepower
20 that's able to leap 10 feet and land. You don't see that in
21 a passenger car, so -- yeah, there's gonna be
22 differentiation, but you guys can -- somebody can help me
23 out.

24 MR. SCHUSTER: Harry Schuster with Schaeffler.
25 It's really the philosophy of the techrometer factor or the

1 design of the transmissions, what they're gonna use. If
2 they go with ball-bearings, if they go with tapered, or if
3 they have needle bearings in there and then the load. Or
4 requirements you have. So as John said, a 10-speed that is
5 used at Ford and GM and you can haul your boat, you know,
6 you need more load than a light SUV that doesn't haul
7 anything. So it's really, what is their philosophy, what is
8 the design of a transmission?

9 VICE CHAIRMAN JOHANSON: And they're going up to
10 8 speeds?

11 MR. SCHUSTER: So, I mean it's -- we can talk
12 all day long about 8, 9 and 10.

13 VICE CHAIRMAN JOHANSON: Yeah.

14 MR. SCHUSTER: Yeah, it's really a shift that
15 you see right now, so GM is already in -- the 8-speed,
16 9-speed and 10-speed are coming. Chrysler and Ford, GM and
17 Ford actually, they developed a transmission you get, it's a
18 10-speed. So it's coming and it's taking away from volumes
19 in the 6-speed.

20 VICE CHAIRMAN JOHANSON: Okay. I drive a manual
21 transmission. I doubt I'm gonna have a 10-speed. I sure
22 like manuals anyway. Okay. We went off of that. I want to
23 talk about Section 232 really quickly. What impact, if any,
24 the imposition of steel tariffs under Section 232 have on
25 the TRB market? Including our raw material prices. And has

1 it had any -- well, I guess it wouldn't have had any impact
2 during the period of investigation.

3 MR. SCHUSTER: I'm not sure I can answer that.
4 I can say our needle bearing business, it has some impact
5 because we have to import some special material that you
6 cannot get in the U.S. But some of our steel for needle
7 bearings is purchased domestically. But on the tapers, we
8 don't know yet.

9 VICE CHAIRMAN JOHANSON: Okay. Yeah, I
10 understand. Okay. I'm gonna conclude with questions on
11 like product. I know that's been the subject of much
12 discussion today. But I figured I should touch on it some.
13 I mean it's a big issue in this investigation.

14 Petitioners noted that no producer reported a
15 production of both small and large diameter TRBs in the same
16 equipment with the same employees. And this is at Page 30
17 of their brief. Similarly, they note that, of the
18 thirty-seven responding firms, twenty-four reported that 0-
19 to 8-inch TRBs and over 8-inch TRBs are sometimes or never
20 comparable regarding manufacturing facilities, processes and
21 employees. And this is at Page 37 of their brief. How
22 should these facts weigh in our like product analysis in
23 your view?

24 MR. OVENDORF: I guess, from my perspective, I
25 disagree with that. I mean we manufacture above 8 and below

1 8 in the same plant on the same equipment. So I don't see
2 that dividing line.

3 MR. DIX: Yeah, in having worked at Timken and
4 our plants actually, in our tapered roller bearing plant, we
5 make everything from 1-1/2-inch bore up to, you know,
6 10-inch bore. So we make it in the same plant, certainly
7 share the same employees. The one comment I will make is a
8 bearing that's 1 to 3 inches will be made on the line.
9 Bearing 3 to 5 inches might be made on a line. Timken has
10 many, many lines. So does Iljin. So a typical high-volume
11 bearing line does have its limits on size, but there's no
12 magical about 8-inch whatsoever.

13 MR. OVENDORF: I guess furthermore, I mean even
14 the bearing below 8 and above 8, they'll use the same
15 rollers many times. So we try -- and the rollers are a very
16 expensive component of manufacturing a bearing. You want as
17 much volume as possible, so you want to share rollers across
18 bearing sizes. So you'll have a bearing below 8 with a
19 roller, and use that same roller in a bearing above 8. So
20 it's, again, the lines are pretty blurred.

21 MR. LEWIS: This is Craig Lewis. I just would
22 add to that. Nothing factual, but just the legal reflection
23 of that, which is, so you can hear, that's obviously one of
24 your six factors and so you need to weigh that. But I think
25 as this testimony has confirmed, that factor weighs strongly

1 in favor of finding a continuum. There's certainly not a
2 clear dividing line. It's an extremely fuzzy dividing line.

3 VICE CHAIRMAN JOHANSON: Okay. And my time's
4 expired. I'm gonna ask one more question if that's OK,
5 Chairman? The petitioners highlighted that over 8-inch TRBs
6 are much more expensive than 0 to 8-inch TRBs, and this is
7 at Page 43 of their brief. Do you all not agree? And what
8 role should the factor of price play in our domestic like
9 product analysis?

10 MR. OVENDORF: I guess I disagree. I mean
11 there's smaller bearings below 8 that are very expensive,
12 and there's bearings above 8 that aren't. I mean the line
13 is not there. Some applications -- these track drives you
14 have, you see on excavators and things like that are
15 relatively high-volume on the off-road. They use bearings
16 above 8 inches. The volumes are 10-, 14,000 a year. Prices
17 are very competitive. The line is just not there at 8
18 inches. The small ones, again, you know, some of the small
19 ones are very highly engineered and they're very expensive.
20 So there's, again, it's not that defined at 8 inches.

21 VICE CHAIRMAN JOHANSON: Okay. Mr. Lewis?

22 MR. LEWIS: I'm not sure this is adding that
23 much. But just it's -- maybe it's saying the same thing
24 that the price isn't driven just by the amount of metal in
25 the bearing. It's driven by the amount of, you know,

1 precision -- how precise the bearing is, dimensional
2 tolerances, all the other things that go into the bearing.

3 VICE CHAIRMAN JOHANSON: Right. Okay. Oh, go
4 ahead, Mr. Stoel.

5 MR. STOEL: Vice-Chairman, I just wanted to say
6 that obviously we've been quoting extensively today from Mr.
7 Stewart's comments, but this is really a factual question
8 and if you look at Page 14 of our brief, you'll see where
9 Timken, their witnesses have been very clear about how, you
10 know, there's no great dividing line.

11 I mean they themselves have said this again and
12 again and again. So as Mr. Dougan was just saying, whether
13 it's at 8 inches, or 9 inches or 10 inches, there's no
14 evidence that there's a specific point where you can draw a
15 line. And the witnesses have said it. The company has said
16 it. Mr. Stewart has said it. That hasn't changed.

17 MR. LEWIS: If I might just add one other
18 comment on that, too. There was some discussion earlier
19 about how -- I think, if I understood it correctly, mounted
20 TRBs were the only thing that was at issue in those prior
21 like product determinations for China, or that that was a
22 decisive issue. And I think Mr. Stewart, when he was giving
23 us a new graphic depiction of the continuum today, tried to
24 emphasize that. But I think it also important to point
25 out, even if that was an issue, and I think it was raised as

1 an issue, certainly nobody, none of Timken's industry
2 witnesses ever suggested that there should be a dividing
3 line at 8-inch in that case, which they clearly could've
4 done if that existed as a distinction.

5 VICE CHAIRMAN JOHANSON: Thanks for your
6 responses. I'm gonna ask one more, and that will be it.

7 CHAIRMAN SCHMIDTLEIN: Okay.

8 VICE CHAIRMAN JOHANSON: Thank you, Chairman,
9 for being very gracious. I'm going to ask one more
10 question. And this is like products still. Okay. The
11 prehearing staff report notes that the vast majority of
12 responding market participants reported that small and
13 large-diameter TRBs are not at all interchangeable. And
14 this is at Page 122 of the staff report. How should
15 interchangeability factor into our domestic like product
16 analysis?

17 MR. MARSHAK: This is Ned Marshak. I think no
18 one bearing is not interchangeable with another bearing.
19 When you have a custom-made bearing, it's not
20 interchangeable with another custom-made bearing for a
21 different application. And so interchangeability, it's
22 bearing-to-bearing. And to say that 8-inch on, you know, on
23 criteria, outside diameter is somehow the clear dividing
24 line on a product where, as Mr. Stewart said, you have
25 200,000 distinct products, none of which are interchangeable

1 with each other. 8 inches just doesn't do it.

2 MR. LEWIS: Maybe this is stating the obvious,
3 but if you have a bearing, a TRB that's intended to be used
4 in a 2-inch hole or application, a 2.1-inch bearing is
5 completely not interchangeable in that situation.

6 VICE CHAIRMAN JOHANSON: Okay, I understand.
7 Well, thank you all for you responses today. That concludes
8 my questions.

9 COMMISSIONER WILLIAMSON: Okay, I have just two
10 quick questions. We know that TRBs are not commodity
11 products and that purchasers choose for factors like
12 engineering support. Is it possible to over-engineer, as
13 you say Timken does, and what does this entail?

14 MR. DIX: This is John Dix with Iljin. Very
15 often, Timken will try to add more features to the bearing
16 in order to get a higher price. And that's their form of
17 differentiation. So to come in with a new application, they
18 specifically will specify honed ribs, honed rollers and
19 things like that that may not be necessary. So part of
20 their strategy, only because I was there for so many years,
21 is to try to differentiate yourself with higher level of
22 product, and therefore you can get a higher price.

23 COMMISSIONER WILLIAMSON: I assume no purchasers
24 gonna pay for more than what they need? Or is that true?

25 MR. DIX: Yeah, sometimes. I think it's more of

1 differentiating yourself, making yourself different. So if
2 you can come in with a different part number, you can get a
3 higher price and I don't think there's much more to it than
4 that.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. SCHAMP: Just to add to that, I would say
7 that you're right. Sometimes we weren't --

8 MR. BISHOP: Could you identify yourself,
9 please?

10 MR. SCHAMP: Sometimes we weren't -- oh, I'm
11 sorry, Steve Schamp. Sometimes we were not, you know,
12 educated on that. When Timken was our primary supplier, and
13 that's been one of the benefits of bringing on an additional
14 suppliers is to understand the design differentiation
15 between, for a specific application. And again, for some
16 applications, we definitely value that differentiation,
17 right?

18 We want the honed rollers that provide us more
19 efficiency, you know, more product life, but for some
20 applications, it's just not worth it. We were using a
21 product that was over-engineered at a higher cost that our
22 customer wasn't willing to pay for. And so in certain
23 cases, we may have even lost business because of the added
24 cost that we had in our product.

25 COMMISSIONER WILLIAMSON: Okay, thank you. And

1 sort of a related question. And I'll also ask Timken to
2 address this post-hearing. Does Timken have a
3 good/better/best program? And what is it, and why was it
4 introduced?

5 MR. SCHAMP: You know, this is something I
6 alluded to before. I'm not sure if it's a marketing
7 campaign, but I have literature from Timken to Dana where
8 they've marketed it to Dana as a good/better/best strategy.
9 So they've not acknowledged that yes, in the past, we've
10 provided you with, I'm gonna say it's over-engineered
11 product.

12 And now they will provide us with just the right
13 level that meets our design requirements and not, you know,
14 over to get a product life that makes it five times what we
15 need. They're only gonna give us what we need is
16 essentially what they're telling us now.

17 COMMISSIONER WILLIAMSON: Okay, thank you. And
18 I'll ask Timken to address that post-hearing, since I meant
19 to ask the question this morning. And with that, I have no
20 further questions. And thank you all for your answers.

21 CHAIRMAN SCHMIDTLEIN: All right, thank you. I
22 think that concludes Commissioner questions. Do staff have
23 any questions? Oh, I'm sorry. We do have one more.

24 COMMISSIONER KEARNS: I think I have two. Let's
25 see. One on pricing data, we talked about a little bit

1 before. Any information -- and this is for both sides, both
2 petitioner and respondents -- that you can tell us about
3 each of those specific products that we're looking at in the
4 pricing data, would be very helpful.

5 So, for example, Chairman Schmidtlein was
6 talking about the quantity differences and I think there was
7 some speculation that that could've just been that the
8 downstream product, maybe an automobile went out of
9 production or something. But knowing actually what's going
10 on there would be really helpful, both with respect to
11 quantity and price. And I know that you all did some of
12 that in your prehearing brief with respect to the key
13 products.

14 But even more detail, knowing for example, what
15 that particular TRB is used for on a particular thing, I
16 think that would be really helpful just to kind of get a
17 better feel for this market.

18 And then the last question I had, well, I just
19 wanna make sure I understand, because this was interesting
20 at the end. If I understood you correctly, you all are
21 explaining that more tapered roller bearings are used in
22 SUVs and light trucks than in smaller vehicles, and that you
23 see that there will be more -- that that's kind of the what
24 you would expect to be the future of the market there will
25 be more light trucks and SUV sales.

1 So just to make sure I understand then, you're
2 not saying you all expect to capture a greater share of the
3 TRB market. You're explaining that the TRB market is likely
4 to grow if those trends continue; is that right?

5 MR. STOEL: Commissioner Kearns, Jonathan Stoel.
6 Yes, I think that's what we're saying. And it's not just in
7 the future. If you look at the chart in our brief, you'll
8 see how light truck has been growing, compared to, as
9 several witnesses have said, domestic auto production,
10 meaning passenger cars, has been going down. And that has
11 translated into increased demand in the automotive sector,
12 as all the witnesses have said, at the same time, you have
13 this unique phenomenon where the petitioner, and they're
14 doing very well, but unfortunately for them, they decide to
15 leave at least part of that segment of the market at a time
16 when it was really taking off and customers were looking for
17 something else. Mr. Dix.

18 MR. DIX: Yeah, this is John Dix with Iljin. If
19 you look at a pickup truck, you can get a 4x4 that has two
20 axles. That's immediately four more tapered roller bearings
21 that are larger, more expensive. Typically, and Timken will
22 back me up on this, tapered roller bearing handles more
23 load. Pickup truck, you know, half-ton, one-ton pickup
24 truck is very heavy, can't use a ball-bearing.

25 Ball-bearing gets too big and it's too

1 expensive. It can't handle the load. So not only will the
2 bearings become a little bit larger and more expensive, but
3 you also have the potential of having more axles, and just
4 more tapered roller bearings by virtue. Cars don't
5 typically have a 4x4 and an additional axle. You also have
6 transfer cases and things like that to drive the back axle
7 which is even more bearings. So, we see more.

8 MR. LEWIS: Craig Lewis from Hogan Lovells. And
9 just to add to that, that you know, optimistic projection of
10 continued growth in that segment is a tie that should be
11 lifting all boats including Timken's boat, because I think
12 it's quite clear, I think the testimony you heard from Dana
13 today, we're not saying that Timken has completely abandoned
14 the automotive sector obviously, our own charts show that
15 that's not the case. They're still there.

16 The thing that's changed as a result of Timken's
17 own policies, deliberate policies, the "Fix It or Exit" was
18 that it's a more diversified supply situation than it used
19 to be in the past. But Timken will be there. They will
20 enjoy that growth as they have in the past.

21 COMMISSIONER KEARNS: Okay, thank you. And then
22 last, just a point to clarify, Mr. Schuster, I think you
23 were also explaining that in Korea, you all are moving to
24 production of ball-bearings over tapered roller bearings,
25 but you were saying that tapered roller bearings, some of

1 that tapered roller bearing production that you currently
2 have in Korea will be moving to Mexico?

3 MR. SCHUSTER: So the shift in Korea is that --
4 my understanding is some lines, and I'm not
5 production-planning, but some lines are converted or moved
6 from tapers into ball-bearings. And the reason is, Korea
7 was really the only plant that we have for North America and
8 for China, supplying product there. And now that we
9 established a location in Mexico, China's establishing a
10 location in China, or Nanchang, so we're gonna move
11 production lines there and establish a precedent there.

12 COMMISSIONER KEARNS: Okay.

13 MR. SCHUSTER: So that's the sole reason. And
14 ball-bearing demand in Korea for us is going up, so it was,
15 I guess, a natural move that we make there.

16 COMMISSIONER KEARNS: Okay, thank you.

17 CHAIRMAN SCHMIDTLEIN: Okay, I think we have now
18 concluded Commissioner questions. Do staff have any
19 questions for this panel?

20 MR. CORKRAN: Douglas Corkran, Office of
21 Investigations. Thank you Madam Chairman, staff has no
22 additional questions.

23 CHAIRMAN SCHMIDTLEIN: All right, thank you. Do
24 petitioners have any questions? No? Okay. Thank you all
25 very much. I will excuse you at this time. And we will

1 prepare to move to closing statements. Petitioners have
2 three minutes from direct, plus five minutes for closing for
3 a total of eight minutes. Respondents have two minutes from
4 direct plus five minutes for closing for a total of seven
5 minutes. And we will begin with petitioners.

6 MR. BISHOP: Closing remarks on behalf of
7 Petitioner will be given by Terence P. Stewart of Stewart &
8 Stewart.

9 Mr. Stewart, you have eight minutes.

10 CLOSING REMARKS ON BEHALF OF PETITIONER

11 MR. STEWART: Thank you. I am going to make
12 just a few quick points on rebuttal, and then do a closing.

13 The gentleman from Schaeffler suggested that they
14 produce TRBs in both 0 to 8 and over 8 on the same
15 equipment. You should check their questionnaire response in
16 the domestic. This is obviously a question about what
17 happens in the domestic industry, what they may do overseas,
18 and I believe that you will see that that is not a correct
19 statement vis-a-vis their U.S. operation.

20 Two, the issue of interchangeability. I had
21 testified that there was interchangeability at the design
22 stage. If you heard John Dix from Iljin, he said exactly
23 the same thing; that qualified suppliers will come in on the
24 0 to 8 at the automotive, heavy truck, and offer competing
25 solutions to the particular design needs that the customer

1 had. That is what is the definition of interchangeability,
2 different TRBs solving the same problem that a customer has
3 for the same exact application for use.

4 And third, on the import volume I wanted to be
5 sure that there was not a misunderstanding. The issue about
6 the problems with the import data, the U.S. import
7 statistics on Korea, is not limited to the difference
8 between 0 to 8 and over 8, which was referred to earlier,
9 and seemed to be the view of those in opposition that that
10 was the key issue.

11 If you take a look at page 7-5 of the
12 confidential record, you will have the data from the Korean
13 producers in terms of what they reported. And if you look
14 at that data and compare it to the data in Table C-1 or C-2
15 for subject imports, you will see that the problem is.

16 If you looked at--you do not have in the staff
17 report a compilation of the U.S. importer data, but if you
18 had that and you looked at it for Korea on subject and
19 compared that to what is in C-1 or C-2 for subject imports,
20 you would see that there is a problem.

21 So when you look at the issue, please keep in
22 mind that it is a very big issue and it is not simply the
23 distinction between 0 to 8 and over 8 on the U.S. import
24 statistics which I used since it was public information.

25 So I thank you Commissioners for your attention

1 today. It's been a long day, and our thanks as well to the
2 extremely hard work that the Commission staff has been
3 undertaking in this investigation.

4 There are some important threshold issues that
5 you will need to address in the weeks that remain in this
6 investigation.

7 The first obviously is: Should the domestic
8 like-product be limited to products that are co-extensive
9 with the scope? We believe that you should, and the record
10 supports such an outcome.

11 Second: What should be the basis for measuring
12 subject imports from Korea in light of the identified
13 problems with U.S. import statistics for 0 to 8 product from
14 Korea?

15 In our prehearing brief we've provided what we
16 believe the correct measure should be based on the record
17 before you.

18 Finally: Should the Commission evaluate market
19 share on a volume-of value basis? Quantity would be the
20 better measure here, particularly if the domestic
21 like-product is co-extensive with the scope for the reasons
22 I talked about earlier today.

23 The public prehearing staff report shows the
24 domestic industry, however defined, that has faced declining
25 apparent consumption, declining domestic shipments, 9.3

1 million on the 0 to 8, 9.5 million in toll, capacity
2 utilization, market share, and flat to declining employment.

3 While the public report doesn't reveal industry
4 costs and profitability trends, the reality is that Timken
5 is a good model for the industry, and its profits have gone
6 down. And it has in fact incurred a cost/price squeeze, as
7 we've always understood that term to be, 2015 to 2017; and
8 capital expenditures that remain far below the company's
9 corporate target of 3.5 percent, and far below
10 depreciation.

11 So in our view the industry that has offered this
12 data is clearly injured. The bulk of the industry downturn
13 is in the 0 to 8 segment, and we believe you will find when
14 you look at the data that in fact the bulk of it is in the
15 automotive sector.

16 U.S. shipments declined by 9.3 million units
17 versus several hundred thousand for over-8. For Timken the
18 reduction in profitability was much more significant in the
19 0 to 8 than it was in the over-8, as our questionnaire would
20 attest. And the injury to the domestic industry is directly
21 related to the surging imports exactly in the automotive
22 sector.

23 Increased imports from Korea were at 3.8 million
24 based on import statistics, and I can assure you it is a lot
25 higher when you take a look at what the data that is in the

1 questionnaires would show you to be.

2 The vast majority of purchasers, despite what our
3 friends who were here just had to say of Korean product as
4 U.S. product is being comparable on all factors, all 16
5 factors not evaluated by producers, not evaluated by
6 importers, but evaluated by the purchasers, that all of
7 those factors, including the two most important, quality and
8 availability, and where quality and availability are
9 comparable price becomes the most important factor in many
10 decisions.

11 It was a fairly extraordinary comment by the
12 other side that there were availability problems. We will
13 document in our posthearing brief that any short-term gaps
14 in delivery were exactly tied to the inability of the
15 purchasers to predict what their needs were going to be.

16 And if you go from a projected need of 5 to a
17 projected need of 20, in almost any industry what you will
18 have is some extension of the delivery dates, and they were
19 short term and have been satisfied.

20 Now the issue on price underselling, there are
21 virtually no cases before the Commission where the
22 categories of products that get defined are not broader than
23 a single item. And that is true for the eight product
24 categories for which you collected data. That does not make
25 this case unique. It certainly doesn't make it unique in my

1 experience. Cups and cones has been what you have gathered
2 information on in TRB cases in the past, whether it was
3 this case, whether it was the China TRB case, or other TRB
4 cases. So the fact that there were cups and cones in
5 product 6 and 7, and in products 1 through 8, is not
6 surprising because that's the way you gather data on TRBs in
7 this and every other case.

8 So we will try to address some of the issues that
9 were raised by Commissioners in our posthearing with regard
10 to whether there is segregation of data that would give a
11 better indication of whether there's been price depression
12 on a broader basis than what has been collected by the
13 staff, and we hope to be able to do that.

14 While those in opposition have tried to identify
15 other reasons for buying Korean imports, those claims in our
16 view don't hold up when reviewed against the entirety of the
17 record. Price is often the critical outcome determinative
18 factor between eligible producers, and in fact we have
19 provided extensive documentation in our exhibits 2 and 3
20 that walk through exactly how that plays out. And some of
21 the documentation is not simply from us, so we believe that
22 you will find that to be very helpful.

23 We are the largest TRB producer in the United
24 States, but we're not the only TRB producer. And this is a
25 case about the industry, and it's the industry data, and the

1 industry performance. As to whether or not people try to
2 diversify away from Timken, there are a lot of other
3 domestic producers. And all of those companies between 2008
4 and 2017, which is not your Period of Investigation, in fact
5 expanded capacity and ramped up to take parts of the
6 business that companies chose to diversify away from the
7 United States.

8 So with all of that, we urge the Commission to
9 reach an affirmative determination. Thank you for your
10 time.

11 MR. BISHOP: Thank you, Mr. Stewart.

12 CHAIRMAN SCHMIDTLEIN: Thank you.

13 MR.; BISHOP: Rebuttal and closing remarks on
14 behalf of Respondents will be given by Craig A. Lewis of
15 Hogan Lovells. Mr. Lewis, you have seven minutes.

16 REBUTTAL AND CLOSING REMARKS

17 ON BEHALF OF RESPONDENTS

18 MR. LEWIS: Thank you. So thank you very much,
19 Commissioners, and to the staff as usual our deep
20 appreciation for the hard work you put into gathering the
21 data and putting together a detailed report.

22 It is late in the day, and I think, at least
23 speaking for myself, I am tired. I recall at the
24 preliminary stage I said I wouldn't use up my five minutes,
25 and then I promptly did exactly that. But I am going to try

1 to stick to that this time.

2 Before getting into more specifics, I did want to
3 address one thing that I just heard in rebuttal from Mr.
4 Stewart about supply difficulties, sort of calling into
5 question the reality of those supply difficulties.

6 I would note first of all that they are reflected
7 in the prehearing staff report. So these were not made up
8 by Respondents.

9 And secondly, if I heard correctly the
10 explanation that was given was that demand overshoot
11 projections. To my mind, that is still an inability to
12 supply, whether the cause of it was incorrect projections or
13 not. The bottom line is, if a company can't supply what's
14 required by its customers, that means they can't supply
15 what's required by its customers.

16 Turning to the case more broadly, Timken has a
17 fatally weak case, and they know it. They lack the kind of
18 facts that the Commission normally sees in this kind of
19 case. This is not a case where you're seeing a loss of
20 significant market share by the domestic industry. It's not
21 a case where you're seeing significant price declines. It's
22 not a case where you're seeing profitability rapidly
23 declining turning into losses. It's not a case where
24 you're seeing employment being lost in any significant
25 degree. In fact, depending on the segment you look at, it's

1 improving.

2 It's not a case where there is difficulties
3 generating the cash for investment. It's not a case where
4 there's evidence of price suppression. It's not a case
5 where there's evidence of price depression.

6 Having been dealt these facts, Timken is now
7 trying to patch together an injury argument that at its core
8 is based on a number of assumptions that simply do not hold
9 water.

10 Indeed, you can't even begin to consider their
11 arguments against an injury--their argument for an injury
12 finding in this case without accepting these fairly
13 fantastic premises that they have presented, and on which
14 their entire argument is constructed.

15 First, you would have to accept that the
16 like-product that is inconsistent with the definition that
17 Timken and its lawyers and its witnesses have argued for
18 consistently over the last 20 years to define the industry,
19 to instead define the industry in an artificial way and a
20 way that is not supported by the record, where there's no
21 evidence--and none has been cited--that supports the idea
22 that there is a clear, quote/unquote, "dividing line"
23 between 8 inch and below 8-inch bearings.

24 Second, you would have to accept the depiction of
25 like-products that the Petitioner today depicted in a

1 completely new graph of the sort of bubble chart of what the
2 continuum is, distancing themselves again from their prior
3 position on that.

4 You also have to reject official import
5 statistics gathered by the U.S. Bureau of Census, and
6 instead adopt creative alternatives that Timken has
7 developed and wishes you to use.

8 You have to measure imports and market share on
9 the basis of quantity, not value, despite huge variations in
10 product mix that the Commission has recognized in past cases
11 and the method that the ITC has always used in varying
12 cases, and the method furthermore than was used in the
13 Petitioner as was pointed out by Chairman Schmidtlein
14 earlier today.

15 You would also have to accept multiple revisions
16 to Timken's data, four of them after the staff report was
17 issued, and then not question Timken's own data because of
18 these 11th hour changes.

19 You will have to disregard the Commission's
20 pricing data. Instead, you're being asked to rely on
21 anecdotal and unverified lost-sale and revenue allegations
22 by Timken.

23 You would have to accept an interpretation of the
24 2015 statutory amendments which Petitioner suggest allows
25 you to, or urge you to disregard the profitability of this

1 industry in evaluating the question of injury.

2 Those are the things that you are being asked to
3 accept. What are the things you're being asked to ignore?

4 You are being asked to ignore the evidence in
5 your own staff report. You are being asked to ignore the
6 fact that of 35 identified tapered roller bearing producers
7 in the United States, 7 of whom were significant enough to
8 respond to the questionnaires, none--not one, other than
9 Timken--has joined in this Petition.

10 And I should note that several of them are
11 heavily in the automotive segment that's at issue here. You
12 are being asked to ignore the "fix or exit" policy and its
13 continued impact on purchasing decisions in this market, and
14 ignore that Timken not only gave away \$110 million in
15 business, but I urge you to read the earnings' statements
16 that we placed on the record where they actually crowed
17 about this to their investors, about it being a successful
18 program having positioned themselves out of those programs,
19 again to the tune of \$110 million in business.

20 You are being asked to ignore the fact that the
21 U.S. industry didn't lose any significant market share
22 during the Period of Investigation. I see my yellow light
23 is on.

24 The pricing data here is at best mixed. I urge
25 you again, as my partner Jonathan Stoel mentioned, to look

1 at Table C-1 and C-2 and the AUVs there, which were strong.
2 There's no discernible pricing trend in the data. As some
3 go up, some go down, and there's very clear and compelling
4 explanations for what gives an appearance of underselling
5 for certain products which is outlined in declarations
6 attached to our brief, and I urge you to look at those.

7 And as to threat, this is a strong industry.
8 This is a strong company, Timken. Its earnings' reports
9 demonstrate that. It describes itself as having broad
10 strength, earnings growth, heavy and strong dividends.
11 There's no wall of imports from Korea that has been
12 arriving. While in absolute terms there was an increase in
13 volume, it was small.

14 And then finally, there is a rosy outlook for
15 automotive demand in the immediate future, and a demand
16 horizon that will benefit all players in this market,
17 including Timken. Korean imports are a small share of this
18 market. There's no evidence they're causing volume, price,
19 or impact on the domestic industry that is anywhere close to
20 the basis for an injury finding. And we respectfully urge
21 that you reach a negative determination.

22 Thank you, very much.

23 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Lewis.

24 Alright, this brings us to our closing statement.
25 Post-hearing briefs, statements responsive to questions, and

1 requests of the Commission, and corrections to the
2 transcript must be filed by June 12th, 2018.

3 Closing of the record and final release of data
4 to parties will be July 9th, 2018. And final comments are
5 due July 11th, 2018.

6 Thank you again, and with that this hearing is
7 adjourned.

8 (Whereupon, at 5:06 p.m., Tuesday, June 5, 2018,
9 the hearing in the above-entitled matter was adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Tapered Roller Bearings from Korea

INVESTIGATION NO.: 731-TA-1380

HEARING DATE: 6-5-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 6-5-18

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice
Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Larry Flowers
Court Reporter

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