In the Matter of: )
) BALL BEARINGS FROM CHINA ) Investigation No.: ) 731-TA-989 (Final)

OPEN SESSION

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Place: Washington, D.C.
Date: March 6, 2003
THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:                      )
) Investigation No.:
BALL BEARINGS FROM CHINA ) 731-TA-989 (Final)

Thursday,
March 6, 2003

Room 101
U. S. International
Trade Commission
500 E St., SW
Washington, D.C.

The conference commenced, pursuant to Notice, at
9:33 a.m., before the Commissioners of the United States
International Trade Commission, DEANNA TANNER OKUN,
Chairman, Presiding.

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CHAIRMAN OKUN: Good morning. On behalf of the United States International Trade Commission, I welcome you to this hearing on Investigation No. 731-TA-989 (Final) involving ball bearings from China.

The purpose of this investigation is to determine whether an industry in the United States is materially injured or threatened with material injury by reason of less than fair value imports of subject merchandise.

Before we begin, I note that we have granted a request by certain respondents to hold a portion of this hearing in camera so that proprietary information may be discussed. The in camera session will follow the public presentations by petitioners and respondents. Only persons covered by the administrative protective order will be allowed to attend this portion of the hearing.

The in camera session commence with a presentation by respondents. Petitioners will be permitted to present an in camera rebuttal presentation.

The hearing will then return to a public forum and conclude the rebuttal, if desired, and a closing statement by each party.

Schedules setting forth the presentation of this hearing and testimony of witnesses are available at the Heritage Reporting Corporation (202) 628-4888.
secretary's desk. I understand the parties are aware of
time allocations. Any questions regarding the time
allocations should be directed to the secretary.

As all written material will be entered in full
into the record it need not be read to us at this point.

All witnesses must be sworn in by the secretary
before presenting testimony.

Copies of the notice of institution, the tentative
calendar and transcript order forms are available at the
secretary's desk. Transcript order forms are also located
in the wall rack outside the secretary's office.

Finally, if you will be submitting documents that
contain information that you wish classified as confidential
business information, your request should comply with
Commission Rule 201.6.

Madam Secretary, are there any preliminary
matters?

MS. ABBOTT: Yes, Madam Chairman.

Mr. Wechsler has been delayed. Upon his arrival,
he will be sworn.

CHAIRMAN OKUN: Madam Secretary, we are not able
to hear you very well.

MS. ABBOTT: I'm sorry. Mr. Wechsler has been
delayed. Upon his arrival, he will be sworn and seated.

All other witnesses have been sworn.
CHAIRMAN OKUN: Okay, thank you very much for that information.

I wondered if before we proceed with opening remarks if the parties would indicate for the petitioners how much time they plan to reserve for the in camera session so we can plan this.

Mr. Applebaum.

MR. APPLEBAUM: The petitioners plan to reserve 10 minutes for the in camera session.

CHAIRMAN OKUN: Okay. Thank you very much.

We will then proceed with opening remarks.

MS. ABBOTT: Opening remarks on behalf of petitioners will be made by Harvey M. Applebaum, Covington & Burling.

CHAIRMAN OKUN: Good morning, Mr. Applebaum.

Be sure your microphone is on and close to you.

MR. APPLEBAUM: Good morning, members of the Commission. Just for the record, I am Harvey Applebaum from the law firm of Covington & Burling, counsel to the American Bearing Manufacturers Association, the petitioner in this proceeding. We will be accompanied here today in the hearing by co-counsel, Stewart & Stewart, representing the Timken Company, which is one of the members of the ABMA.

Let me state at the outset that the ABMA
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1 membership consists of companies who manufacture bearings in
2 the United States. You cannot be a member unless you are a
3 United States manufacturer of bearings, and all of the
4 participating ABMA members in this case are United States
5 manufacturers of ball bearings.
6
7 I think it's universally recognized that ball
8 bearings is a critical United States industry, critical in
9 terms of national defense and national security interests,
10 and a major supplier to very important United States
11 industries, many of which you will hear about today, and of
12 course already know about.
13
14 This is a case about the United States operations
15 of the members of the ABMA. You will hear from six United
16 States producers today who will support our case that the
17 ball bearing industry is materially injured and threatened
18 by material injury by dumped imports from China.
19
20 Six of those producers will be present to testify.
21 I think you will hear a description of a very different
22 industry than that which is described in the respondent's
23 prehearing brief.
24
25 In the preliminary determination, which was
26 affirmative, a number of commissioners, both, I think
27 majority and minority, expressed concern over whether there
28 was clearly competitive overlap between the United States
29 producers and the Chinese imports, and over whether, in any
1 event, whether the Chinese were playing a significant
2 contributing role in any causation resulting in material
3 injury.

4 We will submit, based on our prehearing brief, the
5 testimony today, the staff report that for this final
6 determination you have very new and improved data to make
7 those determinations, both qualitatively and quantitatively.
8 In particular, we believe, and you will hear
9 further testimony in this, there is very strong head to head
10 competition between Chinese imports and United States
11 producers in almost all sectors that buy ball bearings and
12 increasingly that moving up the value chain. And based on
13 the promotional and website materials of the Chinese they
14 eventually will produce all ball bearings that are sold in
15 the United States.

16 The competitive overlapping competition is in
17 virtually all sectors. It's in virtually ABEC ranges. It
18 is in virtually all OEM ranges, and as I have already said,
19 increasingly up the value chain.

20 As both the ABMA and Timken prehearing briefs so
21 in substantial exhibits, if you look at the promotional
22 materials, the website materials, the brochures of the
23 Chinese producers, you will find a very different story than
24 that of the prehearing brief of the respondents which tries
25 to suggest that the Chinese are only at the low end of the
value chain, and the U.S. industry is only at the high end. We believe that the staff report and the testimony you will hear will show there is material injury. All of the indicia, some of which are confidential, are declining in general. You will hear testimony about closed plants, lost sales, and the like. And we would submit that the testimony you will hear will demonstrate to you that this is coming from head to head competition with Chinese import in resulting in either lost sales on the part of the U.S. industry or the need to reduce prices to meet the very low, extremely low prices of the Chinese companies.

There is a substantial threat of continuing injury. I would submit to you that the threat case is particularly strong in this instance, and both in our prehearing brief and otherwise you have information on Chinese capacity, Chinese inventories, the size of the Chinese industry, and the clear ability of the Chinese industry to continue to expand their exports to the United States.

The six companies that you are about to hear we believe are representative of the U.S. industry. They are representative in size. You have very large members of the industry. You also have smaller members of the industry. You have a diversity in product lines ranging from ground to unground bearings to ball bearing parts, all of which are
part of the like product in this case. And finally, you will see a diversity in geography of the various plants across the country that are represented by these companies. That concludes my opening remarks. I look forward to the testimony that will follow.

CHAIRMAN OKUN: Thank you.

MS. ABBOTT: Opening remarks on behalf of respondents will be made by John Greenwald, Wilmer, Cutler & Pickering.

CHAIRMAN OKUN: Good morning, Mr. Greenwald.

MR. GREENWALD: Good morning, Commissioners Koplan, Hillman, and Miller.

You are going to hear two very different presentations today, and I would submit to you the fundamental difference is ours will be based on hard evidence, on the record before you on hard numbers, and that the presentation you will hear from petitioners will be based on the websites, will be based on soft data, will be based to a large extent on products that are not imported into the United States from China.

Also, I think that there will be differences in terms of how the market is portrayed, and the role of the Chinese in that market. One of the fundamental questions that I would like you to keep in your mind as you hear all the testimony is how big is the market that we're talking

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about. In fact, the U.S. ball bearing market is very, very large. The precise numbers are unclear, but it's somewhere between two and three billion dollars, and the Chinese share of that market is very, very small. In fact, if this were all that this case is about, that is, if there were direct competition between domestic production and imports across the range of products at issue, even then the period of investigation rise in imports from China, which is the focus of petitioners' complaint, would not justify an affirmative injury determination because in fact it is minimal.

But that is not all. We will show that in fact the U.S. market is highly segmented, and while there are isolated instances of competition in various areas, the fact of the matter is that for most applications and at most accounts the competition is either zero or minimal.

Imports from China are concentrated in the low end of the market. Most U.S. producers are de-emphasizing this market. An important point again, one that you will, I don't think, hear directly about from petitioners is the multinational nature of their operations. All major U.S. petitioners have ball bearing plants around the world. All major U.S. petitioners are engaged in rationalizations that shift low price bearing production offshore to low cost
Another point I doubt you will hear very much about but is terribly important is the role of non-subject imports. Non-subject imports dwarf the imports that are under investigation. One of the questions that you must ask yourself is why on earth would petitioners bring a case solely directed at imports from China.

And the answer, I believe, is that their fundamental interest is protecting their offshore platforms that export the same sort of bearings to the United States that China exports.

Because petitioners cannot build a case on hard data, they cannot build a case on the record, you will hear a case that is based on anecdotal information, and as I said, information from websites, et cetera.

I don't want to overstate what you will hear from our side. There are areas of competition. It's not as if the Chinese and the domestics are existing in two entirely segregated markets, but it is true that the level of overlap is minimal. And when you combine that with a level of imports that is minimal, the only conceivable decision you can make is that there is no link between imports and what you will hear described as declining indicia of performance, industry performance, and in fact you will find that the declines in industry performance are entirely due to a
three-year decline in manufacturing activity. Demand for ball bearings is derived. The customers are cutting back on their purchases. That is what you see in the data. It has nothing to do with imports from China.

Thank you.

CHAIRMAN OKUN: Thank you.

Madam Secretary, I see that the first panel has been seated. Have all the witnesses been sworn?

MS. ABBOTT: Yes, Madam Chairman.

CHAIRMAN OKUN: Other than Mr. Wechsler, and he will be when he arrives.

Very well, then, Mr. Applebaum, you may proceed.

MR. APPLEBAUM: Thank you, Chairman Okun.

I would like to make at the outset one clarification. The prehearing brief of the respondents cite at least 11 times, and I may have missed some, what it is referred to as ABMA, Department of Commerce handbook. This is the statistical handbook of the ball and roller bearing industry, June 2000, cited as Exhibit 1.

We don't know why they call this an ABMA report, but I just want to clarify for the record it is not an ABMA report. Is it a report of the Department of Commerce. The ABMA did urge the department to make it available to the public. And in saying this we don't agree with all of it,
and we also would note that this one is outdated. There is a much more recent edition. But the main point I am making is that this is not an ABMA study, and we do not know why it is so cited in the respondents' brief.

We will testify as follows just so you will know. We will hear initially from the president of the ABMA, and there will follow in order, and I will not introduce them, they will just come one after another unless the Commission has questions: the Timken Company, NSK, SKF, National Freeway and Hoover. They are all on the calendar.

And the first witness will be David Rohn, the president of the ABMA.

CHAIRMAN OKUN: Thank you.

MR. ROHN: Good morning. My name is David Rohn. I am president of the American Bearing Manufacturers Association. The ABMA is a nonprofit association consisting of 31 American manufacturers of anti-friction bearings, spherical plain bearings, or major components of ball bearings. The ABMA is a collective voice of the American bearing industry.

Throughout the last two years ABMA members have expressed concern and frustration with unfair competition coming from imported Chinese ball bearings. Domestic manufacturers of bearings and bearing parts have suffered unprecedented losses in sales and revenues as a result of
competition with Chinese imports.

To save their businesses, many domestic producers have lowered prices, laid off workers, or closed down plants. Still some are barely staying above water. As the Commission will soon hear, this injury only continues to worsen.

This morning you will hear from a wide range of ABMA members from companies that manufacturing ground bearings, unground bearings and ball bearing parts. They have volunteered to testify about the injuries that their companies are suffering because of unfairly priced Chinese imports.

And on behalf of the ABMA, I would like to thank you for your willingness to hear our concerns, and I urge you to take action to stop unfair dumping of Chinese ball bearings.

Thank you.

MR. GRIDLEY: Good morning. I'm Dave Gridley, Executive Director of Marketing Services and Government Affairs of Timken U.S. Corporation, formerly The Torrington Company.

This morning I'm going to address the issue of competition between Chinese and U.S.-made ball bearings. Competition is real, it is intense, and the U.S. companies are losing sales to Chinese products every day and
in every market. I'm going to address the competition by part numbers, by size, and ABEC rating, and by end use markets and customers.

With respect to part numbers, Exhibit 6 of our prehearing brief presents 22 pages of selected examples of part numbers that Timken produced in the United States during some point in the period of investigation, and offered by various Chinese producers. The easel is up here on the right.

This information is from public price lists, catalogues and websites. We have placed three of these pages on the easels. As you can see, Chinese producers offer the exact same part numbers as Timken, whether in radials, agricultural bearings, angular contact, double rows, housed bearings, and so on.

For an example, the first of these charts lists six different products from the 6200 series. Among these is the 6203 for which pricing information was requested. A ball bearing such the 6203 is offered in a variety of configurations such as with or without shields and seals.

As the chart shows, at least 15 Chinese companies offer the 6203 in some -- the same configuration as we do. Please note that in the area of agricultural bearings, an important part of our business, our Chinese competitors have gone so far as to use our Fafnir part numbers as shown in

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the color handout we have provided you from the Peer Bearing Company, a major Chinese producer.

These pages, which appear in Exhibit 7 of our brief, are an interchange chart that matches Peer Bearing part numbers with those of other producers, including Fafnir, which is Timken.

These two pages list 107 agricultural bearings that Peer produces that are also produced by our company in the United States. Simply put, Chinese and U.S. producers are producing the same part numbers across a wide range of products.

One argument raised by our opponents it there is limited competition based on size and ABEC rating. Not true. The overwhelming majority our ball bearings that we produce are in the same size ranges and ABEC ratings produced by the Chinese.

Moreover, in Timken's prehearing brief on page 8 through 10 we show the size breakouts reported in the public sources, such as import statistics and U.S. Census data. This also shows Chinese product and U.S. product being sold in the same size ranges from the smallest to the largest.

Another claim is that we don't sell to the same end use customers as the Chinese. Again not true. We see large and increasing competition from Chinese producers in most of the markets and end uses to which we sell, from farm...
machinery to motor vehicles and parts to cargo deck rollers
for aerospace to construction machinery, lawn and garden
tractors, and household appliance, as well if not dozens or
hundreds of end use applications.

A substantial amount of our sales are to
distributors who in turn sell to smaller OEMs in many of the
same SIC markets where Chinese bearings are sold as well as
in the after market.

What we sell to distributors, therefore, is also
encountering competition from Chinese ball bearings in the
same end use markets that we encounter in our direct sale to
those markets. We believe that our experience with
competition from Chinese ball bearings is typical of the
industry as a whole.

Thank you.

CHAIRMAN OKUN: Mr. Gridley, before you go on, I
just wanted to ask, the charts up there which are hard to
read from up here, but which we have handouts of are --

MR. GRIDLEY: The handouts are the same.

CHAIRMAN OKUN: Okay, I just wanted to make sure.

Do the respondents have the same handouts so they
that they can follows what the --

MR. GREENWALD: We have copies.

MR. GRIDLEY: Yes.

CHAIRMAN OKUN: Okay, I just wanted to be sure
about that so that they could see what we are looking at well. Thank you. Go ahead.

MR. PEDEMONTI: Good morning. I am Paul Pedemonti, Vice President, Industrial Sales North America, Timken U.S. Corporation, formerly The Torrington Company. I have worked in the bearing industry for 37 years.

I would like to tell you about the impact that unfair competition from Chinese ball bearings is having on our operations. We believe that our experience is typical for most of the U.S. industry.

During the period of investigation, we have not changed our capacity, but we have seen a severe contraction in our capacity utilization as we have experienced declines in production and shipments. We have also seen declines in employment, hours worked and wages paid.

The impact from dumped Chinese imports can be seen by looking at several of our facilities. Our Rockford, Illinois facility produces 6200, 6201, 6202 and 6203 series. During the period of investigation, we have gone from three shifts producing seven days a week to one shift.

In the second facility, Pulaski, Tennessee, investments made in the last decade on automated lines have been put in jeopardy as we have lost sizeable orders such that we cannot run automated lines on a continuous basis. We believe other producers in the industry are facing
similar problems.

While our shipments have declined by volumes significantly, Chinese imports have increased significantly by volume as shown by official import statistics, the best measure of Chinese imports. Chinese imports have also increased on a value basis.

In our questionnaire response we provided a number of examples of specific customer accounts where Timken has experienced severe price competition from Chinese ball bearings. Since submitting that response, we have been able to salvage some of this business by reducing our prices. So some of the example of what we expected to be lost sales are now examples of price depression.

We also have important OEM contracts that are due to expire this year, at which point we expect to lose that business as well to Chinese product.

We are also losing business in the distribution channel as our distributors report their inability to meet price competition from Chinese imports. Many of our distributors have started carrying lines of Chinese product side by side with ours. This was not the case just a few years ago. Our distributors are also taking reduced shipment from us where their sales are declining in the face of Chinese competition.

So let there be no doubt. We face intense price
pressure from Chinese ball bearings in both OEM and distributor account and are experiencing painful price depression as a result.

Please note in that regard that in the preliminary determination the Commission appeared to interpret evidence of increases in average unit values as evidence that the industry is not experiencing price depression.

With all due respect, that is not an accurate interpretation. Taking as example the 6203 that is reported in our questionnaire response, as the staff report correctly notes pricing levels based on quantity are negotiated contract by contract. It is not surprising that large quantity orders obtain lower prices than smaller quantity orders.

In the pricing information supplied by Torrington to both distributor and OEM accounts, the appearance of an increase in average unit value as volumes declined is a reflect of our loss of major quantity sales as opposed to price increases for the product to customers.

Meanwhile, underselling by Chinese imports continues to put pressure on us across the board.

Thank you.

MR. BRINKMAN: Good morning. My name is John Brinkman. I am the director of sales and marketing for NSK Corporation's OEM business unit. I have been employed by Heritage Reporting Corporation (202) 628-4888
NSK for 18 years, and I have been in my current position for two years. Prior to that I was NSK's general sales and marketing manager, automotive.

NSK is the leading producer of ball bearings in the United States, producing ball bearings and components at four highly automated modern plants. NSK's breadth of the U.S. ball bearing production makes NSK's experience highly representative of the impact of low priced Chinese imports on the domestic ball bearing industry.

Of NSK's four plants, our Clarinda, Iowa plant has been the most affected by the Chinese ball bearings being sold in the United States at prices that significantly undersell U.S. pricing. The NSK Clarinda plant manufactures small D-groove ball bearings used for automotive applications and by manufacturers of industrial products such as electric motors, power tools and lawn and garden equipment.

Competition from low priced Chinese imports became fierce in 2000, and the effect on Clarinda has been dramatic. The 608 and 6203 ball bearings once were some of the highest volume bearings produced in Clarinda during 2000. Monthly sales of 608 bearings today are one-third of what they used to be. Monthly sales of 6203 bearings are one-half of what they used to be.

The economic downturn certainly reduced orders for
all U.S. plants, but the reduction in sales of Clarinda
product has disproportionate and due primarily to unfair
sales of Chinese ball bearings.

NSK has tried to counter this unfair competition
with aggressive cost cutting, which unfortunately has had to
include employee layoffs. Operating profits that were
stable from 1997 through 1999 have experienced year-over-
year declines since 2000.

Underselling by Chinese ball bearing producers has
also hit the markets served by ball bearings produced in
NSK's Ann Arbor, Michigan plant. For example, in 2000, NSK
lost a significant percentage of its Ann Arbor large D-
groove ball bearing production to low priced Chinese
competition.

In 2002, despite substantial engineering and sale
support requirements of one important automotive customer
NSK lost sales of single roll ball bearings produced in the
Ann Arbor plant to low priced Chinese imports.

Finally, Ann Arbor sales of integral shaft
bearings to the automotive after-market have dropped 95
percent since low priced Chinese substitutes entered the
marketplace, and the worst is yet to come.

In the prehearing brief, Doug Brewer, NSK's after-
market business segment manager, submitted an affidavit that
attaches current brochures for several Chinese bearing
manufacturers. In those brochures Chinese manufacturers openly state that they can supply very high quality, highly engineered bearings for use by the automotive industry. Some brochures advertise incredibly complex wheel hub bearings and precision bearings rated ABEC 7 or above. Some advertise ISO 9000 certification, one advertises QS 9000 certification.

In other words, Chinese ball bearings producers have already begun to target highly engineer automotive applications which pose a direct threat to the remaining production in NSK's U.S. plants.

As previously mentioned, we have already lost one automotive sales contract to Chinese underselling My forecast for the future is that we will soon lose many more of such sales unless the U.S. Government provides us relief from these dumped imports.

Madam Chairman, Commissioners, severe price competition from Chinese bearing manufacturers has already caused more than 100 percent in NSK's Clarinda, Iowa plant to lose their jobs, and many more have suffered salary reductions. Further cost reductions are already underway to counter unfair Chinese competition will cause more NSK employees to lose their jobs.

Output is down. Sales and market share are being lost. Capacity utilization and profits are suffering.
dramatically.

I welcome the opportunity to provide any information you may need that will show the harm done to NSK's U.S. production. I thank you very much time and attention.

CHAIRMAN OKUN: Thank you.

MR. MALMSTROM: Members of the Commission, good morning. My name is Sten Malmstrom, and I am the president and CEO of SKF USA, Inc.

As a bit of a background, I have served as president for SKF USA since 1999, and before that I was president of the SKF C's Division. I have been SKF since 1973, and I have served as an ABMA group management since 1984.

SKF USA is headquartered in Morristown, Pennsylvania. We produce a variety of ball bearings, including D-groove ball bearings, angular contact ball bearings, self-lining ball bearings, and wheel hub units.

We operate ball bearing plants in Gainesville, Georgia, Altoona, Pennsylvania, Akin, South Carolina, Jamestown and Faulkner, New York.

I am here to discuss today the detrimental effects that unfair Chinese competition has had on SKF ball bearing business, and I want to make it clear that my discussion is confined to the effect of SKF USA operations.
Over the past years the low Chinese prices have caused us to lose business and are still threatening our current and future customer base.

The Chinese prices are so low that there is no way we can restructure operations to compete with those prices. This is particularly important because competition for ball bearings sales mainly revolve around prices.

Since 1999, SKF has faced intense competition from numerous imported Chinese ball bearing. That competition occurred and is still occurring on a variety of ball bearings, including the 108, 6211, 6212, and 6203, which are used in the automotive sector. This competition demonstrates that Chinese are now competing in many markets, including the high value markets like the automotive sector. This is significant because the automotive sector is SKF's market in the United States.

Because of this Chinese competition, SKF has lost business with its customers. Not only have we also lost customers who left us to purchase with the Chinese, but we also have customers that have announced that they are taking their business elsewhere at the end of the contract, or as soon as their prospective Chinese suppliers is certified.

We also anticipate additional lost business we know some of our customers are testing Chinese bearings and have told us that Chinese bearings are substantially
cheaper. I believe this trend will continue, and that we
will eventually lose more business with many of our large
suppliers.

Chinese competition is having a major effect on
SKF's sales in the automotive industry, and that's forced us
to lose customers, several first and second tier automotive
suppliers. Since 2000, we have lost $8.4 million of
automotive bearings to the Chinese. We also know by the end
of 2003 we will lose an additional $7.9 million of
automotive sales due to unfair Chinese competition.

These losses of three automotive customers
totaling $16.3 million, all ABEC 1 grade bearings have had a
dramatic adverse effect on SKF's business, particularly at
our Gainesville, Georgia plant. SKF lost those sales
because we are not able to reduce our prices to compete with
the Chinese underselling of between 30 and 60 percent.

Not only will we suffer losses in 2003, but I'm
sure that the intense Chinese pressure on SKF's loss trend
will continue in future years. I believe those losses are
just the beginning because our first and second tier
automotive customers are constantly trying to reduce costs.

As I mentioned, Chinese competition has had a
particular negative effect on our Gainesville, Georgia
plant. We closed down production lines for 602 and 62 ball
bearings in 1998, mainly as a result of Chinese competition.
These two production lines represented $50 million in production or 20 percent of the total output of the Gainesville plant.

SKF closed these production lines because the prices for two bearings had decreased so much that it was no longer economical to continue to produce them.

We have also been forced to continue to reduce our production at the Gainesville plant. In 2003, this year, our plant total production will be around $55 million, which is a considerable reduction for the '99 production of $87 million.

In addition to closing down production lines and reducing production, we have been forced to significantly reduce our workforce. Since 1999, we have reduced our workforce by 40 percent or approximately 200 employees.

Our Gainesville plant is clearly threatened by the intense Chinese competition.

In order to resist Chinese competition, SKF has been forced to engage in a variety of initiatives that cannot be sustained. In addition to closing lines and reducing production, and workforce, we have been forced to cut our prices. We are constantly trying to reduce costs and produce productivity. We have been successful at increasing our productivity at an average of five percent during the last years. But this is nowhere near meeting the
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30 to 60 percent cost reduction that our customers are
demanding.

In conclusion, I want to emphasize that unfair
Chinese competition has been and continues to be extremely
detrimental to our production of ball bearings in the United
States, and the bearing industry in general. I have
provided significant details on SKF lost sales which show
that SKF is already suffering from unfair Chinese
competition. Continued unfair competition will harm our
company and may eventually force us out of the ball bearing
market. This unfair competition is particularly damaging
given the current weak state of the U.S. economy.

Thank you for the opportunity to discuss SKF's
experience with Chinese ball bearings. I am happy to answer
any questions you may have.

CHAIRMAN OKUN: Thank you.

MR. POTTS: Good morning. My name is Larry Potts.

I'm the plant manager for National Bearings Company's
Lancaster, Pennsylvania plant. Our president, Jessica May,
submitted an affidavit in this investigation, but was unable
to attend today's hearing because of scheduling conflicts on
the west coast.

I have worked for National for about five years.

Before this I managed operations for several different
companies, including General Electric, Stanley Works, M.
Cast Automotive.

National Bearings Company has been in business since 1917. Operating entirely out of our Lancaster plant, we produce a variety of unground ball bearings, including radial, angular contact ball bearings. We also produce parts for ground and unground ball bearings, including thrust washers, thrust plates, thrust retainers, cup-and-cone retainers, and ball separators.

As Ms. May reported, at last year's staff conference, starting in 1999, National has competed with ground and unground imported Chinese ball bearings. Although the fact that we are a custom manufacturer helped us avoid Chinese competition for a little while, since 1999 Chinese producers have been successfully competing with our business. This competition intensified throughout 2002 and has expanded to include various parts of ball bearings.

The reason the competition is now so intense is that the prices for the Chinese ground and unground bearings are extremely low.

We have lost substantial sales and revenue to the very aggressively priced Chinese ground and unground ball bearings. While we have tried reducing our prices to retain our customers, this is a losing strategy for us. At best we retained the customers at significantly reduced revenue. At worst we lose the customer entirely.
In 2001, for example, one long-term customer informed us that it was going to switch from our unground bearings to a Chinese ground bearing with an added housing and fastener to use in their door hinge assembly. This customer explained that it simply could not resist the low priced Chinese bearings, which were priced at about one-half the price of our bearings.

We have also lost customers for our parts. For example, we lost one customer to a Chinese producer of thrust washers because the Chinese supplier undersold us by 60 percent. Again, our former customers have told us that the reason they are switching to Chinese parts is that the prices for these parts are so low.

Since the Chinese started taking our business with their aggressively priced products, National sales have declined significantly. We have also been forced to lay off some of our staff in the Lancaster plant. We should not be losing customers and letting go of dedicated workers just because the Chinese are not trading on a level playing field.

We know that we can compete successfully with the Chinese, just as we have competed successfully with U.S. and foreign competition for years, even on price. However, we cannot compete when they trade unfairly.

Thank you for the opportunity to discuss

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National's experience with unfairly priced Chinese ball
bearings. I am happy to answer any questions that you might
have.

CHAIRMAN OKUN: Thank you.

MR. FLYNN: Good morning. My name is Pat Flynn, and I am president of and chief operating officer of Freeway Corporation, Cleveland, Ohio.

I would like to start by providing a little background information about myself. In 1964, I received a degree in accounting from St. Mary's College, Emmitsburg, Maryland. Four years later I received my MBA from St. John's University, New York City. I am a certified public accountant and also adjunct faculty member of the MBA program at Baldwin & Wallace College in Agwe, Ohio.

I have served as president and chief operating officer at Freeway since 1998. Prior to this, I was Freeway's vice president of finance and chief financial officer for about five years. I have about 10 years' experience in the ball bearing industry.

I come before you today to tell you about the difficulties that Freeway is experiencing in the last few years as a result of competition with Chinese imports. We have been in business since 1944. We produce commercial unground ball bearings for use in such items as overhead doors, garage doors, farm implements, children's toys,
bicycles, and motor vehicles. In the recent years Chinese ball bearings have surged in the domestic market at unbelievably low prices. Consequently, many of our customers, who are driven almost entirely by prices, have switched to imported Chinese bearings. We have suffered most for Chinese imports of unground commercial grade radial ball bearings in the range of 23 to 51 mm.

We simply cannot compete with these Chinese bearings price as they are. For example, on the 28.5 mm flange bearings we are competing with Chinese imports priced at 11 cents per bearing. Our normal price for a bearing such as this ranges from 17 cents to 35 cents. We are seeing the same type of underselling in the 50.8 mm flange bearings. Chinese imports are selling at 38 cents per bearing while our price is about 57 cents per bearing. In many cases the landed Chinese imports are selling for less than the cost of our raw material. Let me repeat that. In many case the landed Chinese imports are selling for less than the cost of our raw material.

We are not seeing this type of competition from another other domestic or foreign producers from other countries. Competition with importers of Chinese bearings, such as Canamax, has taken a drastic pull on our business. Although we could not compete with these unfairly priced
Chinese imports in the best of times, today's weak economy has really enlarged this injury to Freeway.

Since the 1980s, Freeway's bearing sales have dropped about 50 percent. In the last three years we have lost between four and five million dollars to unfairly priced Chinese imports.

If unfair Chinese dumping is not remedied by the imposition of antidumping duties, we face even tougher times ahead. Already our business losses has hampered our ability to attract to new investments, thus magnifying our injury.

Without investments or new technology and the ability to make business decision, I don't know how Freeway can be competitive in the future.

Freeway Corporation is a long standard producer of ball bearings as well as an important employer in the locations that we have plants and offices. Chinese imports have badly damaged our company. For the sake of our business, our employees, and our communities, we hope this investigation puts an end to unfair Chinese competition.

Thank you for your time.

CHAIRMAN OKUN: Thank you.

MR. PFIZENMAIER: Good morning. My name is Carl Pfizenmaier and I'm President and CEO of Hoover Precision Products.

As a member of ABMA it's a pleasure to testify before Heritage Reporting Corporation
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you today to discuss my company's experience with unfair
competition from Chinese ball bearings.

I would like to begin by giving you a brief background
of my company and myself. Hoover Precision Products with
headquarters in Cumming, Georgia is a leading manufacturer
of balls and rollers for the bearing industry. Before
becoming President and CEO of Hoover I was Vice President
and General Manager of three of Hoover's production plants.

Before my days with Hoover I worked for Winstead
Precision Ball, part of Barden Corporation then, and SKF
Industries. I have over 40 years experience in the ball
bearing industry.

My company has lost a tremendous amount of business
because of unfair competition from Chinese imports. We have
had to close one of our plants. Hoover has lost business
both because of direct competition of Chinese balls and
because our customers have lost business to Chinese ball
bearings producers.

In 2001 we were forced to close our plant located in
Washington, Indiana due to competition from China. This
plant has been in operation since 1953 and Hoover acquired
it in 1984. Our decision to close the plant was difficult
because we knew of the detrimental effects it would have on
the local community. At its height the Washington, Indiana
plant employed 135 people and was one of the largest

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employers in the area. The plant paid annually taxes of $225,000 and when we closed the plant we had to lay off 98 people.

When our Washington plant was operational we used three buildings for our process. Now two of these buildings lie dormant. We were also forced to move all the equipment in these buildings out of the country.

The Washington plant was Hoover's only source of carbon balls. In recent years there has been a greater flow of carbon balls and finished products from China. These products have competed with our customer base. As a result over time we lost many of our carbon ball customers to Chinese imports.

During the last few years before Washington's plant closed, our sales decreased by 30 percent. We tried to save the plant by reducing our prices by 23 percent on all grades of carbon balls. Unfortunately, this effort could not save the plant. It was simply a money-losing operation. We had no choice but to shut the plant in 2001.

Although Hoover was able to find a new source for carbon balls after we closed the Washington plant, unfair Chinese competition has cost us a tremendous amount of business in carbon steel balls in size ranges of 1/8 to 5/16 inches.

For example, in the first half of 1999 Hoover sold 473
million 5/16 carbon steel balls. The first half of 2002 the sales had plummeted to just 237 million balls. In other words, we lost one-half of our sales.

Not only have we lost a tremendous amount of sales, we have also been forced to reduce our prices on 7/16 through 3/4 inch chrome steel balls because of unfair trade of Chinese imports.

I fear that if this competition from China continues unabated Hoover will also be forced to close its precision plant in Irwin, Tennessee, Cummings, Georgia, and East Granby, Connecticut. These plant closings would not only upset the economy where they are located but would also have a devastating effect on our company. I urge you to take action to prevent this from happening.

I thank you and I appreciate the opportunity to appear before you and I'm willing to answer any questions you may have.

CHAIRMAN OKUN: Thank you.

MR. APPLEBAUM: This completes the testimony by the six companies. We will now turn to Andrew Wechsler, our expert witness, and I will advise him that we are at about 33 minutes elapsed time.

CHAIRMAN OKUN: Mr. Wechsler, I'm not sure your mike is on.

MR. WECHSLER: So I'm especially happy to be here now.
My name is Andrew R. Wechsler, Managing Director of LECG an international consulting firm specializing in economics and finance. My resume was included with the post-conference brief.

Today I appear with Andrew Szamosszegi, a Managing Economist at LECG, with whom I collaborated on my analysis. Our prior antidumping work has strong concentration in manufacturing, especially steel-consuming industries like ball bearings. We've been retained by the Petitioner, the American Bearing Manufacturers Association.

Our analysis is based on the pre-hearing staff report, the preliminary conference report, interviews and studies publicly-available data, and the 2000 sunset review. For your convenience I will refer my testimony to exhibits that have already been distributed.

The confidential pre-hearing staff report provides the most up-to-date picture of the domestic ball bearing industry. Because much of the domestic industry's trade related and financial data remain confidential, my testimony relies on generally available data.

In this final investigation the record is clearer and far more compelling than it was during the preliminary. Issues have been resolved. Rising ball bearing imports from China sold at less than normal value are depressing the prices, sales and financial performance of domestic...
producers. Chinese imports rose during the year 2000 when
the U.S. economy was strong. They rose again in 2001
despite a recession especially unkind to manufacturing
industries. And they rose yet again substantially in 2002,
despite manufacturing output in the U.S. remaining below its
2000 levels.

To compete, U.S. firms have continued to slash prices,
but customer continue switching to dumped imports. These
significant losses have translated into reduced output and
meager profit margins -- a dangerous combination for a
capital-intensive industry.

The situation will continue if Chinese dumping is
allowed to continue.

Respondents have based their case on faulty data and
analysis, a bizarre multinational conspiracy theory, and an
imaginary U.S. industry supposedly dedicated to high end/low
volume markets. It makes a cute story but it is not
supported by the record.

The record confirms that imports from China continue to
increase rapidly. Consider Exhibit 1 in the handout. By
any measure both the import volume and its growth are
significant. Over the POI imports of complete bearings grew
11 percent by volume and 6.3 percent by value. When parts
are included the percentages are even higher. Imports of
balls and other ball bearing parts also increased
Parts production in the U.S. is being subjected to double jeopardy. First, domestic producers of complete ball bearings are losing sales and thus require fewer balls and parts from the domestic sources of supply. Second, some producers of complete ball bearings have been forced to resort to balls and parts from China and other import sources as the only way to survive given the dumping environment created by the Chinese imports.

Exhibit 2 contains quarterly data on Chinese imports and estimated U.S. shipments of complete ball bearings. The rise in Chinese imports has clearly come at the expense of domestic producers.

The gap between U.S. shipments and Chinese imports shrank markedly over the period of investigation. In just the second quarter of 2002 complete ball bearings from China increased by an amazing 29 million units. The Chinese industry has revealed that it has ample bearings reserves to flood this market with additional product in a very short period of time when it finds it in its interest to do so.

Unfairly traded imports from China to compete head to head with domestic product in most segments. Respondents continue to argue that Chinese and domestically produced ball bearings supply different sectors of the U.S. ball bearing market. They have constructed an industry fantasy.
land in which domestic producers supposedly compete almost entirely with each other and non-subject imports. Chinese producers thread the needle and purportedly compete only with other non-subject imports in small bearing sizes.

But the truth lies in the industry testimony you've just heard, in the official import data, and in the public staff report.

For instance, in Table 4-13 of the public report we see that in 2000 the volume of Chinese ball bearings in the 30 and under range exceeded the volume of the over 30 range by 19 percent. Just two years later the situation was completely reversed. Over 30 shipments now exceed 30 and under shipments by 13 percent instead.

At the request of Respondents the Commission collected information from importers and domestic producers on specific market segments. These data show that Respondent's cry of non-competition is demonstrably false. In the real world subject imports and domestic like product compete in most sectors and for most applications, the same applications. The main difference is simply the price.

Unfairly traded imports from China have depressed domestic prices. Ball bearings are a commodity industrial product. Price is a key factor in determining a sale and when quality is roughly comparable, price is the dominant factor.
Chinese underselling is well documented. In the preliminary investigation Chinese imports undersold domestic products in all but one of 72 quarters. In this final, purchasers have responded 19-0 that the pricing of U.S. ball bearings has been less attractive than that of the Chinese. The Commerce Department identified dumping margins that range from 7.2 to 59.3 percent, quite significant for a price-sensitive commodity like the one we're dealing with today.

Dumped Chinese imports have placed domestic producers under severe pressure. Unfortunately U.S. producers have been dropping their prices and losing share. Exhibit 3 compares the producer price index for ball bearings with the index for all manufacturing. While overall manufacturing prices increased, ball bearing prices today are two percent lower than they were at the outset of the POI.

Exhibit 4 indicates that the product category with the greatest concentration of Chinese competition, single row, radial ball bearings is in, of course, the steepest decline. Because U.S. producers make more radial ball bearings than any other type of ground ball bearing, Chinese pricing has been particularly harmful.

Prices for Chinese ground ball bearings, those machined to more specific tolerances, are so low they now compete with domestic unground ball bearings, another high volume
Respondents claim this significant difference in price is evidence of U.S. and Chinese ball bearings supposedly being very different products. This is perversely true, of course, when ground Chinese bearings are so cheap they capture market share from unground domestic bearings.

In other instances, the price differentials are simply a function of ridiculously low Chinese prices for equivalent bearings -- something that you really only see from a non-market economy.

The Commission and staff have enough experience with Chinese products to know that dramatically different products often reflect NME prices rather than substantial product differentiation.

Unfairly traded imports from China have affected the financial performance of the U.S. industry. The domestic economy, especially manufacturing, experienced hard times in 2001. Although 2002 was certainly a weak recovery, manufacturing output did stabilize and rise off the lows of November 2001 as shown in Exhibit 5.

Within manufacturing there was a clear dichotomy between the have's and the have not's. Despite the increased U.S. production of automobiles and household appliances, U.S. bearing producers have remained with the have not's. They were unable to benefit from the health of
downstream customer demand due to Chinese pricing. Three factors underscore that Chinese imports have caused injury above and beyond anything attributable to general recessionary issues.

First, the underselling data offer direct evidence of how Chinese imports have adversely affected domestic revenues.

Second, the automobile sector is the largest single customer in the domestic industry and a purchaser of high value products. It had a very good sales year in 2002 and output of motor vehicle parts increased by 7.2 percent. Such a performance should have led to a banner year for U.S. ball bearing producers. It did not.

Third, in this case the trend in domestic average unit values, something that concerned some people in the preliminary, is an indicator of Chinese injury, not domestic health. The change in domestic AUVs reflects a change in product mix and a reduction in high volume sales due to a surge of dumped Chinese imports. Price increases are few and far between.

Chinese imports expanded into a stagnant market even as demand from the main customer segment shrank. As the Chinese share of low price ball bearings declined, overall Chinese average unit values continued to decline because of the fire-sale dumped prices they offered in the other
The domestic industry in question produces all ball bearings, not just ball bearings for high end applications. In essence, Respondents wanted the U.S. industry to stick to the automobile and aerospace sectors and leave the rest of the market to the Chinese -- for the time being, that is. Yet two major Chinese importers publicly proclaim that they specialize in automotive bearings. Respondents refuse to acknowledge that the U.S. industry continues to produce at all levels of the value chain. Respondents claim in their brief that they serve the lower links of this chain with low quality bearings. The Chinese web sites are more honest about their sales pitch to Detroit.

The final data underscore what we did note in the preliminary. Chinese producers are climbing up the value chain as they strangle U.S. competitors at the lower end. The import data show that imports from China are shifting away from smaller bearings as Chinese ship in downstream, finished goods once produced with these bearings inside the United States. So Chinese bearings producers are now moving into the domestic industry's high volume breadbasket, ball bearings with outer diameters 30 to 52 centimeters. Contrary to Respondent's brief, imports from China registered substantial gains in larger radial ball
bearings, those over 30 millimeters. With their value growing by 15 percent over the POI, Chinese imports of integral shaft and integral spindles, angular contact bearings, and ground thrust bearings are growing very rapidly. Domestic producers make all of them. Chinese producers are producing an exporting increasingly sophisticated products. According to their own witness at the preliminary conference, there is but one exception. China discourages aerospace bearings exports, despite that witness' proclamation that they have competence even in that sector.

Respondents seek to hide the numbers. They've engaged in a number of not-so-amusing slights of hand. The Chinese analysis of parts, imports, conveniently omit data on complete ball bearing imports. However there is no escaping the fact that the increase in all subject bearings from China has been significant.

Respondents' presentation of market shares by overly broad SIC categories obfuscates the extent of competition in key segments.

In sum, Respondents have sliced and diced this industry as finely as possible to serve up only the purportedly interesting portions. Their approach reminds one of a late night television infomercial of special chef's knives and choppers, undoubtedly also made in China. The magic
evaporates on closer inspection.

If the Commission looks at the industry as a whole as the statute requires, this case becomes straightforward.

Not easy, but straightforward.

The antidumping margin are significant for a price-sensitive product. Unfairly traded imports from China are competing head-to-head with domestic product. Chinese ball bearing imports are rising while domestic producer shipments are declining by all measures.

Chinese ball bearings are increasing because of their extremely low fire-sale prices. Domestic producers are reducing their prices to compete with Chinese bearings and nevertheless continue to lose sales. Such losses have a marked adverse impact on the well-being of the domestic industry and continued dumping of Chinese imports will further hasten the U.S. industry's decline.

Thank you very much.

CHAIRMAN OKUN: Thank you.

MR. APPLEBAUM: This completes our affirmative presentation and as I already indicated we will reserve the remainder of our time for the in camera session.

CHAIRMAN OKUN: Thank you, Mr. Applebaum.

Before we begin with the questions let me thank all the witnesses for being here today, particularly all the industry witnesses who have traveled to be with us today.
Your testimony is extremely helpful and we appreciate your willingness to be here and to answer questions.

I'd also note there are a lot of witnesses out there and may tables, so when you respond to questions if you could just identify yourself both for the reporter and for us so we can be sure who is speaking.

With that, Commissioner Koplan will begin our questions this morning.

COMMISSIONER KOPLAN: Thank you, Madame Chairman. I join with your remarks complimenting the witnesses on their presentation.

Mr. Wechsler, if I could start with you.

I refer to your Exhibit 2 of your presentation handout entitled Volume of ABMA Shipments and imports from China. The chart does not include any values on the vertical axis. My questions are what data are you showing? Does the chart show volume by quantity or value? My guess is it's quantity, but I can't tell.

Are the trend lines for purchaser shipments and imports from China presented using the same scale?

If you would resubmit this exhibit in the post-hearing submission including values on the vertical axis as well as the trend line for non-subject imports I'd appreciate it, but I'd like you to explain.

MR. WECHSLER: Quantity should have been labeled on the
vertical axis. It's the same scale for both. And we will submit it with other measures as well as you've requested in the post-hearing brief.

COMMISSIONER KOPLAN: Thank you very much.

Now if I could turn to the industry witnesses.

Based on questionnaire responses the staff report, Chapter 2, page five states, and I quote, "Most U.S. producers and importers reported that U.S. demand for ball bearings was flat or decreased during the years 2000 to 2002."

My questions are, has demand decreased? Has this decrease been consistent across all sectors, or was demand weaker in some sectors relative to others? For example, was demand stable in the automotive sector but decreasing in the aerospace sector?

I'd like the industry witnesses to discuss what has happened to demand for ball bearings over the period of our investigation, 2000 to 2002, both overall as well as in the major end use sectors.

If I could hear from the industry witnesses on that.

MR. APPLEBAUM: Let me ask Mr. Brinkman to respond initially and then the other witnesses can follow.

MR. BRINKMAN: I think Commissioner Koplan your comment is valid, that there has been a stable demand in the auto segment. As Andrew mentioned, the auto segment actually
showed an increase in production in 2001 over 2000 so the
demand for ball bearings in the automotive segment was
actually increasing.

Other markets that we served were stable, and in some
cases some markets declined due to the similar situation
where we saw production of power tools, for example, moved
off-shore to China or into Mexico. We also saw some
production of electric motors that were moved off-shore. So
the demand in those markets were slightly down, but nowhere
near the levels of the lost business that we experienced in
those market places.

COMMISSIONER KOPLAN: Thank you for that, Mr. Brinkman.

MR. APPLEBAUM: Let me, they're behind me and I can't
communicate with them behind me. Let me ask whether the
Timken Company witnesses would like to respond as well, and
then I would invite any of the others to supplement if they
wish.

COMMISSIONER KOPLAN: Thank you.

MR. PEDEMONTI: This is Paul Pedemonti.

We saw a similar decline that John Brinkman just talked
about. One area that was extremely severe was aerospace.
Basically after 9/11 demand was drastically reduced. In all
other markets it was flat to declining and automotive was
stable. So pretty much what Mr. Brinkman just told you is
what we experienced at Timken.
COMMISSIONER KOPLAN: Thank you.

MR. APPLEBAUM: If any of the other industry witnesses want to supplement, please do so.

MR. MALMSTROM: I want to make a distinction in the automotive sector between trucks and, medium and heavy trucks and cars and light trucks. Heavy and medium trucks, especially the heavy trucks, class eight, had a severe reduction in 2002 and 2001. However, the cars and light trucks are very good performers. I think 2001 and 2002 have been the best years for a long time for the automotive sector. Cars and light trucks.

Aerospace was already mentioned.

For most other industries I see actually decline except steel. Steel had a good performance, mainly due to the 201 actions initiated by the President.

Distributors slightly down during this period.

COMMISSIONER KOPLAN: Thank you.

Mr. Flynn?

MR. FLYNN: Speaking for Freeway Corporation, our demand has not, we haven't seen the demand for our product go down. What we've found is that our ability to supply the product to a market that's stable and/or growing has gone down solely because of price.

COMMISSIONER KOPLAN: Mr. Pfizenmaier?

MR. PFIZENMAIER: We supply balls to all the...
industries. We supply balls directly to the automotive
industry for them to make front wheel axle bearings, CV
joints, and that industry has stayed pretty steady for us.
We have lost some business to our customers, our
bearings suppliers because they have lost business
themselves and that has cut into our share of the market for
just the ball product.

COMMISSIONER KOPLAN: Thank you.

Mr. Potts?

MR. POTTS: We've experienced pretty much the same
thing. We're a very small company and basically although
the economy has softened and I'm sure that's been some
effect, we've actually had some of our long-time suppliers
come to us almost apologetic and saying we have to use these
Chinese bearings.

So it's not so much about segments, it's about
relationships with people that we've built up over years.
Like I said, almost apologetically they come to us and say
here's the prices.

We tell them, when problems come up come back and we'll
do what we can to get you going again, but that's about all
we can do.

So the answer is yes. We've lost exactly to named
customers.

COMMISSIONER KOPLAN: Thank you.
Have I missed anyone? Apparently not.

Let me ask a follow-up to this if I could. I know that the industry witnesses did not have access to much of the data in the staff report because its business proprietary information. However the staff report shows that over 2000 to 2002 U.S. producers, U.S. shipments by value declined by a similar amount as U.S. apparent consumption by value.

Why should we conclude that the decline in U.S. producers' shipments was caused by subject imports and not by a decrease in demand? Once again I'd like to hear from the industry witnesses. I can take them in the same order that you responded to the first part of this question. And if again, you would each identify yourselves for the record so the reporter can get that.

MR. BRINKMAN: This is John Brinkman with NSK Corporation.

Again, I do not have access to the information but my general feeling on that is that we saw a shift in product mix, so that we saw a shift into, as I mentioned, the automotive business was fairly strong and the wheel hub unit business that we supply was fairly strong, and we actually had some new platforms that we launched in that timeframe. We actually expanded one of our facilities in Franklin, Indiana during that timeframe.

At the same time, as I mentioned, our Clarinda, Iowa
facility, we saw reductions that were just staggering, in
the neighborhood of 50 percent reductions, well below any
type of lost business or reduced demand.

MR. FLYNN: This is Pat Flynn from Freeway Corporation.
Speaking for our customers, and I guess that's where I
have to keep this answer to, is that basically we found that
our customers were not losing business. Their business was
growing. The problem was because of the price situation
that they would come to us, similar to what the other
industry people have said, stating that the price of the
Chinese import is so attractive, even though we've had a
longstanding relationship and we are growing our business,
for us to be able to stay in the business we're going to
have to move to the Chinese, or if you can meet the price.
At some point you get to where the price is just non-
competitive.

So the market from our standpoint hasn't really gone
down. What's been going on from Freeway's standpoint is
that we're losing share. We lost over 20 percent from last
year to this year in the bearing business solely because of
price. Not because the customers were seeing a reduction in
their demand. That was growing. We were losing it in the
marketplace.

COMMISSIONER KOPLAN: Thank you.

MR. PEDEMONTI: Paul Pedemonti from Timken.
As I said earlier, if you take a look at our Rockford, Illinois plant which makes the 6200 series, we went from three shifts running seven days a week to one shift. That is certainly a drop greater than the decline from the economy.

In our Pulaski, Tennessee plant we have dedicated lines that make mower deck bearings that can produce a million, 1.5 million pieces, and that is running at 50 percent capacity today because of orders we have lost to the Chinese.

COMMISSIONER KOPLAN: Thank you.

Madame Chair, would you indulge me to let the others respond as well?

CHAIRMAN OKUN: You've got at least one person with their hand up.

MR. MALMSTROM: Sten Malmstrom, SKF.

I would prefer to be specific rather than general. The cases that I mentioned are three automotive tier suppliers. The reason they supply -- two applications. One is the so-called hanger bearing and the other one is in the transfer case. These are primarily used for pickup trucks, light trucks of all kinds. If you look at the statistics for USA 2001 and 2002 you can see that the portion of light trucks compared to passenger cars continued to increase.

On top of that the whole industry had a good year.
So the reason why we lost them is price only, but that's volume that the customers increased at the same time. The industry did not have a decline. On the contrary.

COMMISSIONER KOPLAN: Mr. Flynn?

MR. PFIZENMAIER: Carl Pfizenmaier.

As far as the component, the ball, we follow the bearing industry and agree that the business is growing. They're losing business, we lost business, and where we supply directly it is strictly price. Anywhere from 30 to 40 to 50 percent below what we can supply it for.

COMMISSIONER KOPLAN: Thank you.

MR. POTTS: Larry Potts with National --

COMMISSIONER KOPLAN: Yes, sir.

MR. POTTS: Our long term customers, really their volume wasn't going down, it was a stable business. They might have even been taking some market share growth, and it was kind of one of our bread and butter customers really that we could count on over time. So that just went away. It wasn't a matter that the economy had forced them down or whatever, that just disappeared.

MR. GRACE: Mr. Commissioner, David Grace, Covington & Burling. With your permission we'd like to address this further in the post-hearing brief because part of the explanation I think comes out of that confidential information, and one key element of course is the trend of
imports during the same time period and the impact they've had, and these witnesses can't testify to all of that data.

COMMISSIONER KOPLAN: Mr. Grace, I would welcome that. I think I've heard from everybody. I want to thank you, Madame Chairman, for indulging me.

Before I conclude, I would just like to note that I've observed that one of our future colleagues, Dan Pearson, is in attendance. I'm impressed that he's already preparing himself after easily clearing the Senate Finance Committee yesterday. I'll look forward to the time that he's able to join us on the dais. Welcome, Dan.

Thank you Madame Chairman.

CHAIRMAN OKUN: Thank you.

I guess before, Commissioner Koplan mentioned we are constrained in our questions a great deal because so much of the record at this point is confidential and the industry witnesses have not seen it so I've been trying to structure questions to allow the industry to answer things without having to use it, but I'm finding it difficult to do that. Of course the data is going to change before the final so we have all those things to look forward to.

One question which is of course best put to Respondents but I'll ask you, Mr. Applebaum, which has to do with commerce, the Respondent Ningbo Cixin Group, it was found to be de minimis.
I know in the briefs you have attempted to take out what you thought was representative of that Respondent's data and I wonder if you feel confident, because I'm not sure we do yet, in determining exactly who that Respondent was in terms of our foreign producer questionnaires, if there's anything you want to put on the record here, and of course I will be talking to Respondents about it as well.

MR. APPLEBAUM: I think what we can say about that is in our pre-hearing brief. We've tried to take them out. My recollection is that not all of their importers provided questionnaire responses which makes it a bit more complicated. But we have endeavored and continue to endeavor and work with the staff to take out those imports. We recognize the one de minimis company should be taken out.

CHAIRMAN OKUN: Okay. I will continue to ask for comments on that obviously as we put the final data set together because it does seem somewhat confusing as to who has reported what.

Let me then turn -- First, one question for Mr. Wechsler, just to follow up on the demand questions and the industry witnesses may know as well.

Are there any industry publications out there that would have demand statistics cited that could be put in the record if they're not already in there?

MR. SZAMOSSZEGI: Unfortunately for demand for this
particular sector, the one publication MA332Q that Commerce puts out, that has very specific data on demand, but unfortunately it's about a year and a half behind. So probably the best thing one could do as a proxy is to look at the industrial production statistics, primarily of ball bearing using industries and those are available from the Federal Reserve. Unfortunately there is not a specific industrial production index for ball bearings alone. So we're kind of constrained.

CHAIRMAN OKUN: Okay, that's helpful to know because I guess one of the things I was hearing at the end in response to Commissioner Koplan's question was a little bit for me, because it's a mix between what the record shows about apparent consumption and what you were describing as some of the situation your customers were in where demand seemed to be good for them. I'm just trying to make sure that I understand it. I guess one way to get to that question is we have collected data with regard to where U.S. shipments go about end users and I know a lot of you have spoken about the automotive sector in responding to questions about lost sales to the Chinese. I think it might be helpful just in the public session if I could have each company representative tell me a little bit more about where, if they can in the public session,
where their sales are concentrated in terms of percentage in
again, the automotive sector because you've talked about it
a lot, the aerospace sector I've heard mentioned as well.
Just to help give me a better sense of the companies here.
And again, we have collected information for the record, but
since a lot of you mentioned it I wanted to hear what you
had to say about it.

MR. BRINKMAN: Our business in the United States is
approximately, again, please treat this as an approximation.
I'm doing this off the top of my head. But I'm guessing
that it is approximately 60 percent automotive -- and you
have to understand that that mix has changed as this
investigation, through the period of this investigation.
We have three basic segments of business. We call it
automotive, the OEM or non-automotive OEM, and then the
industrial aftermarket business.

Our automotive business has been stable, slightly
increased over the period of investigation. The industrial
aftermarket business stable, slight increase. The
industrial OEM business has dropped dramatically -- not only
in units but in many cases for us to protect the business
our customers came to us and specifically stated that our
business would be pulled unless we met Chinese pricing which
in many cases, I can give you specific information in a
post-hearing submission, but we're talking 30 to 40 percent.
That we either had to make a decision as an organization to maintain that business at 30 to 40 percent less than what we were selling it for, or walk away from it and lay off more people.

CHAIRMAN OKUN: Okay. Other industry representatives?

MR. FLYNN: Pat Flynn from Freeway Corporation.

Our company has three different product lines, if you will. We have washers, stampings and bearings. At one time each of the product lines were about equal to each other. Right now our bearing operation is about maybe 20 percent where it used to be much higher, obviously.

Most of our business in the bearing area is non-automotive, so we're sort of out of that arena. A lot of our parts go into the overhead garage door industry and to some degree bicycles, toys, that sort of thing.

What we have found, again just to repeat a record here, is that the demand for our type of parts has not really gone down in the industry. Our ability to supply demand has gone down because of pricing specifically.

CHAIRMAN OKUN: The back row.

MR. PEDEMONTI: Paul Pedemonti from Timken.

If you look at our business, about 50 percent of it goes to OEMs and 50 percent or it goes to the aftermarket.

If you look at the OEM markets we service, agricultural is a big one; industrial equipment is a large one, and in that
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you would include lawn and garden, household appliances, games, sporting equipment, that type of thing.

Consumer equipment is the second or third largest market we serve and that would be hand tools, air tools, small kitchen appliances, that type of thing.

And aerospace. Aerospace both in aircraft control and from main shaft and gear box bearings.

So that's the OEM side.

We do supply the auto industry with steering column bearings, not the 6203 type.

In the aftermarket, it's half our business and it's very difficult to get to what markets the aftermarket serves, but we do know it serves all the ones that ball bearings go into OEM. There is an agricultural aftermarket. Obviously there is a sporting good aftermarket, replacement of bearings. So it's difficult to break out the different markets in aftermarket, but it is 50 percent of our business.

CHAIRMAN OKUN: Mr. Potts or Mr. Malmstrom?

MR. MALMSTROM: A big portion of our sales in the United States is seals, 250 million roughly. So if you take out that, automotive, OE represents about 40 percent of the business and the rest is roughly evenly divided between the remaining industrial OE and the industrial aftermarket.

Our sales to the automotive industry has developed

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quite nicely in the more sophisticated applications like wheel, hub bearing units, generation two and three which contains phalanges and all kinds of things including sensors. While the less sophisticated, which I referred to a couple of times, hanger bearings and transfer cases and things like that, have had a very bad development. Not because of the industry but because of losses.

In the industrial OE it is more difficult to give specific examples of a lower number of small things, but you add them together it makes a big sum. But it's not as dramatic yet as in the automotive industry.

CHAIRMAN OKUN: Okay.

MR. POTTS: Our business is broken up. We're talking about unground radial bearings here. Total automotive sales is about 30 percent probably. Unground radials would have applications like seat tracks and things of that nature in cars. So that's what that would be.

We not only supply unground radial bearings, we also supply washers and thrust retainers. Several of those would go to automotive. Most of our unground radial product goes into furniture, power tools, appliances, things of that nature. That's the breakup pretty much.

CHAIRMAN OKUN: Okay.

MR. PFIZENMAIER: As far as Hoover is concerned, it's difficult to look at this way but we supply, about 70
percent of our product goes directly to a bearing supplier and as they use it we don't know the application all the time.

About 15 percent of our business is direct to the automotive people, however that does go into bearings, but it's direct to an automotive account.

About 15 percent of our business goes into linear, aircraft, miniature bearing people, and balls, that type of thing.

So for this hearing most of it is supplied directly to the bearing user.

CHAIRMAN OKUN: Okay. That was very helpful. It was going to be a lead-in to my next question but I'm out of time so I will turn to Vice Chairman Hillman.

VICE CHAIRMAN HILLMAN: Thank you Madame Chairman. I too would join my colleagues in thanking all of the witnesses for being with us this morning and for the tremendous amount of information submitted in your pre-hearing briefs. It's very helpful to us.

Let me start first with really just some basic kind of data questions. Perhaps to you, Mr. Applebaum or Mr. Wechsler.

The Commission obviously in its report tabulated data separately for complete bearings, and then for balls and then for other parts and totaled them. Which should the
Commission focus on and why? What gives us the best picture of both the domestic industry and its competition with the Chinese imports?

MR. SZAMOSSZEGI: Andrew Szamosszegi. I'm with LECG. I'm sorry, can you repeat the question again?

VICE CHAIRMAN HILLMAN: The Commission data is broken down into completed ball bearings, ball and other parts.

MR. SZAMOSSZEGI: Okay.

VICE CHAIRMAN HILLMAN: I'm trying to get your understanding of which of those data sets gives us the best picture of what's going on in the industry and its competition with Chinese imports.

MR. SZAMOSSZEGI: I think that you need to look primarily at complete ball bearings. Those are the people who not only are dealing with the end users but they're also the people who are buying from the ball producers and the other part producers.

It's also useful to compare what is going on between, or with the ball producers vis-a-vis China and with the parts producers vis-a-vis China. But the most complete picture is with the complete bearings.

Plus if you aggregate everything together then you're basically counting the balls twice, counting the rings twice. So I think that's why methodologically the best thing to do is to focus on the complete bearings.
VICE CHAIRMAN HILLMAN: I appreciate that.
Along similar lines, it goes to this question of whether we should be focusing on the value of imports or the volume. As you know, I'm sure, Mr. Applebaum, in most all of our bearing cases we have focused on value because there is so many different products over such a very wide range of size, cost expenses, et cetera that we have as a general matter, the Commission has historically not found it useful to focus on a numerical count of the quantity of bearings produced or imported and have traditionally focused on value.

Yet if I look at the import statistics that we've got, the official statistics, they obviously show a divergent trend in terms of what happened on a volume basis versus what happened on a value basis. Again I'm trying to understand from your perspective which of those two. Should we be focusing on the number of units or on the dollar value of those units in looking at the data and why.

MR. APPLEBAUM: Let me comment and then ask the LECG group to comment further.
In the prelim we gave you reasons why we thought you should look at volume as well as value. We recognize the Commission's history on this. We tried for the most part to give you both, both volume and value, but we do not believe you should look or rely exclusively upon value.
Let me ask either of my LECG colleagues to respond further.

Mr. Wechsler: There are problems with any one of the measures you use. So ultimately you have to look at all three and just try to get a best picture.

You pointed out the problems with the numerical or volume measure. You equally weight things of far different value. The problem with the value measure is that we have a case of unbelievable pricing, dumped pricing on the part of the Chinese and fire-sale prices, and if you look exclusively at value measures you're basically factoring in the dumping and distorting your measures to the benefit of Respondents, rewarding the very act that's under investigation. So there's a problem.

What makes it a little easier in the final investigation than it was in the preliminary is that with more complete data the trends are similar. They're more pronounced in terms of increases if you do it in volume terms, but even in value terms the imports on the measures I was looking at are increasing over the period of investigation regardless of whether it's a growth year downstream or a recession year.

So I think that makes it a little bit easier.

Vice Chairman Hillman: -- different on whether you're looking at questionnaire data or whether you're looking at
official import statistic data.

MR. WECHSLER: We'll go through that in the post-hearing brief.

VICE CHAIRMAN HILLMAN: I appreciate that.

Mr. Stewart?

MR. STEWART: Thank you, Commissioner.

This case is different than the other bearing cases you've had in that the Commission has gone out and gotten information on volume based on size. And so you have the ability to compare movement of product within size ranges and that was sought by our friends on the other side, but it helps you provide a useful, I think, evaluation of just how rapid the increase is in certain size ranges.

It's my understanding as well that the preliminary staff reports had not yet incorporated the December data, so some of the differences on import statistics could be attributed, and trend lines, could be attributed to that. And as we had identified in our pre-hearing brief, the coverage of the import community that reported to you is declining over time vis-a-vis the import statistics. So part of your challenge in looking at data is that if you rely on the questionnaire responses you go from I believe half of the imports in 2000 to under 40 percent of the imports being covered in 2002. So what may be true of some clearly is not true of all.
So we agree with Mr. Wechsler that value and volume have similar trend lines, certainly at the import statistic level, and we believe a fair evaluation of what is in the questionnaire responses.

VICE CHAIRMAN HILLMAN: I appreciate the answer on size. I'm always a little reluctant to rely on data at that cut. This goes to my next question really more to the industry which is this issue of the importance of the ABEC rating and the differences in the quality of the product.

My first question is we priced, the Commission in this case as we've tried to do in cases in which there is a very wide variety of product. There's just hundreds or thousands of different bearings we're looking at within the scope of this investigation. We priced a fair number, 15 products is a fair number of products to seek data on. Partly, though, we broke out ABEC-1 rated product from ABEC-3 rated product. In other words the same bearing but in an ABEC-1 rating versus an ABEC-3 rating.

Yet none of the industry provided any data on ABEC-3 bearings. I'm trying to understand why that's the case. Do you not produce them or do you not price them differently? Help me understand the difference in terms of both your production and your pricing and your marketing and your sales between an ABEC-1 bearing versus the same version of an ABEC-3 rated bearing.
MR. BRINKMAN: John Brinkman from NSK Corporation.
To answer your question I think we need to actually not just look at ABEC-1 versus ABEC-3 but ABEC-1 versus all of the other precision-level bearings -- 3's, 5's, 7's, 9's.
At this point in the United States we produce, of the bearings we produce in the United States 99.9 percent are ABEC-1. Of what we sell globally is in the neighborhood of probably 80-90 percent of ABEC-1 product. We have some ABEC-3s, 5s, 7s, but mostly for the machine tool industry and those products are produced in Japan.

VICE CHAIRMAN HILLMAN: Anyone else want to comment on the issue of ABEC-3?

MR. MALMSTROM: Yes, Madame Commissioner.
With the exception of the aerospace bearings which are really specific and machine tool bearings, I would say we have exactly the same, well almost the same figures as NSK. The majority of all bearings consumed in the United States, ball bearings, are ABEC-1. I haven't a precise figure in my head but I would guess it is at least 80 percent. All the bearings that we have lost to the Chinese are ABEC-1 bearings.

VICE CHAIRMAN HILLMAN: Mr. Pedemonti, did you want to comment as well?

MR. PEDEMONTI: Yes. We're similar, 95 percent of what we sell is Class-1 or ABEC-1 bearings and the realistic
issue is that there is no demand for Class-3 in most
applications. The only application that we make a Class-3
bearing for is an aircraft generator bearing. Other than
that, the demand from customers is not there for a Class-3
bearing.

VICE CHAIRMAN HILLMAN: So an ABEC-1 and an ABEC-3
bearing would typically not compete with each other.

MR. PEDEMONTI: Correct.

MR. APPLEBAUM: Commissioner, let me also point out
that, and we did tell the staff this before the
questionnaires were developed, and any of the industry
representatives can correct me if I'm wrong, but we've had a
lot of colloquy with the staff over this. The industry does
not keep any separate records on ABEC-3 for the reasons
you've heard. They don't consider it sufficient -- So the
fact they didn't provide ABEC-3 information is simply
because they don't keep it.

I think if you want some of them can explain why a
customer may ask for it, as I understand it, ask for ABEC-3
when it's really an ABEC-1 product and they will tailor it
to whatever -- But they don't separately track that kind of
information.

I think you're hearing the reason why is the vast bulk
of their sales are ABEC-1. But if any of the industry reps
want to either correct me or elaborate on that they can.
MR. PEDEMONTI: Paul Pedemonti from Timken.
We do track Class-3 sales separately. And again,
that's primarily our aircraft generator bearings. In this
case we do track our Class-3 sales and it's less than a
couple of percent.

VICE CHAIRMAN HILLMAN: Okay. And generally from the
industry folks what I'm hearing is either you do not make it
or to the extent that you do it is not a separate item.
It's not kept separate. It's not segregated within your
plants, within your production facilities, within your
marketing.

MR. BRINKMAN: We actually sort for higher tolerance
products. If a customer demanded an ABEC-3 product we can
produce that in our Clarinda, Iowa facility, for example.
But we would manually sort for that product. The tolerances
--

VICE CHAIRMAN HILLMAN: It's a custom order kind of
thing.

MR. BRINKMAN: It would be a customer order and would
command a higher price. Absolutely.

VICE CHAIRMAN HILLMAN: And typically how much higher?

MR. BRINKMAN: It would depend on the size of the order
and it would depend on a variety of other factors, and the
size of the bearing.

VICE CHAIRMAN HILLMAN: I see my red light is on.
CHAIRMAN OKUN: Thank you.

Commissioner Miller?

COMMISSIONER MILLER: Thank you, Madame Chairman, and thank you as well to all the witnesses for being here today. I found your answers to questions so far very useful and interesting. And now particularly after the last exchange, I'm kind of going okay now, I've got to figure out how to ask you this next question I want to ask you. Because obviously in some of these requests for data we were trying to get at the arguments being made about low end versus high end bearings.

So now you're telling me ABEC-1 doesn't really -- It sounds to me like that's not going to mean much to me in terms of understanding applications. But I know there must be some difference between a bearing that costs 30 or 40 or 50 cents and a bearing that costs $4 or whatever.

So help me understand, even if you dispute as you obviously do where the Chinese, that the Chinese aren't competing, and I understand that, still help me understand the bearing industry a little bit better in terms of low end, high end. What are low end versus high end if we toss those terms around within perhaps an ABEC-1? Understanding your aircraft bearings, the bearings that go into the aerospace industry. I get that. But take me back and help me understand what you perceive as low end versus high end.
MR. BRINKMAN: Maybe the best analogy I can give you is what do you use the bearing for? What are the speeds, what are the RPMs on the bearing? The higher the RPMs the longer it's going to run at those RPMs, et cetera, the more precision the bearing has to be.

A steering column in your automobile. If you were a manufacturer of steering columns you will try to use the lowest quality product possible to meet the requirements of your application. So if they are using an ABEC-3 bearing and they could use an ABEC-1, they're going to use an ABEC-1. We try to sell them an ABEC-1, but my counterparts are going to try to sell them an unground bearing to use to do the same thing.

The bearing oscillates. It does not rotate when you're in a steering column. So the higher the application --

So a machine tool that has 10,000 RPMs and needs to index that machine very quickly, very specific, that's going to require a higher ABEC rating and a more precise bearing.

COMMISSIONER MILLER: Then the higher ABEC rating I understand, but you're telling me 99 percent of your products are ABEC-1s so what's the difference in the precision? What makes it a difference in the precision of the bearing that --

MR. BRINKMAN: Sphericity of the balls, the raceways, the super-finishing of the raceways, disbursity of the
balls, the tightness of the, I don't know how to explain this.

COMMISSIONER MILLER: Is it all in the manufacturing essentially?

MR. BRINKMAN: Absolutely. It's the tolerances. You all know what bearings are, the inner ring, outer ring, cages, seals, et cetera. So it's a matter of tightening and tightening and tightening those tolerances using the most round balls that you can, et cetera.

MR. PEDEMONTI: When you look at ABEC ratings in a Class-1 versus like a Class-7, if you look at the tolerances when you grind the outer ring it's like zero to 5-10,000ths of an inch where a Class-7 bearing it's zero to millionths of an inch.

If you look at the balls in a Class-1 bearing they will be round to let's say 25 millionths. If you look at the tolerance on a ball in the Class-7 it will be round within five-millionths of an inch.

COMMISSIONER MILLER: So within the ABEC ratings you have the classes that may reflect the differences in the manufacturing process and that lends the precision so to speak?

MR. PEDEMONTI: A Class-1 bearing, let's say the grinding operations. On a Class-1 bearing you might use the same type of machinery but you might use different grinding
wheels, different coolants. You would grind at a different speed because you're trying to get a better finish on the race and you're grinding to much smaller tolerances.

COMMISSIONER MILLER: And that all basically determines the kind of application that the bearing can go into?

MR. PEDEMONTI: Well the application determines what kind of bearing is used. For instance a machine tool spindle where you're trying to machine or grind things very precisely would use a Class-7 bearing typically. On an electric motor which doesn't need a lot of precision, would use a Class-1 bearing. As many applications in the world use Class-1 bearings.

MR. GREENWALD: Excuse me. When he says Class-1 he means ABEC-1.

MR. PEDEMONTI: ABEC-1. I'm sorry.

MR. GREENWALD: Class, ABEC-7 is Class-7.

COMMISSIONER MILLER: So there's not a breakdown within --

MR. PEDEMONTI: No. I'm saying ABEC-1 and ABEC-7.

COMMISSIONER MILLER: All right.

I think that helps me. I don't know. It may tell me that some of this detail doesn't really inform my decision all that much unfortunately. Maybe the information we have on markets by application is perhaps more informative.

MR. PEDEMONTI: These particular bearings right here
are Class-1 6203 bearings. Both Timken and Chinese. That's what we're talking about here, Class-1 bearings. Now there might be a little oil on those so when you get rid of them you might want to wash your hands a little bit.

But if you look at these, they look the same. Cosmetically they look the same. And if you spin them which most people do, they will feel very smooth. So that's a Class-1 bearing, 6203, that is typically used in an electric motor.

If you take a look at the charts that we passed out that show, the interchange chart. You will notice on one of those pages there is a whole section of 203 bearings. It's basically the same bearing that you have, it's a Class-1 bearing, but it might have different seals, it might have different grease because the application is an agricultural application. So we would change the seals or grease. They're both Class-1 bearings. So the application determines what kind of a bearing is used, but most bearings and most industrial applications are Class-1.

You can take that same bearing that I passed around and we would make that in a Class-7 version and that would be for machine tools. So the application typically determines what ABEC precision you use.

COMMISSIONER MILLER: All right.

MR. BRINKMAN: If I can elaborate one other comment.
There is not, in an automobile -- every application of a ball bearing in an automobile there is not one bearing that's above ABEC-1. We all think of an automobile as being fairly precise, we all trust our safety to it, all the rest of that. So I think that puts it in perspective hopefully.

COMMISSIONER MILLER: Thinking about some of the other products that have been sort of discussed as products that use the Chinese bearings, for example, in-line skates I think. I just recall seeing that. Is it a different bearing than the one that's in my steering column in my auto, or is it the same kind of bearing?

MR. MALMSTROM: No, it's a different bearing. The kids who like in-line skates they always ask for ABEC-3 or ABEC-5. I'm sure they could do very well with ABEC-1 but that's not the issue. They always ask for ABEC-3 and ABEC-5. And this is a good business, I can tell you. (Laughter)

COMMISSIONER MILLER: Okay. That was a bad product to choose. Maybe there's another one.

MR. PEDEMONTI: One other comment. The 6203 that I passed around is used in every alternator in every car. That same 6203 is used on to support the rollers of a treadmill. So when you go exercise and you're on that treadmill, those rollers are operating on 6203 Class-1 bearings, the same bearing that goes into an alternator of a
COMMISSIONER MILLER: That's been very helpful. I have another sort of big picture question which I hesitate to go down because I'm sure I'll end up having the light come on, but I'm going to head down that way anyway. The question is this. I think Mr. Wechsler may have referred to the Respondent's description of this industry as, you may have said it was fictional I think or something like that. A fictitious industry. So I want to get the real picture if I could. To the extent -- I knew this was going to happen and this is not a quick question. I will come back to ask the companies that do have worldwide operations basically to describe their company's approach to their international operations. Basically the Respondents talked about the global rationalization of the industry and I just want to ask the companies here that participate in it to describe their company's operations. Shall I go ahead and let them start?

CHAIRMAN OKUN: You may as well start.

COMMISSIONER MILLER: Mr. Brinkman, why don't we start with you?

MR. BRINKMAN: We're the largest ball bearing producer in the U.S.. We have basically four, the way NSK looks at our business globally is we have four regions. We have the Americas, we have Asia, we have Japan since we
are a Japanese-based company, and we have Europe. Each one of those areas based on the demands that are going on in the industry, et cetera, we have developed different marketing strategies, different product strategies, different manufacturing strategies to support those markets.

In the United States we have four plants. One in Iowa, two in Indiana, and one in Ann Arbor, Michigan. About 80 percent to 90 percent of what we sell is made in the United States. So we do not have a low cost factory that we pull from in a different area of the world.

Now our Asia market does have other factories in that market that were built to support those markets. As Japan started to hollow out and companies started to move to Thailand and the Philippines and Singapore and other Asian countries, we followed and went into those countries as well. We also have manufacturing in China to support the Chinese marketplace as the growth of China is occurring, but we didn't build that factory to support the U.S. market.

COMMISSIONER MILLER: That's the kind of description of your company that I want and I will ask the other companies for it next time around.

Thank you.

CHAIRMAN OKUN: Commissioner Koplan.

COMMISSIONER KOPLAN: Actually this is a road I was about to go down so I appreciate you getting it started.
wasn't sure whether you'd leave me anything on this question. I have a little bit left.

Let me pick up on that if I can this way. Respondents are arguing in their pre-hearing brief at page nine, and I'm quote, "The ball bearing industry has rationalized production globally with high end bearing production located largely in advanced economies like the United States and commodity grade bearing production located largely in developing countries, particularly in Asia and in Eastern Europe."

Later in the brief they state at page 20, "Indeed as we explained in the section above regarding the global rationalization of ball bearing production, commodity grade bearings are no longer produced in the United States to any significant degree."

I have wanted to hear from each of the industry witnesses that responded to me on my first round on this, and I know that began with you, Mr. Brinkman. What I'm trying to follow up on is I'd like to hear what global operations you all have, and do you produce low cost bearings, for example, in developing countries?

If I can pick u on this and go through the industry witnesses, and I know you started with me the first time, Mr. Brinkman, so --

MR. BRINKMAN: I'd be happy to follow up with that.
I think to answer your question in a different manner, what you specifically mentioned was that the comment was made that we do not make commodity products in the United States. That's totally totally false. Our Clarinda, Iowa plant is the largest producer of 608s in the United States. Those 608 bearings go into small electric motors as well as your skateboards. So we don't sell that marketplace. We believe that marketplace doesn't even require the precision level that we make in that facility, but those are what they would deem as commodity bearings and we make what we sell in Clarinda, Iowa. Do we have other factories around the world that produce those? Absolutely. But they're not, those factories weren't built to support the U.S. marketplace. On the other hand we have a factory in Ann Arbor, Michigan that produces integral shaft bearings that go into water pumps primarily for the auto industry. That's the only factory in NSK's global family that produces that product. So we do have factories that have very unique products that are not produced anywhere else in the world.

COMMISSIONER KOPLAN: Thank you.

I would mention, I can't get into the details because it's BPI but they do cite the details of a particular importer's questionnaire response as a basis for what they're saying. As I say, I can't get into the details.
because it is BPI.

If I could also hear from Mr. Malmstrom from SKF.

MR. MALMSTROM: Yes, Mr. Commissioner. I really don't know what you mean by a low commodity bearing. By the way, I hate the word commodity because that's what the purchasing guys use all the time.

COMMISSIONER KOPLAN: Is there anything you like about my question?

(Laughter)

MR. MALMSTROM: We don't produce any bearings below ABEC-1 anywhere in the world. Unless it is a newly acquired factory, in particularly in the former Eastern Europe. These bearings are not allowed to have an SKF trademark. Only bearings which are qualified, they come to our standards, have the right to have an SKF trademark. And as I said, all our bearings with an SKF trademark are ABEC-1 or higher.

The bearings, the factories that we have, and we have about 80 factories around the world, they are mainly used for domestic consumption.

So we also have a couple of Chinese plants. Today 100 percent of the production is consumed in China. India is about 80 percent. Then in Europe we can unfortunately not import ball bearings to this country because, well we can but it's difficulty with low prices because as you all know,
members of the Commission, there is dumping on the --- ball bearings from Germany, Italy, and France.

COMMISSIONER KOPLAN: Thank you for that. I would also like to hear from Mr. Pedemonti from Timken.

MR. PEDEMONI: We'll start with unground bearings. We make them in Syracuse, New York under the brand name Killian. We also have a small facility in Canada.

All ABEC-1 bearings manufactured by Torrington today are made in the United States. All our ABEC-7 bearings are made in our Shiloh facility in North Carolina, and we have a small manufacturing facility in England for ABEC-7 bearings. That's, most of our product is made in the United States.

COMMISSIONER KOPLAN: I was interested in hearing from Mr. Flynn, Mr. Pfizenmaier and Mr. Potts as well.

MR. FLYNN: Pat Flynn from Freeway Corporation. Our plant for bearings is 100 percent in the United States in Cleveland, Ohio. So we really don't come into the arena of international.

COMMISSIONER KOPLAN: Thank you.

Mr. Pfizenmaier?

MR. PFIZENMAIER: As far are Hoover, we are a wholly-owned subsidiary of Subaki Nakashima. In Japan there are two facilities manufacturing balls. We also have four manufacturing facilities in the United States -- Georgia, Tennessee, Michigan and Connecticut. We have one in Mexico.
We have one in Hungary and we have one in Poland.
The two Eastern European companies that we recently purchased within the last three years, Poland as a matter of fact last week, are to supply the European market.
The U.S. manufactures, again I say they supply the bearing industry and so goes the bearing industry so goes the ball industry. Our Japanese owners are also being affected very very strongly by Chinese imports. We also have an operation that we recently opened up in China to supply the Chinese market. But overall, we are being attacked on all fronts by the Chinese product as a direct ball, as well as the bearing industry.

COMMISSIONER KOPLAN: Thank you.

Mr. Potts?

MR. POTTS: Yes, we have the one plant in Pennsylvania, so everything we manufacture is out of that plant in Pennsylvania.

CHAIRMAN OKUN: Mr. Wechsler?

MR. WECHSLER: I just wanted to say that Mr. Malmstrom's criticism of the use of the word commodity was directed at my testimony, not your question.

COMMISSIONER KOPLAN: The record will show that.

MR. WECHSLER: In addition to the very specific factors that have answered the globalization fantasy of the Respondents where they suggest that this case is a stalking
horse for overseas production, related production. After several years of speculation there has finally been a significant non-transient appreciation of the Euro against the U.S. dollar, and that provides yet another macro reason beyond what you've just heard why such a benefit to related non-subject production is not in the offing.

COMMISSIONER KOPLAN: Thank you, Mr. Wechsler, and I thank each of you for your responses. That includes you, Mr. Malmstrom. I appreciate that very much. I have this last question.

Respondents argue that Chinese ball bearings compete most directly in the United States with non-subject imports and not with domestically produced bearings. In support of this claim they state at pages 19 and 20 of their brief, and I quote, "The Commission staff asked purchasers of Chinese ball bearings whether the most competitive alternative to the Chinese ball bearings is most often imports from another foreign source or domestic ball bearings. Many purchasers were unable to answer this question because they do not purchase ball bearings from China, a fact that by itself demonstrates the market segmentation of the ball bearing industry. However, 18 out of 19 purchasers who were able to answer the question, or 95 percent, responded that imports from other countries were the most competitive alternatives."
Again, I'd like to hear from the industry witnesses comments on this statement. In particular I'm interested in the degree of competition between U.S.-produced bearings, subject imports, and non-subject imports. For example, in what sectors do you face the most competition from subject imports? Do non-subject imports compete in these sectors also? The more detail you can provide the better.

I see my yellow light is on, and that will take awhile, so I'd just like you to think about it until it comes back to me on the next round.

Thank you very much, Madame Chairman.
CHAIRMAN OKUN: I was just going to ask a non-subject --

Mr. Brinkman, you're important question, so I might let you respond. In fact, I will go back and just have you respond to Commissioner Koplan's question about the competition was not on subject imports.

MR. BRINKMAN: The question is: do we import any non-commodity products from those --

CHAIRMAN OKUN: Well, other bearings. In other words, what I thought I heard you respond to was everything in the ABEC 1 -- and that's 99 percent what we make in the U.S. -- that's what we're selling. We're not getting that from our overseas -- from any of the overseas companies.

Are you getting other products from them, other bearings subject products?

MR. BRINKMAN: We do import products from our sister company, factories in Brazil, in Japan. We've occasionally imported products from China for specific customer requirements. We've also imported products from our other factories in Poland and Indonesia.

But those products, again, would be in the ABEC 1 variety, etcetera.

CHAIRMAN OKUN: They would?

MR. BRINKMAN: Yes, absolutely.
CHAIRMAN OKUN: It would be ABEC 1.

MR. BRINKMAN: Now, the ABEC 7 product that we supply to the machine tool industry, as mentioned earlier, is exclusively produced in our factories in Japan, so as Stem mentioned, you know, we are also subject to duties that we pay on that, substantial duties that we pay on that product.

CHAIRMAN OKUN: Okay. Mr. Pedemonti.

MR. PEDEMONTI: We don't have any facilities outside of the United States that make --

CHAIRMAN OKUN: I'm sorry. I knew you asked me that.

MR. PEDEMONTI: -- that one, so we don't import any.

CHAIRMAN OKUN: Okay. Sorry. Mr. Malstrom.

MR. MALSTROM: Yes. We import bearings from -- a lot from Europe, automotive wheel bearings. Often there is a combination that we produce part of the bearings here in the United States, and then we import the rest from Europe to get a balanced picture.

As I said before, we only import ABEC 5, 7, etcetera, for machine tool application, and those are produced in Italy.

CHAIRMAN OKUN: Okay, so you're ABEC 5 and 7 are what you're bringing in?
MR. MALSTROM: Yes.

CHAIRMAN OKUN: Okay.

MR. MALSTROM: The bearings for the aerospace industry are all produced in Jamestown and Falconer, New York, and they are -- they could be anything from ABEC 1 to ABEC 9 depending on the application, but they are not -- we don't import any bearings for aerospace applications. They all are produced here.

CHAIRMAN OKUN: Okay. Did I miss anyone on that?

No, okay.

Then now if you could go to Commissioner Koplan's questions and, of course, what I'm most interested in is the price competition with non-subject imports, the nature of that competition and whether it varies by segments as well.

So we can either start with Mr. Brinkman because you've got your hand on the microphone -- go ahead.

MR. BRINKMAN: Sure.

If I understand your question correctly, we do compete with non -- you're talking about countries that are not named in previous --

CHAIRMAN OKUN: Right. I mean, obviously in this record there is a large number of non-subject imports of subject products. And one of the questions is, you know, how are those different. I mean, in other words, the case is not being brought against imports from those other...
MR. BRINKMAN: What we found is that the -- we feel that out of tool and die, we'll plan a lot of our Ann Arbor plant. We can compete with fair competition. What we have seen is that the only true unfair competition in the marketplace has come from China.

We have not -- I mean, whether it be from a non-named country; whether it be Indonesia; whether it be Poland; whether it be Czechoslovakia; whether it be Romania, we compete with that product out of our domestic factories, and I think we compete head-to-head with those.

But what we have seen from China, it's astronomical the levels and the erosion of price from that country specifically.

CHAIRMAN OKUN: Let me just ask you on that.

MR. BRINKMAN: Sure.

CHAIRMAN OKUN: I mean, is that because you believe that the prices of the non-subjects are equivalent to U.S. prices or because Chinese products are just substantially "unselling" even the non-subject? I mean I'm trying to look at our record and make sure I understand what --

MR. BRINKMAN: I have an opinion.

CHAIRMAN OKUN: -- what it is about them.

MR. BRINKMAN: I have an opinion on that. I
believe that -- my opinion is that the Chinese manufacturers recognize that their product wouldn't be well received in the United States so that purposely price their product to a point where it would open up the eyes of the customer based in the United States and that they would go ahead and invest money in approving their product for those applications.

So for Chinese -- again, in my opinion -- to penetrate the U.S. market, they had to consciously come in below the market price in the United States to make the buying community open their eyes up and say, yes, I will go ahead and invest money to see if your product is what you say it is, to go ahead and use it. That's my opinion.

CHAIRMAN OKUN: Mr. Flynn?

MR. FLYNN: Yes. Just to follow up on that a little bit, going back to the information that we get from our customers as it relates to competition, it appears that you can take the competition that's manufactured in the United States, and China, and everywhere else.

What we found is that there's a stream of information that seems to be very, very consistent when we compare the Chinese to the other types of manufacturing and that usually they're somewhere in the area of 20 to 30 percent or more cheaper than what our competition is both from other foreign sources or manufacturers in the United States.
This is something we have found that in order for a customer to move from one vendor to another, there has to be a reason for it, and it has to be financially viable. And what we're finding is that the Chinese are coming in -- I said Chinese, not any other locations in the world -- are coming in with such attractive pricing that, basically, the purchasing agents come to us and say, "we really don't have any other choice. We are under a directive to cut costs, and it's such a large difference that we have to go with the Chinese."

Now you put your accounting hat on and you look at this and say, well, what are we doing wrong? How can they have the parts coming in here so cheaply. And I was the one that mentioned before -- and I stressed it twice, and I'll state it again -- that the landed -- that's the part coming in -- the landed Chinese imports are selling for less than the cost of raw material.

And we're not finding that with other manufacturers in the United States and, certainly, other imports from foreign parts of the world outside of China. That's a big deal.

Before we can even start to produce our product, the cost of materials makes us uncompetitive. And this is something only seen by us as we're dealing with Chinese competition; no where else.

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CHAIRMAN OKUN: Are there industry witnesses that --

MR. PFIZENMAIER: As far as the Ball is concerned, as I mentioned, we were forced to closed our Washington facility because we could not compete with them at all. We opened up a facility in Mexico, and now that is doubtful whether we can still maintain that competition. So, it's price, price, price, and that's all they buy on.

CHAIRMAN OKUN: Mr. Pedemonti.

MR. PEDEMONTI: Yes. If you take a look at the preliminary info on Table 2-2 -- if you take a look on page 2-11 where it talks about "lowest price," 19 respondents said that versus the U.S., the Chinese is always lowest. If you look at the column that says, "U.S. versus non-subject," 15 of 24 said we're comparable. And if you look at the last column that says, "Chinese versus non-subject," 10 out of 11 said the Chinese are always lowest. So we compete with all of these and by far Chinese prices are absolutely the lowest I've ever seen versus non-subject or versus ourselves.

CHAIRMAN OKUN: Mr. Malstrom.

MR. MALSTROM: There are a number of countries that export their ball bearings: the United States, Turkey, Romania, Poland, The Czech Republic, Russia, and Korea. Typically, their prices are anywhere between 5 and 15
percent lower than our prices. All of them except Korea are not specifically focused on the automotive industry. Korea is very focused on the automotive industry, but again, the price difference is anywhere from 5 to 15 percent.

Nobody is even close to the Chinese prices which, as I mentioned before, could go as high as 60, typically between 30 and 60 percent.

CHAIRMAN OKUN: Okay. Mr. Potts.

MR. POTTS: My experience has been pretty much the same as Patrick's. They come in with such a low price that the purchasing agent feels obligated to give this a try, and we look at the price and we look at our own costing, and we see our material cost, and it's often below the actual purchase price of the material we would use without any processing or anything else. And we've only seen that from the Chinese.

CHAIRMAN OKUN: Okay. So do you as a producer, do you respond differently to the Chinese prices than the other non-subject? In other words, one of the things I think I've heard the industry witnesses say is that they have lost volume, kept their prices. Is that because you would not meet a Chinese price but you'd meet a non-subject price?

MR. POTTS: On many occasions, we would be unable to meet a Chinese price at all. You know, that would just
be a losing proposition for us to try to go that far.

CHAIRMAN OKUN: Okay, I'm just trying to figure
out, is that different than with the other non-subjects? I
mean --

MR. POTTS: It would be different from other non-
subjects. You know, if it's more reasonable, we would try
to somehow keep that customer, and as I read earlier that we
have reduced price and cut margins and tried every way to
keep them, but some of them it's just impossible to keep.

CHAIRMAN OKUN: Okay. My red light has come on.

I think there were some other points, but maybe Commissioner
Koplan will come back our non-subjects, but I will turn to
Vice Chairman Hillman. Thank you very much for those
responses.

VICE CHAIRMAN HILLMAN: Thank you.

Let me start, I hope, with a couple quick follow-
ups. In response to Commissioner Miller's question about,
you know kind of, what is high-end. I just want to make
sure I'm understanding the answer that you gave.

You're basically describing a high-end bearing as
anything that is higher than -- I mean, high-end and A-Beck
ratings are directly correlated, and that high-end means
higher than what A-Beck rating? That's what I wasn't clear
on. Anything higher than one you would consider a high-end
bearing? I see lots of heads nodding --
MR. PEDEMONTI: Yes.

VICE CHAIRMAN HILLMAN: -- in the affirmative.

MR. PEDEMONTI: Yes.

VICE CHAIRMAN HILLMAN: Okay. Fair enough. I just want to make sure.

And at the risk of further insulting Mr. Malstrom, just close your ears here, on this issue of what is a commodity bearing, I just want to make sure I understand it. Is commodity something that is less than ABEC 1, or would you consider ABEC 1 bearings to be commodity bearings; those of you that are prepared to utter the word commodity.

MR. PEDEMONTI: I agree wholeheartedly with to where Ms. Malstrom is. As a person who's been selling this product, the precision nature of an ABEC 1 bearing is more precise than the tolerance in your watch, okay, but yet the industry, for whatever reason, thinks of it as weak.

And it's very offensive to us who've been in this industry for a long time to think of our product as commodity.

VICE CHAIRMAN HILLMAN: Okay, but nonetheless, the word "commodity" is out there --

MR. PEDEMONTI: But the word "commodity" --

VICE CHAIRMAN HILLMAN: If you could describe A- Beck --

PEDEMONTI: -- was coined by Senior Lopez at --
VICE CHAIRMAN HILLMAN: -- are these ABEC 1 bearings?

MR. PEDEMONTI: They are ABEC 1 bearings.

VICE CHAIRMAN HILLMAN: Okay. I just want to make sure I understand.

MR. MALSTROM: To clarify, the purchasing people, especially in the automotive sector, they use the word "commodity" for anything.

VICE CHAIRMAN HILLMAN: Okay.

MR. MALSTROM: No, no. I mean, for anything, whether it's spark plugs, or tires, or -- they have commodity groups. They could be tires, spark plugs -- they use the word "commodity."

It doesn't mean anything from a quality point of view. It's just a term that they use which we don't like.

VICE CHAIRMAN HILLMAN: I appreciate that. I appreciate that.

And then, sort of, other last thought, Mr. Pfizenmaier, in your response to this question about your overseas operations, I recall in your direct presentation you said that Hoover had moved equipment from its Indiana plant "out of country."

I'm just trying to make sure I understand. You listed a number of your overseas facilities. Where did your Indiana plant equipment go?
MR. PFIZENMAIER: To Mexico.

VICE CHAIRMAN HILLMAN: Thank you. Okay.

Do you obtain -- do you import balls from that now Mexico facility into the United States?

MR. PFIZENMAIER: Yes.

VICE CHAIRMAN HILLMAN: Okay. Thank you.

I guess if I could go to the issue of pricing, because obviously this is one of the things that's, you know, both difficult from a data perspective in terms of, you know, how much data we have on the record in any case like this where we have such a tremendous array of products it's very hard to find enough apples-to-apples comparison of the exact product.

And on the other hand, for all the reasons we've talked about, you know, there's a good deal of reluctance to look too heavy at average unit values given the wide, wide range of the values of the products.

I'm trying to understand a little bit more about why we do seem to see -- notwithstanding the large underselling margins of the Chinese product -- we do, nonetheless, see price increases in some of the products in our data.

I think you, Mr. Pedemonti, or perhaps it was Mr. Gridley, talked about this issue of the volume discounts and the fact that you're losing your high-volume accounts that
had been sold more of at a discount and, therefore, a higher percentage of your sales are not volume and, therefore, not discounted.

But I'm trying to understand how wide-spread that phenomenon is. So I wonder if everyone in the industry can comment on just, generally, do you give large volume discounts, and to what portion of your sales do you typically give volume discounts, and how has that changed in terms of losing any of these high-volume sales.

I need to be able to put some sense of quantification -- not really precisely -- and I would ask Mr. Applebaum in a post-hearing if there is more, kind of, detail on this issue of how much sales are subject to these volume discounts where you lost these sales.

But perhaps either Mr. Gridley or Mr. Pedemonti, if I could start with you. Help me understand how to put this issue of volume discounts and the loss of volume sales into some context.

MR. PEDEMONTI: A quick example is typically if you get an inquiry for 500,000 pieces of something, you might sell that for $1.00, and if you get the same size and inquiry of 1,000 pieces, the price might be $2.00.

If you look at the average price, and then you take away the 500,000 piece quantity, your average price is going to go up because you're left with the smaller
VICE CHAIRMAN HILLMAN: And to make sure I understand it, that strikes me as a very great volume discount. I mean, 100 percent reduction in the price if it's volume. I just want to make sure I understand, is that level of discount for volume sales --

MR. PEDEMONTI: No. That was just an example.

VICE CHAIRMAN HILLMAN: Okay. So help me understand both the level of the discount. I mean, what percentage for the biggest of the sales. And then again, quantify it in a portion of your total sales, how many -- what portion is typically subject to a volume discount?

MR. PEDEMONTI: I would say typically 75 percent of our sales are affected by volume discounts.

VICE CHAIRMAN HILLMAN: Okay.

MR. PEDEMONTI: I would say the volume discounts typically run between 5 and 15 percent on average.

VICE CHAIRMAN HILLMAN: Okay.

MR. PEDEMONTI: In competing with the Chinese, you're looking at 40 to 60 percent difference.

VICE CHAIRMAN HILLMAN: Okay, the margin of underselling by the Chinese?

MR. PEDEMONTI: Yes.

VICE CHAIRMAN HILLMAN: Okay.

MR. PEDEMONTI: And we have lost business because
VICE CHAIRMAN HILLMAN: Would others in the industry comment on whether they have volume discounts and what portion of their sales might be subject to that, and again, what this range of discount might be. I'm not looking for specific numbers, you know.

MR. BRINKMAN: I would say that that information is pretty representative.

VICE CHAIRMAN HILLMAN: Seventy-five percent of your sales are subject to a volume discount --

MR. BRINKMAN: Well, I mean, it --

VICE CHAIRMAN HILLMAN: The discounts are between 10 and 15 percent?

MR. BRINKMAN: Most of our sales are to larger customers. I mean, as, you know -- the industry is kind of segmented. A small customer will normally buy their product through an industrial distributor, and that product -- I mean, so the channels of distribution are completely different.

An OEM customer, somebody who actually takes that bearing and puts it into something that they eventually sell, are the types of customers that we deal with. And those, because of their nature, tend to be higher volume users of product.

So I don't know if I would -- I don't think I've
ever deemed it as volume discount.

VICE CHAIRMAN HILLMAN: Right.

MR. BRINKMAN: I think it's market appropriate is the way we price our product.

VICE CHAIRMAN HILLMAN: Okay. Others want to comment on this volume discount issue?

MR. MALSTROM: No, it's about the same. Even distributors have different discounts depending on the size of distribution. But just to give you an example, Vistian, which is a parts supplier partly owned by Ford, they announced two weeks ago that they want to reduce the number of supplies from 1,500 to 500 which means that theoretically each surviving supplier has three times the volume.

And for the benefit of doing that, they're offering to pay the savings up front 10 percent in cash. So, that's kind of a volume discount, you can see. And these are typical. I mean, 10, 15 percent, but not 30, 40 percent.

VICE CHAIRMAN HILLMAN: Okay. Mr. Pfizenmaier?

MR. PFIZENMAIER: As far as the ball, yes, volume discount is probably close to 80 percent of our total business, but you made one mention that you're seeing price increases. I haven't seen a price increase in 10 years.

VICE CHAIRMAN HILLMAN: Okay. Again, obviously --

MR. PFIZENMAIER: That's a history statement.
VICE CHAIRMAN HILLMAN: -- this is one of these pages that's very difficult because so much of the data in our record currently is -- this is proprietary. So some of the details on the pricing, obviously, we can go into in the public -- in the private section.

MR. PFIZENMAIER: That's just a general statement.

VICE CHAIRMAN HILLMAN: Fair enough. I appreciate that.

I guess, though, this whole issues, I mean, raises for me this question generally needing to have a better understanding from you all about the nature of price competition and how it occurs because this argument about the volume discount obviously starts with the premise of discount off of what?

I mean, if 75, 80 percent of your customer base are these large-volume customers, you know, you can look at the glass half-full, the glass half-empty. I mean, is it a discount for them or is there a mark-up for the small suppliers.

I mean, it sort of depends on where you start from how you gage this which leads me to try to understand a little bit better how you price your product and, if you will, the relationship between the spot market versus the contract market.

As I understand it, you know, the majority of your
product is sold by contract, negotiated contract, and yet there clearly is a spot market out there. Help me understand, again, sort of a little bit more of how the price competition occurs within your contract negotiations and how much does the spot market inform that? Does everybody look at the spot market price when they're sitting down to negotiate with you and say, well, the spot market price is "x" and, therefore, I want "this" in my contract?

MR. BRINKMAN: We all have what we would deem as price sheets or, you know, what our products have sold for, or our customer service group internally -- if a customer calls up that is not a current customer, they have a level of pricing that they can offer to a customer with no approval from anybody within the organization. And that's historically based on a cost-plus basis, whatever your costs are, then we want to make this margin, etcetera.

When you're looking at contracts, they become very, very complex, and the nature of it, the products, the -- do I have open capacity on that line? Do I need to get my accounting group involved because I have overhead there? I may take a contract at a loss strictly because I already have this overhead that I have to absorb, so it becomes very complex. And I think Stem's comment is very appropriate as to what Vistian's doing.
They're saying, "okay, I have three times the amount of business. If I give you three times the amount of business, what kind of discount will you give me off your current price?"

Well that -- you have to look at a variety of factors there. Can I sell it to someone else? If I can sell it to someone else at a higher price, you're going to do that, needless to say, and that's what we're in business to do is to make money.

If I don't and I'm sitting on idle capacity, I may feel that that's a good opportunity for us. So I think it's -- I don't know if I'm addressing your question.

VICE CHAIRMAN HILLMAN: So I just understand that you basically start from a list price which would presumably be informed in some way by --

MR. BRINKMAN: That would be strictly for a drop-in order --

VICE CHAIRMAN HILLMAN: Okay.

MR. BRINKMAN: -- for someone that really isn't part of our customer list.

VICE CHAIRMAN HILLMAN: So your negotiated contracts really bear no relationship to the list price?

MR. BRINKMAN: None whatsoever.

VICE CHAIRMAN HILLMAN: Okay.

MR. BRINKMAN: None whatsoever.
VICE CHAIRMAN HILLMAN: Would everybody agree that your negotiated contracts are not at all based on your list prices?

MR. PEDEMONTI: Yes. What he described -- we process probably 40,000 inquiries a year of people who call up and want our product, and we have an established price on our computer screen that anybody can quote. So that's one transaction that takes place.

When you get into large contracts, typically what happens, the larger one will say to you, "oh, for this next two to three years, we want a five percent price reduction year after year," and you struggle with that.

VICE CHAIRMAN HILLMAN: Five percent off of what?

MR. PEDEMONTI: Off of the present price that they are paying.

VICE CHAIRMAN HILLMAN: That's in their contract.

MR. PEDEMONTI: Okay, which is typically the market price for high-volume product, okay? So if you have a screen price of, let's say, $1.50 for 100 pieces of something. If you were to buy a million, the price might be $1.00.

So you're starting from $1.00 for the high-volume price, and from that present price you'll say, "oh, I want another five percent for the next two years, each year."

Now, the other thing that they will do -- you have
all this business. They say, "okay, here's what we want to
start to process, and you have to give us five percent per
year off of what we are presently paying. And oh, by the
way, here are 15 sizes that we have competitive quotes from
the Chinese on, and they're 50 to 60 off." You need to put
those into the equation and try to figure out how to solve
it.

VICE CHAIRMAN HILLMAN: Okay. I see that the red
light is on, so I may come back to this question in the next
round. Thank you.

MR. APPLEBAUM: Oh, and we will respond to your
general question about volume discount and pricing
recognizing you may ask further questions about it as you
asked in post-hearing brief.

CHAIRMAN OKUN: Commissioner Miller.

COMMISSIONER MILLER: Thank you.

I, too, am interested in some of the pricing
information, but I think between Commissioner Hillman's
questions and the confidentiality issues, I may ask those
questions in the in camera session.

I appreciate my colleagues having finished my last
line of questioning. I think they did a pretty good job of
finishing it off, so I don't need to go back there. And I
appreciate all your answers.

I think I've gotten a better understanding of the

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ABEC rating issue. I hate to say it, but there's one other thing I want to try to make sure I have a clear understanding of, and that's the size issue.

It's actually something I read in the statistical, the Commerce Department study. Mr. Applebaum, I take note of your comments. It's not an ABMA study, although the summary suggests that the ABMA was obviously pretty involved with this -- I mean, I just want to make sure that your comments don't mean that the ABMA has a big factual problem with what's in this study.

MR. APPLEBAUM: No. My comment was intended to -- I do not know why it was cited 11 or more times. In ABMA study, it is the Department of Commerce study. On individual points we may not agree with everything, and we could respond to that.

The ABMA did -- and Mr. Rohn can elaborate if you want -- did as I understand it did, and once it was done, did encourage the DOC to release it publicly. And eventually I think it went on their web site. Is that correct, David?

MS. ROHN: Right.

COMMISSIONER MILLER: Okay. I just wanted to make sure you didn't have a big problem factually with what's in here.

MR. APPLEBAUM: No. It was just -- I just --
COMMISSIONER MILLER: No, I understand you may have some, you know --

MR. APPLEBAUM: Some individual differences --

COMMISSIONER MILLER: Yes.

MR. APPLEBAUM: -- but the main point was that it's a Department of Commerce study --

COMMISSIONER MILLER: Right.

COMMISSIONER MILLER: -- not an ABMA study, and I --

COMMISSIONER MILLER: Right. Okay. Well, let me just go to my factual question though, then. I see references in here that suggest to me that there is not a lot of U.S. production, at least in this study a lot -- and this is public, so I can use it -- in the "under 30 millimeter sizes of bearings," the 9 to 30 millimeter sizes. And to be fair, I think the respondents cite this report a fair amount in talking about their view of the global industry. But let me, just on this very specific question, the 9 to 30 millimeter sizes, is that a size range in which the companies present here participate, you know, produce in the U.S.?

Or maybe I could just ask generally the question: What is that size range? What market is that for the most part? Is it a lower-end bearing in terms of its dollar value, for example?
MR. BRINKMAN: I don't think you could really say that a size is based on -- that it's a lower end. I mean, the size isn't the reference here. I don't if anybody has their catalog with them or anything. I don't know what we're talking about there, but is that a 6200 and smaller, roughly?

MR. GRIDLEY: 6200 is --

COMMISSIONER MILLER: Use your microphone back there, please, whoever is speaking.

CHAIRMAN OKUN: Mr. Gridley made the comment that 6200 is below 30 millimeter.

MR. BRINKMAN: In the bearing industry, we normally go by bore size.

COMMISSIONER MILLER: Okay.

MR. BRINKMAN: Okay? That's how we -- I mean, and actually this all means something. I mean, when you get over a 6204, you multiply the bore times five millimeters, and that gives you -- so, I mean, like a 6205 is a 25 millimeter bore bearing, okay? A 6206 is a 30 millimeter bore bearing. When you get below 203, you kind of throw it all out the window, but that's a different story.

But to say that -- so what they're referencing is that there are few manufacturers of bearings less than a 6000 or 6200 size. We make those sizes in Clarinda, Iowa. We make 608s which would fall into that category, 627.
bearings, 6000s, 6200s would all be under 32 millimeter O.D.

COMMISSIONER MILLER: So you see that as being --

MR. BRINKMAN: We're directly --

COMMISSIONER MILLER: That is a -- you would
describe the smaller size as being a large part of the U.S.
market, a large part of Europe production?

MR. BRINKMAN: Every skateboard in the country
uses a 608 which is an 8 millimeter bore which is less than
a 30 millimeter O.D. So I mean -- and if you look at it
from a consumption point of view, it's one of the largest
consumed bearings in the United States. It's used in almost
all windshield wiper motors, etcetera, would be in that
category under 32 millimeter O.D.

And we have seen severe competition from Chinese
in that area as well as in larger sizes. And in that area,
we do produce those products in the United States in
Clarinda, Iowa.

COMMISSIONER MILLER: Anyone want to respond for
Timken?

MR. PEDEMONTI: Yes. Paul Pedemonti. Our MPB
operations makes that size range, and one of the largest
volume sizes is the dental drill bearing. So every time you
go to have your teeth drilled, that drill is running on MPB
bearings which are less than 30 millimeters.

COMMISSIONER MILLER: Okay. Just to make sure
that I'm not missing something, Mr. Applebaum, I would invite you to address page 29 of the report that talks about -- I mean, it says more than 90 percent of the 9 to 30 millimeter sizes are imported from east Asian countries.

But maybe I'm missing something in terms of maybe they're only talking about a subset of ball bearings, I mean, I don't know. I would invite you to respond to that.

MR. APPLEBAUM: We will respond and address that issue.

MR. MALCOM: Madam Commissioner, may I make a short remark?

COMMISSIONER MILLER: Yes, Mr. Malcom.

MR. MALCOM: All the bearings that I refer to, the automotive bearings, are above that size.

COMMISSIONER MILLER: Okay.

MR. MALCOM: Above 30 millimeter. They are actual 40 and 55 millimeter, most of them -- all of them.

COMMISSIONER MILLER: Okay, so for SKF, you are in the higher --

MR. MALCOM: Yes.

COMMISSIONER MILLER: The larger size.

MR. MALCOM: The smaller ones, as I mentioned, they were transferred out in the '98, '99 period.

COMMISSIONER MILLER: Okay.

MR. MALCOM: Closed them down and transferred
COMMISSIONER MILLER: Okay. One issue -- and I know Vice Chairman Hillman posed some questions to you earlier on the data which were helpful. There's one issue on the data that I'm not sure if I heard the answer, and if I did, I apologize.

It has to do with the import data and the fact that the import data includes, as I understand it, imports of green parts. That's not correct? Or is it correct? I'm trying to understand when we look at our import data -- I take it that your position is we --

MR. STEWART: Not on complete bearings. That's not true on complete bearings, Commissioner Miller. There is a -- my recollection is that the category for rings doesn't distinguish between heat-treated and not heat-treated, and so for that particular category, that would probably still be a true statement; although, Mr. Wechsler and Mr. Szamoszegi can undoubtedly clarify that.

But the way your statistics are put up now that you have complete bearings and you separately look at balls, the only category that would be relevant would be parts other than balls which is where presumably rings would be included.

COMMISSIONER MILLER: Okay.

MR. STEWART: So it's not -- in the discussion
that we had in our pre-hearing brief where we looked at
imports of complete bearings, it's obviously not an issue
there because rings and balls are not included in those
import statistics, and they're not included in the domestic
value of complete bearings.

COMMISSIONER MILLER: Okay. So it is your view,
then, that the Commerce Department data on imports is not
overstated? In terms of any concern we had about that in
the preliminary, it's your view we don't have that problem
any more.

MR. STEWART: Depending on how you choose to look
at the data --

COMMISSIONER MILLER: Okay.

MR. STEWART: As I understand it -- and again, I
didn't put the statistics together on this -- my
recollection was that the category for rings does not
distinguish between heat-treated and not heat-treated.

So to the extent you are looking at statistics
that are parts other than balls, separate from complete
bearings, it would potentially still be an issue, and you do
you have information in terms of imports of non heat-treated
rings as I understand the questionnaire response.

COMMISSIONER MILLER: Okay, but if you're looking
at the complete bearings, it should be -- it's your view
that that data, the import data, is not at all overstated.
MR. STEWART: That's right. It's a non issue if you look at complete bearings.

COMMISSIONER MILLER: Okay. Do either Mr. Wechsler or Mr. Szamoss -- I'm sorry. We see you enough. I should be able to pronounce that, but it's always a challenge.

MR. WECHSLER: Actually, the trick is to pretend he's an Irishman and think of it as Sam O'seki.

COMMISSIONER MILLER: Thank you. Mr. Szamosszegi.

MR. SZAMOSSZEGL: Perfect. I basically agree with everything that Mr. Stewart said. There is an HTS category in the parts for rings. That HTS category includes, does not distinguish between, heat-treated and non heat-treated rings.

So if you look at ball bearings and parts thereof, there are going to be some green rings in there. If you look at just complete ball bearings, there won't be any green rings in there.

COMMISSIONER MILLER: Okay. I appreciate all of the answers to my questions. Thank you, very much.

CHAIRMAN OKUN: Commissioner Koplan.

COMMISSIONER KOPLAN: Thank you, Madam Chairman.

Let me come back first, if I could, to a question that I asked about globalization. I won't use the word "commodity," Mr. Malmstrom, I'm just coming back to the
globalization question. But I wanted to come back to Mr. Pedemonti on that question because he responded to me in the last round.

I'm looking at a letter from Mr. Stewart on February 24th of this year at which time he informed us that on February 18th Timken completed its acquisition of Ingersoll Rand's Engineered Solutions business. And then I'm excerpting from the letter that says, "what was formerly the Torrington Company is now Timken, U.S., Corporation which is wholly owned by the Timken Company," and I'm wondering when you answered my question with regard to globalization, rationalization, were you speaking on behalf of Torrington before that occurred, not taking into account that you're now a part of Timken?

MR. PEDEMONTI: When I answered that Class One bearings being manufactured today, most of them made in the United States, that was under Timken because Timken basically makes tapered roller bearings. Their MPP division makes ball bearings, but those are made in New Hampshire.

COMMISSIONER KOPLAN: Okay. Thank you for that. Then let me just come back for a moment to my non-subject question that I read at the end of the last round. Let me just say this: what I am looking for -- and Mr. Grace -- and I didn't go back to the transcript and see the excerpt from Respondent's brief that I was quoting from, but
what I'm looking for are the details of your competition
with the non-subjects.

I appreciate hearing from you that you can
complete on a level playing field with them and that they're
fairly traded, but I'm interested in the nature and the
extent of that competition, as much detail as I can get.

And I would be happy to take it for the post-
hearing because obviously the non-subjects are a significant
presence in this market, and I'm interested in understanding
from you all, since I've got you here now, as much detail as
to the nature of that competition, specifics of what you're
competing with them on and as much as you can give me from
your records. And I'll take that post-hearing.

If I can -- yes, Mr. Salonen.

MR. SALONEN: Commissioner Koplan, Eric Salonen.

Just one comment: this all arises out of the comment from
Mr. Greenwald's brief and the question from the --

COMMISSIONER KOPLAN: Right.

MR. SALONEN: -- purchaser's questionnaire, and
it's I think, at least my view, that that question is taken
out of context because it asks purchasers, if you purchase
Chinese products, which do you consider to be the most
competitive alternative. It doesn't ask most competitive in
what sense.

If it's asking what's competitive in terms of
price, well, then not surprisingly, non-subject imports from other countries that are lower priced will be considered to be the most competitive alternative.

It does not ask whether you would consider the Chinese to be interchangeable or competitive with a domestic product based on end uses or applications. So I think that that's something else that should be taken into consideration, that the entire argument, really, is based on taking that question and the responses out of context.

And again, as Mr. Pedemonti pointed out, the responses from purchasers who compared Chinese and domestic product by quality, some of them are very comparable.

COMMISSIONER KOPLAN: That could be included as part of the response to my question post-hearing.

MR. APPLEBAUM: We will in the post-hearing brief respond to your question to the extent we can in the nature of competition with the non-subject imports.

COMMISSIONER KOPLAN: Thank you, Mr. Applebaum.

And with that, I have no further questions. I want to thank you all very, very much for your testimony. I very much appreciate it. Thank you, Madam Chairman.

CHAIRMAN OKUN: Thank you.

Let me turn, if I could. One of the arguments that Respondents made in their brief and Mr. Greenwald made in his opening statement has to do with what is on the
record and what are the facts before us with regard to price
competition. And he characterizes some of the allegations
based on web sites and press releases.

And I assume for post-hearing that you will in
detail go through the allegations that he'll raise this
afternoon and what they've already raised. But let me just
throw out one that if you could respond here that would be
helpful on.

Pages 24 and 25 of your pre-hearing brief,
Petitioners argue that, "Chinese ball bearings actively
compete in the automotive industry." And they give as an
example, General Bearing Corporation's contract with Ford.
The press release that you provided evidence of
this supply arrangement states, and again I quote, "having
recently achieved QS9000 for our West Nyak manufacturing
plant, we fully expect to expand our presence within the
automotive industry."

General Bearings West Nyak plant is in New York.
Now, I'm aware of the fact that General Bearings also has a
Chinese facility that has been qualified by Ford. My
question is whether Petitioners know as a fact that General
Bearing has began to supply Ford with Chinese product. Is
there anyone here who could respond to that?

MR. APPLEBAUM: Evidently no one can respond here.
We'll seek to do that for the post-hearing brief. I would
comment, as you've heard from NSK and others about direct
competition in the automotive sector today, and that is
worse on the record.

And the questionnaire responses, not just the
companies here but others, have ample documentation of
competition in the automotive sector and others, and direct
competition with the Chinese.

The references to the web sites and the
promotional materials are simply to contradict the notion
they can't compete in various products and also looking to
the future of what China is capable of as well as what
they're doing now.

CHAIRMAN OKUN: Right. I mean, I know I think
some of that perhaps would go to a threat argument, but
again, I think it helps in our deliberations to, you know,
ot only see what they say they can do but are they, in
fact, doing it and is it reflected in the record which I
think is the most difficult part in this particular case.

MR. APPLEBAUM: I think a general bearing witness
is coming later in the day, and you can put that question --
my information is, but it could be wrong, is that General
Bearing does not produce bearings in the United States and
that they would be supplying that from China. That was our
understanding.

But we'll seek to clarify it, but obviously they
had a witness coming this afternoon as well.

CHAIRMAN OKUN: Okay, well, I mean, again, I think there will be other issues raised that I think it would be helpful to have a response to along that line.

Then the other question I have, and I rarely go down this road, but I'm going to do so in this case and note before I do, Mr. Greenwald, which doesn't mean that I'm necessarily going to take it in consideration.

But in this case, we now have a Chinese producer found deminimus. We have a large percentage of producers that participated and received an eight percent margin and a PRC wide rate of around 60 percent.

My question for you, and I guess it is a legal question although I'm also interested in how the industry responds to this, which is: if all these Chinese products were fairly traded -- in other words, the margins were in place -- would the U.S. manufacturers be able to take those sales.

And I mean, you know where I'm going here. I mean, the price spread we see -- and a lot of this is confidential, again, in the record, but we can say the ranges go up to 85 percent under selling margins, the dumping margins that Commerce has determined do not.

If they were all fairly traded, what would be the impact on the U.S. Industry?
MR. APPLEBAUM: I take it, Chairman Okun, you're looking only at the margins of the so-called "mandatory respondents" which were 7, 8 percent range. We would note the country-wide rate is nearly 60 percent, and there are many potential entrants, if not already companies there.

I'll ask the industry to respond and --

CHAIRMAN OKUN: Mr. Applebaum, on that -- and I do not have this figure yet, but I think you should in your post hearing look at that as well which is the percentage that is covered by, I'd say, less than 10 percent duty margins. But go ahead. I mean, I think that is a large category as I understand it at this point.

MR. GRACE: The percentage figures are -- one could look at what was submitted to the Commerce Department, but that's under APO which we can't provide to you. That's the problem. I don't think there's -- at least we're not aware of any way to provide that information to you.

MR. WECHSLER: Just in terms of the analytical use of that data, there are some constraints in going where your question seems to go. And I'll point out that the actual margins that will be applied and are applied after one-year reviews frequently have literal or no relationship to the deposit margins, particularly with China.

So if you give them too much weight on them being low now, or relatively lower for some companies, you
discount the possibility that when they're actually under supervision going into the future that they may not be able to get those margins on annual reviews.

And part of the process of being subjected to that microscope once you are -- searching for a word better than convicted -- but once you're found to have been dumping has a good deal of restraint on behavior that can be fast and loose beforehand. So I think there's a real problem in taking it that way.

I will say that if you're in a market situation where there's been overall -- I'm speaking macro terms -- a 2 percent price decline, and you're looking at the possibility of imposing on the major single competitor an overall 8 to 10 percent price increase, that that's a very significant factor.

It doesn't mean the domestic industry will recapture all the lost sales, but it will recapture many of the swing sales, and it'll put a very substantial crimp on the ability of the Chinese to make further advances. All of those matter a lot.

CHAIRMAN OKUN: Mr. Stewart.

MR. STEWART: Thank you, Madam Chairman, just a technical clarification: there were only three companies examined in the Commerce Department proceeding. Under their new methodology with China, if a company who has exported to
the U.S. files a Section A, they will get the average of the companies who are investigated.

You are correct that there are a large number of companies in the notice who receive 7 to 8 percent margin. Only three of those companies were investigated. So it would be correct that in the first year the cash deposits will be what those rights are if there's an order in place.

As you know as well, it is also the case that a 7 percent margin may have entries where there are no dumping in margins of up to 100 percent or more on particular items. Since the producers are not aware of which products had margins, it is not possible for them to be able to anticipate what kind of an economic affect an order put in place would have.

It could have a significant affect on some lost business, and it might have no affect on other lost business.

CHAIRMAN OKUN: I appreciate all those comments. And again, in prior cases it has not been something that I have placed a great weight in when we look at the magnitude of the dumping margin.

However, in this case, the reason the question intrigued me is just that the under-selling margins are so large, and I'm just trying to determine what that means for price competition, I mean, whether there are -- and again,
in my -- as you know, I may have voted in the negative in the original -- or in the preliminary determination, I did not rely on market segmentation.

So it is not whether it's market segmentation for me, it is the issue of whether there is, in fact, competition and that these sales would be going to -- that they would pick up any but for the unfairly priced goods.

So I would encourage you to brief in however manner you'd like to in post-hearing, but I appreciate, again, the comments which go to what the dumping margins mean and how we should consider that.

MR. APPLEBAUM: We will deal with that in the post-hearing brief. One comment in supplement to Mr. Stewart's comments with which I agree it's that the three companies that were examined, at least our position before the commerce department was they were not representative of the industry, and indeed, two of the Chinese respondents themselves agreed with us.

You have no ability to change that, obviously, but the industry does not believe that those three companies represent the threat from China which includes all of the rest of the companies over there, which there are a great many.

CHAIRMAN OKUN: Right. Well, again, we get the dumping margins from Commerce, and we don't look behind
them. And it does -- I mean, I do understand the argument
as it goes to what it would mean in the future.

I see that I'm going to run out of time. I've ended on this as the last question. I'll just say for post-
hearing, which is: given that I reached a negative
determination in the prelim, and I think that, you know, the record sets out the issues that I had concern with.

Both can change in the end, so what I would ask is that you brief fully the issues that I focused on in my negative determination. Provided for me what you believe has changed in the record, and you've done some of this already orally, and I will look for more of it.

Keep in mind that I did not, in fact, rely on market segmentation to reach that determination, so I will be looking to that. And again, I appreciate all the industry's presentations today and the background that they can provide.

And with that, I will turn to Vice Chairman Hillman.

VICE CHAIRMAN HILLMAN: Thank you. Again, just one more quick follow up on this pricing issue because, again, I'm just trying to make sure I understand you sense of how the price competition occurs.

Mr. Pedemonti, I believe in your direct testimony you commented on multi-year contracts that had price changes
built into the contract that have occurred over the life of the contract.

Again, I'm trying to understand again how common that is. What is the price escalator or de-escalator geared to? I mean, what do the contracts typically say that you look at in determining whether the prices are going to go down over the life of the contract or is it something that has been negotiated at the outset.

And, do the contracts provide that the prices can go both down and up or can they only go down within the life of the contract?

MR. PEDEMONTI: I could talk for hours on this since I've negotiated a hundred of these.

VICE CHAIRMAN HILLMAN: I only have five minutes here, Mr. Pedemonti.

MR. PEDEMONTI: Basically, if you have a contract in place today and it is up, let's say, the end of this year, typically the customer will start negotiations and say, "okay, for another two- to three-year contract, our expectation is that you will offer us a five percent price reduction per year to keep the business that you have."

VICE CHAIRMAN HILLMAN: So each year it's expected to go down by five percent.

MR. PEDEMONTI: By five percent.

VICE CHAIRMAN HILLMAN: And that five percent
number is simply what they've negotiated. It's not by
looking at the spot market or geared to any index or
anything?

MR. PEDEMONTI: No. That is basically where they
come from. The next thing they will do is they will do some
homework and look at the landscape, and in many cases today
they will say, "and here are 16 to 20 sizes that you have
Chinese competition on, and you need to address that price
level as well as the five percent."

So you have this request from them, and typically
when you go through the negotiation, they give you an
estimated usage of what they are going to buy. There is no
guarantee that they will buy that usage.

We often try to say, "okay, if you buy that usage,
this is the price. If you buy more, we will entertain the
opportunity to reduce the price, but if it's not the
estimate, we would like to get a price increase."

We never get that, absolutely ever. They
basically say, "here's the estimated usage. If it's more or
less, that's the way it is." So there's no guarantee on
usage.

The other things that they try to put in there is
if you are not found competitive in price, quality or
delivery, we can exit this contract in 60 days notice. So
what we have always tried to do is put in a phrase that
talks about total acquisition cost.

You know, it has to be the same quality, same delivery performance, same technical support, but basically most of these contracts start with an up-front price reduction of about five percent, and then on selected line items, you have to meet specific competitors.

In this case, over the last couple of years it has been Chinese competition.

VICE CHAIRMAN HILLMAN: Okay. A couple of follow-up questions on that. When you say, "it's been five percent," it's been five percent as of when? I mean, in what year did you start seeing this five percent request?

MR. PEDEMONTI: Maybe Mr. Brinkman can help me.

When did Mr. Lopez show up at General Motors?


MR. PEDEMONTI: 1991 it started.

VICE CHAIRMAN HILLMAN: So since 1991 on there's been a consistent request for a five percent reduction.

MR. BRINKMAN: Three to five.

MR. PEDEMONTI: Three to five percent -- in that range.

VICE CHAIRMAN HILLMAN: Okay.

MR. PEDEMONTI: And we've had some customers that now are requesting 10 percent.

VICE CHAIRMAN HILLMAN: Okay, and you mentioned
also that there was this clause that within 60 if you're not price competitive. Has anyone actually invoked that clause and broken the contract?

MR. PEDEMONTI: Yes.

VICE CHAIRMAN HILLMAN: And again, can you give me a sense of the amount of volume that would have been subject to that kind of break in the contract?

MR. PEDEMONTI: This particular case was probably a $3 - $4 Million piece of business.

VICE CHAIRMAN HILLMAN: Okay, but it's happened once?

MR. PEDEMONTI: I've had it happen probably three or four times and major accounts.

VICE CHAIRMAN HILLMAN: Okay. Mr. Brinkman, you were smiling when I asked my question, so I take it you have views on this subject as well, so let me hear from you.

MR. BRINKMAN: Very, very similar. As I stated before, I've been specifically involved in the automotive business and a large OEM for about the last 10 or 12 years even though I've been with the company for the last 20. And we have seen this pricing pressure escalate since Mr. Lopez came to General Motors and kind of changed the whole make-up of purchasing in the United States. And that spread not only to the auto industry but to all bearing consuming industries throughout the United States.
So it has become common place that all customers, all contracts today when negotiated, have annual reductions in them. And as stated, they range anywhere from two, three, five, and in some cases 10 percent. Beyond that, they also have similar situations that we're dealing with where they said, okay, this is what we expect, but at the same time we have these Chinese competitors out there that are 30, 40, and 50 percent lower. We will move that product to them unless you can meet those levels.

At the same time, in the last -- I would venture to say -- the last three years, we saw an influx of what they call on-line bidding, and many of our customers have started to sue the Internet to send our commodity product on the internet to see what they can price it for. So they do not take into consideration engineering support, or quality records, or inventory caring costs, or all of the EDI requirements. Electronic data interchange of information is how most of the auto companies process their orders. There's cost associated with that. There's software costs associated with design work with the auto companies.

That gets all thrown out the window and it becomes strictly a placing issue, and they literally are doing it in some cases on line, print out a sheet and say you have to
meet these levels or we'll move the business to these other people.

I also have the same similar situations where we have not seen any price increases at any customers in that time frame at all.

VICE CHAIRMAN HILLMAN: Okay. And again, these price reductions are keyed to any sort of index --

MR. BRINKMAN: They're not keyed to what --

VICE CHAIRMAN HILLMAN: -- hot market, market intelligence. They're just a number, right.

MR. BRINKMAN: If we're dealing with -- I mean, you know, part of what we do in the United States as well is we negotiate overseas contracts, so I may -- for a General Motors, I may be involved in negotiating the contract in Europe for General Motors, etcetera.

Those may have exchange rate clauses in them, etcetera, but beyond that, no, they -- I think what happens is that a director of purchasing at a General Motors comes forward and says, "I need 10 percent of my purchase price out this year, so you commodity buyer for bearings, you have to go and get 10 percent out of the bearing commodity."

So they do that any way they can. They bring in competition. They, you know, beat us over the head. They threaten the loss of business is historically how it's done.

VICE CHAIRMAN HILLMAN: Now again, same question.
How many have actually invoked this clause in the contract that say we can cancel it if you're not meeting appropriately the competition from China?

MR. BRINKMAN: We've had similar situations where I would venture to say it's probably been in the neighborhood of 1/2 a dozen who've invoked it. Now, at that point we have an opportunity to respond to it meaning that we have a contract in place with a price on record which may have been 5 percent below the previous year.

If an unfair Chinese competitor comes in and offers a 30 percent reduction, they say, "okay, we're giving you notice. We're going to move this business in 60 days unless you meet that price level."

At that point in some cases we met that level to keep the business. We already had the raw material in place, etcetera. I mean, we already had the inventory that was there. Had we lost that, you know -- we had to look at the financial implications of that as well. In some cases we did walk away from it. But it has been more --

VICE CHAIRMAN HILLMAN: Both of you in your answers to me have invoked only the Chinese. Are any of these contracts clauses, you know, that talk about meeting competition, are they ever citing other domestic producers or other foreign suppliers?

MR. BRINKMAN: Specifically to answer your
question, in the ones that have invoked that contract, it has only been based on the Chinese.

VICE CHAIRMAN HILLMAN: Okay. Mr. Pedemonti?

MR. PEDEMONTI: I would say the same thing. Over the past couple years, it's been the Chinese and nobody else.

VICE CHAIRMAN HILLMAN: Okay.

MR. MALCOM: Only the Chinese, in our case.

VICE CHAIRMAN HILLMAN: Mr. Applebaum, in the post-hearing -- again, I'm just trying to get a little better sense of the magnitude of this. So if there is anything further that you can do to help me generally get a better sense of, you know, the kind of the volume that would be subject to these price-declining contracts and the degree to which people have invoked -- again, I'm not trying to ask for a huge amount of data as much as just an ability to put it in some amount of context -- so just some general ball-park notion of what percentage of the volume are we talking about is subject to multi-year contracts with price de-escalator clauses in them and, then again, some sense of the volume that would have been subject to these breaks in a contract as a result of these "meet the competition" kind of clauses.

Again, I'm not asking for a huge survey of every contract out there, but just a general estimate if you can
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give it to me of what portion of the sales we're talking about are subject to this type of contract.

MR. APPLEBAUM: We'll do that, and I take it it will be satisfactory if we focus on a representative number, because in --

VICE CHAIRMAN HILLMAN: Correct. I'm --

MR. APPLEBAUM: -- in the one week we won't be able to fold them out.

VICE CHAIRMAN HILLMAN: I'm not trying to ask for every contract and every detail.

MR. APPLEBAUM: Right.

VICE CHAIRMAN HILLMAN: I'm trying to get just a general feeling for what kind of volume, you know --

MR. APPLEBAUM: All right.

VICE CHAIRMAN HILLMAN: -- you're talking about.

And obviously this is more on the bigger contracts that I'm looking at. I'm just trying to put this issue in some appropriate context.

And with that, I thank you all very much for your answers. They've been extremely helpful.

CHAIRMAN OKUN: Mr. Miller.

CHAIRMAN MILLER: Thank you. I have no further questions. I will say because your last response to me, Mr. Stewart, on the question of the imports, and it got me focused again on which is the right set of numbers to look
at, complete bearings and parts.

And I know we're going to see changes in the data coming forward. I understood your comments about looking -- you feel the most accurate picture is to look at the complete bearings.

And I guess I just want to raise the issue again for purposes of any post-hearing submission if you want to address it because as I thought about it more in light of Mr. Stewart's last answer to me about the import data, I realized in looking at complete bearings, I was actually missing some part of the subject imports.

That's not what I want to do in a case, so that kind of troubled me and got me looking again at just which data set in the end I will focus on. So I'm still sort of struggling with this, and I just wanted to say you can comment further now or in any post-hearing submission.

I just want to make sure I'm looking at the best set of data when I'm trying to understand how the industry's being impacted by the imports.

MR. SZAMOSSZEGI: Just quickly -- this is Andrew Szamosszegi -- I didn't mean to imply that you should ignore those other imports, rather that if you want to look for apparent consumption sake, it may be useful to look at complete bearings separately and also look at parts separately just to get a sense for the trend.
You can always put them back together at the end, but I think it's helpful to look at them both separately as well.

MR. GRACE: But I think the point that you were making is that if you aggregate them, you do have double counting and that does affect the picture.

MR. SZAMOSSZEGI: Right.

COMMISSIONER MILLER: Thank you. It's a complicated case. Even if we've done bearings before, it's always a little different. I appreciate all your help in educating me today. Thank you.

CHAIRMAN OKUN: Other questions, Commissioner Koplan?

COMMISSIONER KOPLAN: No. I have no other questions. I just want to thank you again for your presentation.

CHAIRMAN OKUN: All right. Let me turn to staff to see if staff has questions for this panel.


MS. JONES: I'd just like to ask in your post-hearing submissions if you could address any of the remaining like-product issues in terms of the factors the Commission traditionally uses for either the like-product
analysis or the semi-finish product analysis.

And also, to the extent that there is internal consumption or transfers to related parties involved in domestic production, if you could please address the issue of whether or not the Commission should be applying its captive production analysis, again, in terms of the factors the Commission has traditionally used. Thank you very much.

MR. McClure: Staff has no further questions.

CHAIRMAN Okun: Thank you very much, Mr. McClure.

Let me turn to Respondents to see if Respondents have questions of this panel.

MR. Greenwald: One brief question, and I hope for a really brief answer. And the question maybe is best addressed to Torrington.

Are there ground bearings that are not ABEC rated, and if so, what quality are they, how do you look at data on that point?

MR. Pedemonti: If I understand the question, are there ground bearings that are not ABEC rated. Do you mean that all surfaces are ground, that the races are ground, or do you mean only part of the bearing is ground?

MR. Greenwald: All surfaces.

MR. Pedemonti: To my knowledge, all bearings that we make that are ground are ABEC 1 or higher. Now, we do have cases where there are some ground bearings that certain
surfaces are not ground, they are burnished, and we would
typically not classify them as an ABEC 1 bearing.

MR. GRACE: Thank you.

CHAIRMAN OKUN: I take it that's the only

question, Mr. Greenwald?

MR. GREENWALD: Yes, it is.

CHAIRMAN OKUN: Okay. Very well, then this looks

like an appropriate time to take a lunch break. I want to

remind all parties before we depart that the room is not

secure, so please take any information that contains

business proprietary information with you. We will

reconvene at 1:30.

(Whereupon, a brief recess was taken.)
AFTERNOON SESSION  

(1:30 p.m.)

CHAIRMAN OKUN:  Good afternoon. This hearing of the United States International Trade Commission will please come back to order.

Mr. Secretary, I see that the second panel is seated. Have all the witnesses been sworn?

MR. BISHOP: Yes, Madam Chairman. The second panel has been seated, and all witnesses have been sworn.

CHAIRMAN OKUN: Thank you very much. Mr. Greenwald, we are prepared to proceed.

MR. GREENWALD: Thank you very much, Madam Chairman.

I'm going to keep the statement, my talk, speaking role in the non-confidential or the open session here limited and let Mr. Hoo from General Bearing do most of the talking.

However, I would like to put in context some of the things that he is going to say. Listening to this morning's testimony, one could get the impression that the ball bearing industry and the ball bearing markets that were talked about were in some sense Chinacentric. That just is not true.

There were a couple of things -- I mentioned them in my opening statement. I want to reiterate them here --
that put the testimony you heard in perspective. The first is the size of the market. We don't know what the number is and we won't until all the data are in, but I think it's fair to say and I think I can say in a public sense that somewhere between $2 Billion and $3 Billion annually is the size of the U.S. market.

China is a very small part of that very large market. If you listened closely to this mornings testimony, you would have the impression that the volume of Chinese imports, and particularly the increase -- time and again companies talked about the increasing volume of imports from China -- you have the sense that was somehow going to overwhelm the U.S. industry.

Let me put that in perspective, and I hope I did the calculations right. I believe that the data on China's imports are public, and no matter what you use, what data set you use, you are going to be talking about an increase in, let's say at the upper end, a $13 Million range over three years.

When you take the size of the market and you divide it by -- or, I'm sorry. You take these imports and you divide it by the size of the market, the ratio is .35 to .5 percent. That's what we're talking about, and I don't believe on those sorts of numbers this Commission has ever gone affirmative in any sort of case.

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Now, if that were all, you know, I think that in and of itself commands a negative determination, but in fact, there are other issues. I'm going to go over them very briefly and then you can address -- Mr. Hoo will address them and answer your questions.

We talked in our brief about the dominance of a handful of multinational enterprises that produce in the U.S. and also produce overseas. That characterization, I think, was described in a fiction in Mr. Wechsler's testimony.

But if you listen closely, it's perfectly clear that it's not a fiction. As I understood the testimony, NSK has said yes, indeed, it does produce small size bearings off shore and does indeed export -- import them into the United States.

I understand one of the ironies of one of these sorts of proceedings that -- I hope I have the company right -- I think it's SKF took a line of what I would call, probably incorrectly, commodity grade bearings because it was tight on space in its U.S. plant for production of higher-end, higher-priced, bearings and shipped the production equipment to Argentina.

Okay, but to rub salt into the wounds, I gather that SKF is looking for GSP treatment for its exports of ball bearings from Argentina to the United States.
Finally, just to sort of illustrate the multi-national dimensions of these companies and also how wrong, just flat wrong, some of the testimony was, let me focus a bit on Hoover.

Hoover is a subsidiary of a Japanese company, Subaki Nakashima. Subaki Nakashima has described its rationalization as follows: "in the steel ball manufacturing section, we are aiming at enhancing the production capacity of Subaki Hoover Hungary and also putting on track Subaki Tai Chung," that's in China, "whose factor is currently under construction in Tai Cheng, China, thereby achieving the goal of performing manufacture at the optimal location by choosing among our asian, America, and europe facilities and strengthening our operating foundations."

"We are striving to enhance our international competitiveness of all our products in regard to quality cost, turn-around time and the like, and aggressively expand our global business activities on a world-wide basis."

That doesn't sound much like the testimony you heard this morning. But let me take it a step further. Also in the public record are data on all imports, from China and other sources.

Hoover is in the ball production business. If you look at page IV-7 on Table 4-3, you will see ball imports by
source. Look at the value. Look at the quantity. It doesn't much matter. Value, in fact -- well, let me talk value, but also keep an eye on quantity.

China's value increases moderately but falls between 2001 and 2002. Imports from other sources in value stay about the same. That's not true. They go up 2 million. That is, they increase more than the imports from China.

But when you look at the quantity figures, it's much more dramatic. In fact, what is happening is what the Hoover spokesman said, that is Hoover has made a decision as part of it's rationalization to move its production facilities to China and I believe I heard this morning Mexico.

What you have going on here is a story about multi-national enterprises that have targeted China and do not have a good reason to do so other than the fact that they would very much like to see dumping duties imposed on imports from China.

Now, it is true that the U.S. industry has gone through, has seen a lot of its indicators go down as was described this morning. It is equally true that that is what happens in recessions.

You heard, I think accurately, a description of what's happening in different market segments. But the
point is that it was Mr. Koplan who said that isn't it true 
that the decline sort of mirrored the decline in 
consumption. That's right.

What you have is industry performance that is 
shaped by economic conditions, and this industry is 
sensitive because it supplied so many other end user's 
industries to what's happening in manufacturing.

Now let me turn briefly to market segmentation.

As I said, the amount of bearings at issue from China 
relative to the size of this market is insignificant. But 
in fact, they do -- Chinese and U.S. producers do supply 
different market sectors. They supply different purchasers.

All this will come out in the confidential section. They 
produce different products.

And on that, obviously bearing type is one. The 
bearing type is normally ABEC rating. It also is are we 
talking about an angular contact, thrust, the linear ball 
bearing. When you look at the numbers, it's very clear that 
a large segment of the U.S. industry is, in fact, fully 
insulated from competition with China.

I'd like to address a bit and then have Mr. Hoo 
address at greater length bearing quality. Listening to the 
back and forth, it did seem to me there was a real 
commission interest in whether or not all ABEC 1 bearings 
are equal. The answer to that question is no.
What the ABEC does is it sets some dimensional features, the geometry of the bearings as I understand it. But there's a lot more that goes on that Mr. Hoo will talk about.

There are differences in customers that are supplied. You can go through the largest customers, and what you will find is it's not entirely a complete segregation, but the segregation between customer groups supplied by imports from China and the domestic industry are very, very different.

Finally with regard to pricing, we will get into this in detail in the afternoon or in the confidential session.

If there is a case the petitioners can be made, it is the argument that somehow a very small quantity of imports from China relative to the U.S. industry has driven a great deal of industry pricing. That simply is not true.

And I would remind you what you heard today about long-term contracts and price de-escalation clauses with end users and then look at the pricing data in the record -- you have it there -- and compare what happens when you look at prices to distributors and prices to end-users.

With that introduction, let me turn the microphone over to Mr. Hoo of General Bearing.

MR. HOO: Good afternoon Respecting
Commissioners. I appreciate very much the opportunity to come here to testify not only on behalf of General Bearing but on behalf of Chamber of Commerce, Department of Mechanical and Electrical Products section of basic mechanical parts from which the bearing is part of a basic mechanical part.

My name is Joseph Hoo, H-O-O. I am currently the Vice President of General Bearing for China Affairs. I started to build joint ventures, manufacturing plants, for General Bearing in China since 1988. I have a total of 43 years experience in the bearing industry.

Now, today we're in petition by a group of the Bearing companies accusing the Chinese ball bearing industry dumped our products in the U.S. market. Who are these petitioners?

I think, Honorable Commissioners, you know them very well because these are the people in the past 10 years coming in and out this hearing room so often that you know them.

Sometimes they come as petitioner, sometimes they come as perpetrator. So you don't even know, like the TV show, who's the police, who's the robber. Because I'm convinced that these people -- sometimes they fight each other. Sometimes they get together, fight an outsider, and this is the case, they're fighting the Chinese.
Now, may I suggest to the Commissioners that China today, the bearing industry is not only the respondent you receive, 45 companies -- they're owned by the Chinese -- but these same group of foreign international companies, they are investing heavily, expending fast in their Chinese manufacturing plant. This part is not covered by your staff report.

Let me give you some of the names that you can immediately recognize. These are the same people that this morning spoke and these people petitioned in these -- petitioned to you accusing China of dumping.

These are people, Sanyo Steel of Japan, investing, forging, in China. Sanyo Steel supplied 70 percent of bearing steel to the Japanese bearing companies. Okeida Company in Japan setting up a forging plant. Naganishi, part of the ABMA, they have planned a new wave, is setting up a plant in China.

Subaki Nakashima. Early this morning, they used their name, Hoover, is setting up a plant in China. Tayo has been in China operating for over five years. NSK has three plants operating in China.

Koyo Seiko has three plants operating in China. Timken and Torrington together, they have three plants operating -- two operating in China. They broke ground on one additional plant, joint venture with NSK last month.
NTN has built two plants in China. Ena FAG
Bearings, they have three plants in China. Natchi has at least one plant in China. Minibear has at one plant in China. SKF has four plants already -- three plants already operating. The fourth plant is about to be started a production very soon.

All together, these international companies invested 29 plants in China, so we are talking about the bearing, Chinese bearing. These people must be counted because China is giving these people the same, if not better, conditions to operate in China than the Chinese. Also these people, 29 of them, many of them they do not look like Chinese like I am, but they are Chinese -- part of the Chinese bearing industry.

Last year the number one exporter of Chinese ball bearing is a company called Minibear who is a petitioner in this case. The number two exporter of Chinese ball bearings in China is Koyo Seiko.

Minibear exported $41 Million U.S. dollars worth of ball bearings. Koyo Seiko exported $12 to $40 Million U.S. dollars of Chinese ball bearings. Their export in dollar value are far exceed any -- I hate to use the word "legitimate" or "bona fide" Chinese, which I am -- they are more than any Chinese bearing companies now.

The second point I want to make is that the Heritage Reporting Corporation
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Chinese export to the U.S.A. actually is a very small part of the U.S. consumption, and we do not compete with U.S. ball bearings.

Use the latest information from you staff report. Table IV-4. The total Chinese export to the U.S. in year 2002, which is the highest in the past three years, is only $126 Million U.S. dollars.

And if you count the total which is maybe, the report says, "we are 17.5 percent of the total U.S. ball bearing imports." However, that's represent -- we do not have from the U.S. Bureau of Census, the industrial report for the year 2002 yet.

But you use the numbers of year 2001, the Chinese export represent only slightly over 4 percent of the U.S. total shipment. Total shipment means the domestic shipment plus the import. We're only 4 percent of it.

MR. HOO: Now let's go into different sectors. We claim that we do not compete with the U.S. ball bearing industry. The staff report reports there are two major sectors of the industry which support the most important customers of the U.S. domestic industry. One is automotive. One is aerospace.

In the sector of aerospace, our export to the USA is zero. In the sector of ball bearing exports, following the table, Roman IV-15, $11.5 million in import of
automotive bearings are from China. To begin with, the U.S. automotive ball bearing market is at least $1.2 billion U.S. dollars, so the whole China $11 million imported constitutes less than one percent of the total U.S. consumption. Out of the automotive bearings that China exported to the USA, they concentrate in only two types of bearings. One is a steering bearing, which this morning some other gentleman testified which is only steering with a low end application. Another being accused by the domestic manufacturer is the hub, bearing.

Let's look at the factors. Generation one, yes. Now, for the steering bearing I'm going to read to you an affidavit signed by the president of General Bearing Corporation.

"Affidavit signed by David L. Gusack, being duly sworn, deposes and says, 1) I am president of General Bearing Corporation and make this affidavit in response to the allegation of the American Bearings Manufacturers Association (Petitioner) relating to GBC's sales to Ford Motor Company and the General Motors Corporation. 2) While it is true that General Bearing has entered into a supply agreement with Ford's Visteon division, based on our communication with the Visteon personnel it is our clear understanding that the GBC product being sold to Visteon replaced a product made in Japan. In

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year 2002, GBC shipped a total of approximately 4,540,000 in
ball bearings for steering systems in Visteon.

"3) The Petitioner's allegation relating to GBC's
relationship with GM are misleading and inapplicable. The
agreement with GM referred to by Petitioner covered tapered
roller bearings, not ball bearings. Moreover, GM has
renegged, and GBC has not sold a single bearing to GM under
that agreement."

Because of the time I got this report, I'm going
to present to you another affidavit signed by the U.S.
president of the company Wangxiang. It's being
investigated. It's being reviewed by the DOC staff.
Wangxiang exported during the period of
investigation $3.8 million U.S. dollars of automobile wheel
hub units. Less than $100,000 is in generation three hub
units. This is in a six month period. You projected for a
year. They say the first half of the year is less than the
second half. Therefore, they estimate the total year export
is $5 million U.S. dollars.
You add that to the General Bearing's $4.5
million. That comes to $9.5 million. The total Chinese
export to the U.S. market in automotive -- this is per your
staff report -- is only $11.5 million, so the percentage,
basically what everybody talked about, this Chinese
automotive bearing invasion into the USA, is limited to
these two bearings.

One, I stated we were supplying to Ford replacing a Japanese supplier. Two, our automotive wheel bearing is limited over 99 percent in generation one. What is generation one? This is the first generation of wheel bearings developed by General Motors.

These type of bearings stopped being used in U.S. cars 10 years ago. Every U.S. car today running is equipped with generation three bearings. The generation one bearing, therefore, what we export to the U.S., is only for those cars which are 10 years old, running, breaking down. They need a replacement bearing. There is no other U.S. manufacturer today making the generation one bearing. If we do not ship this generation one hub bearing to the USA, those old cars must be junked. This is our exposure, our involvement in the U.S. automotive market.

Now, there are other markets in which we're involved besides this. One is we make bearings for rollerblade skates. Yes, we make those bearings, and we developed that market with the Chinese bearing. There won't be a U.S. rollerblade industry existing today because if you look at the U.S. industrial report a bearing in that size range from China on the average would sell at 40 cents. A domestic bearing made is average price -- this is not confidential information -- we get from the U.S. industrial
report is $1.60, so you're talking about over $1 a bearing more if the rollerblade were to use domestic made bearings.

Each pair of roller shoes uses 16 bearings, which means if the rollerblade shoes were made in the USA, were using U.S. made ball bearings, each pair of shoes would cost $16 more. That will make that industry totally not livable in the USA. The result will be the whole shoe, including the bearings, including the shoe, everything, will be made in some third world countries because adding $16 to a pair of rollerskates is just not viable in the market.

The third bearing is a wheelchair bearing, which we make and which before we made it was a bushing, was a high bearing. Now, we reduced the cost of that. We got most of that business.

Another example. In the vacuum cleaner there is a brush. Those brush bearings, now they are predominantly Chinese because for a brush used in a vacuum cleaner you can't afford to add another $10 or $20 to that. Therefore, these are market requirements.

We've developed this market. We consider this is also a contribution to the human beings in improving the quality of life. We admire Henry Ford. Henry Ford did not invent the automobile, but in the 1930s he made the Model T affordable to his assembly line workers. That is our model of the hero. Without Henry Ford making the automobile
affordable to all his plant workers, the U.S. industry won't be the same as today.

We work with the users. We ask them the application. We do not design, for example, a wheelchair which goes from zero to 60 mile in five seconds. We do not design a rollerblade which can carry one ton of a monster kid, so we use whatever is practical. We ask the customer what you can afford. We're working from you.

We did not learn this marketing technique from the textbook of the infallible Karl Marx. We learned from the American sales lady. When you walk into a shirt shop she asks you how much you want to spend on your shirt, sir. We don't ask people to pay what they cannot pay. Therefore, we have developed.

Again, we replaced many of these applications, not bearings from USA, but bearings made in Singapore. Singapore has a bearing plant operating by Minebea in Thailand. Thailand has a bearing plant operating by SKF and others.

The statistics will show that although the Chinese gained a little bit, eight percent in the past three years, the decrease is from Singapore, from Thailand, from Japan. The total import of ball bearings in the U.S. market has decreased 18 percent during the period, so we did not hurt the domestic manufacturer, but we replaced these
international companies who chose to manufacture the
bearings from a cheaper platform.

Now, the last I want to put in my few minutes is
the Chinese market. The Chinese economy is booming. In the
last year, China made 1.2 million cars. There are American
cars made in China. Buick is one, and Chrysler-Jeep is
another, respectable Petitioners. Those American cars made
in China are still using ball bearings imported from USA.

As a matter of fact, we have a chart to show here.

In 2001, ball bearings exported from China was $636 million
U.S. dollars. In year 2002, there is an increase of eight
percent, but the Chinese ball bearing imports, there is an
increase in one year of 30 percent.

In other words, because of our development, our
economy, we import more ball bearings than export at a much
higher rate. Keep on going on this, and China in a few
years will be a net importer of ball bearings, not
exporters. We, therefore, do not have the capacity or the
will to invade the U.S. market and flood it with bearings,
with Chinese made bearings. We just are not able to do
this.

Besides this, what are the bearings that we are
making? We are making the low end. Again, some other
gentleman objected to using the words commodity bearing.

Now, what is the difference between commodity bearings and
the high end bearings? I'll show you.

This is a cover taken from a Timken book. The cover says in 100 years they are from Missouri to Mars. We cannot reach Mars. As you'll see today, we have difficulty even swimming over the Pacific Ocean.

Now, you look at, as I end this, ball bearings from Timken Company, what they make. Number one, page 1, gas turbine engine aircraft gear box bearing. We do not make. Second page, aircraft accessory bearing. We do not make. Page 3, aerospace instrument bearings. We do not make. Page 4, high precision disk drive and machine tool bearing. We do not make.

What do we make? You look at the brochure of every SKF company. There are 18 pictures of what their bearings are used -- in space, in deep oil drilling, in propelling huge machines, electrical generator, antenna, a tunnel drilling machine, all this. All these bearings we do not make. This is what we say we cannot damage now or in the future the ball bearing industry of the USA.

What we do today? We replace some other non-subject bearings made in countries already by the plants operating international. Year 2002 is the first year we joined the WTO, and we opened up our market. As you see, our import of ball bearings jumped 30 percent.

We were told. We were convinced by a lawyer who
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represented us. Ambassador Barshefsky, at the time she worked for the U.S. Government. He told us if you want to join WTO you have to be fair to the others. You have to allow other people to assess your market. Yes. Only when you are fair to the others you will be treated fairly. We have lived up to our end of the bargain, as you can see. Respectable Commissioners, we ask you to grant us fairness. Thank you.

MR. GREENWALD: I think that just about does our time, so we will sit here and wait for questions. Thank you.

CHAIRMAN OKUN: Very well. I'd like to thank you and thank you, Mr. Hoo, for appearing here today, for your willingness to be with us and present your testimony.

I am going to begin the questioning. After that presentation, I had to start with a boring data question, but I guess I'll have that, although I have a number of questions based on your testimony that I'd like to go back to.

Mr. Greenwald, I'll start with you first on this issue of the de minimis company that was identified and try to get your best understanding of what data that is and whether we have enough information on the record to separate this out accurately.

MR. GREENWALD: We are going to try and work
through that. The problem comes, I believe, from the fact that the company's name is Cixin Ningbo or Ningbo Cixin, one of them. There is ambiguity in the questionnaires. We will try and resolve that right now. I don't have a hard answer for you, but I hope to in the postconference brief.

CHAIRMAN OKUN: Okay. I'm just curious. What will resolve that for you?

In other words, we've looked at the questionnaires, the foreign questionnaire data. We have the names. Is it different? Is it because Commerce gave it a different --

MR. GREENWALD: The question will be whether or not there were indirect exports, whether it was exported under any other exporter's name. I don't know.

I mean, when we go to the confidential session you will see that in our own analysis of the data we have made an assumption that we can exclude that company's exports from the analysis, but we're not 100 percent confident in the assumption. It is a working assumption at this point.

CHAIRMAN OKUN: Okay. All right. I appreciate that, and we will look to make sure that we have the most accurate data when we get our final report.

Then on the other data related questions, of course, the Petitioners were asked to comment on this this morning. I'd also like you to comment on it in terms of the
four categories of data that the Commission collected --
complete ball bearings, ball bearing balls, parts of ball bearing other than balls and a basket category.

Which categories, in your view, should the Commission examine when making its determination?

MR. GREENWALD: Well, I think you have to examine all the ball bearing categories, including the parts and the balls, simply because that's part of the subject merchandise, as I understand Commerce's determination.

When you get into baskets, the danger is you get into products that contain bearings, as opposed to bearings, and that is enormously distortive of the data. I thought that the data in the staff report that I looked at was pretty good. It comported with our view. Again, if I can take bearings, balls and other parts, I think that's the aggregate you're looking at.

CHAIRMAN OKUN: As opposed to complete ball bearings being the --

MR. GREENWALD: When I say bearings, I mean complete ball bearings. Was it complete ball bearings on their own?

CHAIRMAN OKUN: To be a category to look at in terms of not having the double counting.

MR. GREENWALD: I mean, the saving grace here is that it doesn't really much matter. There are some
interesting issues. If you only look at ball bearings on
the domestic side, you ought to only look at ball bearings
on the import side and do a ball bearing to ball bearing
analysis.

My preference would be, and we'll brief this at
greater length, and the U.S. industry should be the
aggregate of its production of all covered products, of all
the domestic like product, and that the imports should be
that group --

CHAIRMAN OKUN: Okay.

MR. GREENWALD: -- so there's a coincidence
between the two.

CHAIRMAN OKUN: Okay. Then the other issue, and
one I think Petitioners expanded on this morning, which is
the issue about the questionnaire data, what's reflected in
the staff report and the official Commerce data, which, as
Petitioners characterized, show a decreasing universe of --
excuse me. The questionnaire data showing a decreasing
universe of imports covered.

What's your view on that I guess, first of all?

MR. GREENWALD: I was looking at the data. It is
not nearly as decreasing as you were led to believe. There
is a table -- I think it's public, but I'm not sure -- in
the staff report that has shipments, importers' shipments by
volume and value, Chinese merchandise. That is pretty
complete. What you see is a time lag between imports and the like.

I should say that we have used the Commerce Department data simply because it is fuller, but the representations made about the accuracy of the imports as data, especially on a shipments basis, I think were misleading by the other side.

CHAIRMAN OKUN: Okay. But if we were to rely on official Commerce statistics, would you find problems with that?

MR. GREENWALD: Again, I think the short answer is no. I'd be inclined to give you a longer answer, but I suspect you don't want it.

CHAIRMAN OKUN: Okay. Just to make sure we're all clear here.

The final one. In response to a question I believe by Commissioner Miller regarding green parts, I believe the answer was that the green parts would not be included in Commerce import data for complete ball bearings. I'm just trying to make sure I understand how everyone views the green parts.

MR. GREENWALD: That was a little facile. Terry Stewart is a very capable lawyer who gives quick responses. What he meant by that is if you just look at the complete ball bearing data then you ignore the issue of
merchandise that's not subject, but is in the import statistics. In order to get a feel for what is going on, you have to look at what is going on in these green parts. Now, whether at the end of the day you compare ball bearings domestically to imports is one thing, but certainly when you're looking at import trends that do include, as they are in the Commerce statistics, green parts you have to take those green parts out.

CHAIRMAN OKUN: Okay. All right. There may be another data question out there, but I will leave them and turn to some other questions that I wanted to cover. I'll turn to you, Mr. Hoo, if I could. You have presented a couple of affidavits for us to check for the record. Were those already submitted, or are those ones that will be submitted?

MR. GREENWALD: We can submit it in the postconference brief. We can submit them as soon as we leave so that Petitioners have more time to look at them, whatever the Commission wants, but they're not on the record yet.

CHAIRMAN OKUN: They're not on the record? Okay. I believe it would be helpful if they could be circulated today and perhaps prior to the closed session so that if we have some additional questions we could ask those. I would ask that you do that.
Mr. Hoo, specifically on that you responded with regard to the General Bearing Corporation's contract with Ford, I believe, one of the affidavits went to. I just want to make sure I understand what that affidavit was. It may have been different.

I had asked a question of Petitioners earlier regarding a press release they had cited, but I believe we were talking about -- I'm not sure this is the same thing, so I'm just trying to be very clear here.

When you were talking about General Bearing and what they were supplying to Ford, you were talking about product in which year? If you can just use your microphone, please?

MR. HOO: Yes. This is going on currently.

CHAIRMAN OKUN: Okay.

MR. HOO: This has been going on for maybe three to four years. This is the only ball bearing that we are supplying to Visteon or the Ford organization.

CHAIRMAN OKUN: And supplying from China?

MR. HOO: Made in China, shipped to the USA supply to replace a bearing before us that Ford imported from Japan.

CHAIRMAN OKUN: Okay. And that knowledge of where it was imported from is based on?

MR. HOO: What Ford purchasing told us. That
CHAIRMAN OKUN: Okay. Again, I just wanted to be clear on that.

Had General Bearing supplied those same parts from another plant prior to that, or this was a new --

MR. HOO: No. This was a new --

CHAIRMAN OKUN: Okay.

MR. HOO: The Ningbo plant. From our Ningbo plant. We did not supply that bearing before.

CHAIRMAN OKUN: Okay. Okay. All right. I think I understand that.

The other question, and I'm not sure. My yellow light is on. I think I'll come back and figure out what I can ask in the open session regarding one of these questions.

I'll turn to Vice Chairman Hillman, but thank you for those responses.

VICE CHAIRMAN HILLMAN: Thank you, and I would join the Chairman in thanking you very much for your appearance here this afternoon and for all the information provided in the prehearing brief. It's most helpful.

I guess, Mr. Greenwald, I will also start with this data question, to some extent the same one I posed to the Petitioners this morning, and that goes to the issue of whether we should be looking at this case on a units/volume
basis or a value basis.

Obviously you're very familiar with Commission precedent on this issue, but I wanted to know whether you think there's anything about this case that would suggest that we should be changing that analysis and moving to looking at units or other measures.

MR. GREENWALD: I can understand why Petitioners would want you to. I cannot understand what possibly makes this case different from any other bearing case.

The fact of the matter is that there is a huge range of bearings sold at hugely different prices with smaller bearings tending to be much, much cheaper, and anything that is volume based on terms of the analysis runs the risk of a very substantial distortion.

VICE CHAIRMAN HILLMAN: Next, to some extent a data question, but at least trying to understand how you think we should be assessing the overlapping competition. Obviously an awful lot of your argument relates to whether the Chinese and the U.S. are really in the same marketplace, if you will, or in different pockets of it.

Would you say we should be focusing more on the market segments into which products are sold or more on the size and ABEC number of the bearing itself? Which is the better indicator of the overlap in competition?

MR. GREENWALD: The market is far better.
VICE CHAIRMAN HILLMAN: The market segment?

MR. GREENWALD: Far better. I mean, the size, you have sort of a broad brush size range. A miniature bearing, a very tiny bearing, those mentioned made of product used in dental drills, will be different from another product similar sized used in another application. Neither ABEC nor, unfortunately, size give you the answers you're looking for.

The data on end use are better, but they're not perfect. Let me give you an example. I think that there's a category that has surgical instruments, if I'm not mistaken, and then wheelchairs. It's kind of a health category. Well, you heard Mr. Hoo talk about wheelchair bearings. There is an aggregation of bearings in that area. Even in automotive there are differences. General Bearing supplied a steering wheel bearing, which is a lot less sensitive than a bearing in one of the critical operating parts where heat has to be higher.

I thought there was some equivocation today in the morning session on the answer to the question you asked about essentially are all ABEC bearings of the same size created equal. The answer to that is no. There are important other differences.

For example, you might have an ABEC-1 bearing in - I don't know -- a wheel unit. I mean, now you're getting...
out of my league, but I do know that there are important
differences even within motor vehicles in what type of
bearing is used in what application, and quality extends far
beyond just an ABEC rating, which is dimensional or
tolerances.

VICE CHAIRMAN HILLMAN: All right. If I could
then turn to you, Mr. Hoo? I appreciated your testimony and
wondered if you could comment on the point that Timken was
raising in one of the charts that they put up and is in
Exhibit 6 of their brief, which is this chart that shows
particular part numbers that Timken makes and then lists,
you know, the various Chinese companies, including yours,
and, you know, marks off all of the products that are also
made in China. I mean, it's an extensive exhibit. I'm not
aware that it's confidential information.

I'm wondering if you could comment on what that
should say to us about the degree of overlap. In other
words, there's many, many of these part numbers that Timken
is saying that they make and that they are also listing your
company as also making as an indicator that there really is
a significant amount of overlap in the products that you are
making and the products that Timken is making.

MR. HOO: Yes. Ball bearing is one of the
industrial products which worldwide has been standardized.
A 6203 bearing made in any country will have the same
dimensions because this is not only American standard. This is an ISO standard by the International Standard Organization.

For the convenience of the users, every company, including Timken, including Torrington, SKF, NSK, all the companies in the world, they put up these conversion charts to say if you were using NSK 203 they put some digits afterwards, KK. NKN calls it 203-LL, and we call it 203-2RF. We are just telling the user they are the same dimensions. That's all.

This kind of a chart has been existing at least almost close to 100 years. Every company is trying to tell the user that what is our basic dimension, and they are comfortable. If you take out a 6203 bearing from your current machine, you put my 6203 bearings in. It will fit. That's all the purpose.

VICE CHAIRMAN HILLMAN: It will fit?
MR. HOO: Yes.
VICE CHAIRMAN HILLMAN: Okay. Well, I'm trying to get a better sense of what that suggests to us.

If there are a lot of these part numbers that appear to have a lot of Chinese companies also making the same part and if they can, as you say, fit right in and fill the need that that particular bearing has been doing, why does that not suggest that you are not, you know, very
directly and heavily competing with the U.S. producers of all of those part numbers?

MR. HOO: That chart only gives the dimension. In other words, if you use a 6203, the outside diameter is 42 millimeters, the bore is 17 millimeters, the width, but the bearings -- besides dimension, there are many other important characteristics such as what temperature the bearing can stand, what type of grease the bearing contains, what type of a seal the bearing uses, what material of the cage the bearing uses. All these affect the application.

To say we furnish the bearing of the same dimension doesn't mean the bearing can be instantaneously substituted.

VICE CHAIRMAN HILLMAN: Okay. These characteristics that you've just described, you know, the type of grease, the type of casing and everything, would those affect the bearing's ABEC rating?

MR. HOO: No.

VICE CHAIRMAN HILLMAN: No.

MR. HOO: The ABEC is only a geometry. It's geometry. An OD ABEC-1 for a 30 to 50 millimeter, you can go from zero to minus 11, 11/millionths of a meter or .011 of a millimeter. If it's an ABEC-3, it goes from zero to nine. If it's an ABEC-7, it goes from zero to six. In other words, the tolerance is being reduced. That's all.
VICE CHAIRMAN HILLMAN: Okay.

MR. HOO: It doesn't cover all other important quality characteristics.

VICE CHAIRMAN HILLMAN: Okay. Just so I understand it, you're saying for all of these items where there's a check that Timken makes them and a check that the Chinese makes it that there are nonetheless, in your view, significant differences between even the same part number between the product that Timken or the other U.S. producers are producing and the part that you are producing?

MR. HOO: Yes. Yes.

MR. GURLEY: If I could interrupt? This is John Gurley. I'm counsel for Peer Bearing Company. I think this chart actually proves the point that Mr. Greenwald has been trying to make. I mean, it's preposterous to think that Timken is competing for business with say General Motors with Jiangxian Yi Axle Electron Material Company, a company nobody has ever heard of.

These products do have the same size and same basic physical characteristics, but they're going to different end uses.

VICE CHAIRMAN HILLMAN: Okay. Okay.

MR. GREENWALD: One other final point on the chart. I thought the chart looked impressive, but what I cautioned you about was distinguishing between hard evidence
and stuff that's pulled off brochures and websites.

This case is not about products that China doesn't import to the United States. It's not about what China produces. It's about what China exports.

VICE CHAIRMAN HILLMAN: Again, I have to say, I mean, your argument strikes me as you're saying, you know, that the U.S. producers have ceded the sort of low end, typically small sized commodity bearings. That's sort of how I heard it, and that's the market that the Chinese are in.

Yet if I look at our data on the under 30 millimeter less than ABEC-1 ratings, that is a very substantial part of what our data is showing is U.S. production, so it suggests to me that the U.S. industry is still very much in that market.

Given that the red light is on I will come back to this issue, but that's where -- I hear your argument. I'm just not sure I'm squaring it with the data that I'm seeing in terms of where the U.S. industry is, as opposed to where you're suggesting the Chinese imports are.

CHAIRMAN OKUN: Commissioner Miller?

COMMISSIONER MILLER: Thank you, Madam Chairman.

Thank you to the panel and to Mr. Hoo in particular for traveling to be with us.

Mr. Greenwald, would you like to add to the Vice
Chairman's question now? Do you want to go on --

MR. GREENWALD: Sure.

COMMISSIONER MILLER: -- to address her point about the ABEC?

MR. GREENWALD: ABEC is one parameter. Everybody has been saying it's dimensional. It is not synonymous with quality. It is part of a system that in this case deals with what Mr. Hoo calls geometry.

There are lots of other factors that enter into the equation. The easiest way for me to address this is to look at the auto sector. There was a lot of talk about autos. You have heard precisely what the applications are and, mind you, also the volume of exports from China to the United States in the auto segment.

China isn't a factor in most accounts and most applications. That is very clear from the data. I mean, you can look at accounts. You can look at specific end uses. I don't see how on this record you could reach a conclusion that, for example, if I can talk about autos again, there's any evidence in the record to support that China is a factor or has been a factor in the auto market except for some very limited applications.

ABEC ratings are part of this range of quality issue, but it's only the beginning.

COMMISSIONER MILLER: Mr. Kearns?
MR. KEARNS: If I could just add one thing real quickly? I think there's some confusion, too, about what's not ABEC rated, what falls in that category.

My understanding is that there are some specialized bearings that would fall in that category, and ABEC has certain standards for certain standardized bearings, so if you make a very sophisticated bearing that, you know, is kind of custom made for one or two customers there's a chance at least that that is not going to be ABEC rated, so don't think that just because it says Not ABEC Rated means it's a very poor quality bearing not as good as an ABEC-1.

COMMISSIONER MILLER: Okay. I may want to follow up more on it. On the other hand, at the same time I don't want to put too much emphasis on this market segmentation issue because at least for me it was not the deciding issue in my original decision. On the other hand, it's obviously an important issue in this case, so that's why, you know, I've spent as much time on it today, even though it wasn't defining.

I'm going to point to another issue in the record that I think is not very supportive are information from purchasers, in my view, did not clearly make this separation that you all are trying to make. I mean, the purchasers describe the Chinese and U.S. material as being comparable.
I think I'm afraid to even read anything from the table, but I'm pretty sure it's fair to say that more often than not. Okay. Let's just say more often than not. Do you have any explanation?

MR. GREENWALD: Sure.

COMMISSIONER MILLER: I thought you might.

MR. GREENWALD: When you look at the purchasers' questionnaires, there are several groups. There are some that don't purchase Chinese at all, and they gave answers, but you say gee, what basis? They simply have no operational experience with the Chinese. There are others that don't purchase U.S. There are some that purchase both. I think when you read those purchasers' questionnaires closely and you get away from the sort of check off answers what you find is again segmentation in where the bearings go and what they're used for.

It may be that somebody who is filling out one of your questionnaires says well, yes, Chinese bearings are the same as the U.S. bearings, but that is manifestly not the case. I mean, you can look at the distribution of bearings among radial and other, for example, and that is an important difference. You can look at not across the board, I mean, and there is some overlap.

I always worry about overstating the case, but when you look at the questionnaire responses you can see...
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ABEC ratings where imports from China really are tiny. I mean, they're almost infinitesimal when you look at size.

Fundamentally, I mean, it does seem to me that the most important purchaser questions and the one that mattered the most and the one that Petitioners don't really want you to look at was the question what was the most competitive alternative bearing, and on that I think it is close to unanimous that the most competitive alternative to the imports in this case, the subject imports, are non-subject imports.

COMMISSIONER MILLER: Okay. I know you pointed that out in your brief, and I also do appreciate the analysis you did of the purchasers, those who purchased both versus the number that only purchased one or the other. I did see it, and I think that is helpful.

I want to ask Mr. Hoo his perception of demand in the United States in the last few years and what you think that's meant both for China's, your company's exports and the U.S. industry in general, if you could. Could you just describe?

You heard the Petitioners talking this morning about their view of demand in the auto sector and then the industrial aftermarket -- I think that may be the way it was referred to -- and industrial OEM as well. Can you just characterize your view of demand conditions in the United States?
States for the last few years, the last three years?

MR. HOO: Yes. Consumption of ball bearings generally follows the general economic condition of the country. If your GDP is increasing by a given percentage then your consumption of ball bearings will increase accordingly or vice versa.

We feel, however, there is some small other factors. For example, if the U.S. started to import a large volume of automobiles from overseas, each automobile with an automatic transmission uses about 50 bearings, so when you import a million cars you are in essence importing 50 million ball bearings with the cars.

Now, for example, the U.S. applies this. Industry is trying to penetrate a huge Chinese consumer market that wanted to sell washing machines, refrigerators, air conditioners, fans, whatever in China. Now, if they started to move some of these plants into China then, of course, these plants will purchase only Chinese made bearings in China. They will not be using ball bearings produced in the USA.

Therefore, you may see a drop in the U.S. consumption because some of these appliances now exported directly from the USA will be made overseas, so the whole thing follows generally only the economic development of that country.
COMMISSIONER MILLER: Okay. Mr. Kearns?

MR. KEARNS: If I could just had add real quickly?

We also have a chart on page 25 of our brief that shows based on Census Bureau data what is happening in the transportation equipment sector of the economy and the machinery sector. Transportation equipment is both auto and aircraft.

Basically the first point is that it very much confirms what Petitioners have said in that machinery is slower. It's experiencing more harm than the transportation equipment sector, but I would also ask that you compare that data to the condition of the U.S. industry.

COMMISSIONER MILLER: Okay. All right. The yellow light is on. I'm going to come back for just one minute to the several questions that were asked about the data because for me I think my original decision was very much based on the numbers that I saw for the domestic industry and the import share and such.

That's one of the reasons I keep asking these questions about now which data sets do I want to look at. I know it's not a simple answer, but I only raise it again to invite you, as you said you already will in your posthearing brief, to sort of help me again on where I'm getting the best, most accurate picture of the condition of the U.S. industry and the imports from China, how they've having an
impact on it.

One thing you mentioned a little while ago, which I've been asking this question about green parts. You said in response to the question I think from Vice Chairman Hillman that you have to take them out. I'm not sure we have the data to do that, so help me on that, too.

MR. GREENWALD: I believe you do have the data.

COMMISSIONER MILLER: Okay.

MR. GREENWALD: We'll get into that in the confidential session.

COMMISSIONER MILLER: Okay. The red light is on.

Thank you. I appreciate all your answers.

CHAIRMAN OKUN: Commissioner Koplan?

COMMISSIONER KOPLAN: Thank you, Madam Chairman.

First, Mr. Hoo, I want to compliment you on your testimony today. I have one question for the open session, and let me direct it to you if I could.

In Appendix 1 of the prehearing brief submitted on your behalf, there is included, and this has been mentioned this morning, a publication entitled Statistical Handbook of the Ball and Roller Bearing Industry. That's a Department of Commerce report.

That report states at page 31, and this was submitted with your brief, that, and I quote, "China's impact has been to force bearing prices down in the United
States not just for ball bearings, but also other bearing types, simply by offering potential customers a low-price option. This has the effect of setting a lower price floor from which to begin negotiating." That's the quote.

Now, Petitioners used this quote that came with your brief in a section of their brief entitled Aggressively Priced Chinese Ball Bearings Are Depressing Overall U.S. Prices For Ball Bearings to support their argument that the prices of Chinese ball bearings are depressing U.S. ball bearing prices overall.

What is your response to their argument that is based in part on what has been submitted in your brief?

MR. HOO: Okay. We claim we are competing mostly with other what you call non-subject bearings. Please, we look at --

COMMISSIONER KOPLAN: Are you saying that the statement I read from the report that's with the report that's with your brief is inaccurate?

MR. HOO: It's misleading. Yes.

COMMISSIONER KOPLAN: It's misleading?

MR. HOO: Yes.

COMMISSIONER KOPLAN: Okay.

MR. HOO: Please look at this chart.

COMMISSIONER KOPLAN: That was the one you referred to in your direct testimony?
MR. HOO: Right. The Singapore average price for ball bearing is 43 cents, from Thailand it's 42 cents, from China it's 44 cents. If we only replace the current user, the supplier from Singapore and Thailand, we have not damaged one little niche of the American ball bearing industry.

Look at SKF. SKF has a plant in Indonesia. This is the U.S. Census. This is from the Department of Commerce statistics. Indonesia, 36 cents; Malaysia, 69 cents; Poland, 66 cents; China, 44 cents. The Chinese price is higher than the Thailand and Indonesia prices. If you look at Torrington, if you look at NSK, from Indonesia, 36 cents; from China, 44 cents a bearing. NTN from Thailand, 42 cents; from China, 44 cents,

We claim and we state that we are replacing another offshore source. As long as U.S. total imports stay pretty much stable or with a very slight increase -- as a matter of fact, in the past three years the U.S. import of ball bearings has decreased 18 percent. We are not hurting anything of the domestic ball bearing manufacturing industry.

COMMISSIONER KOPLAN: I appreciate your response, but I don't know that it responds to my specific question. What I'm trying to get at is whether you are offering price options to potential customers that are
suppressing U.S. prices. That table is not comparing what
would be before a potential customer, your price versus a
U.S. price, for example.

MR. HOO: Okay.

COMMISSIONER KOPLAN: I paid attention to the
table that you posted, but I don't think that it gets to
this question for me.

MR. HOO: Okay.

COMMISSIONER KOPLAN: Maybe Mr. Greenwald would
like to get in on that.

MR. GREENWALD: Well, I would like to talk about
pricing in the closed session. Mr. Hoo does not have the
benefit of the pricing data that you have. Now, I will just
say in a conclusory --

COMMISSIONER KOPLAN: But I'm only referring to
this, which is public.

MR. GREENWALD: No. I understand that.

COMMISSIONER KOPLAN: Right.

MR. GREENWALD: What my answer would be for
reasons we'll get into, I think that is a statement without
any support. I assume that the source are the gentlemen
that appeared before you today.

COMMISSIONER KOPLAN: No, no, no. The statement
that I read from is from your exhibit.

MR. GREENWALD: No. It's our exhibit, but it is a

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1 Commerce Department -- we say Commerce Department/ABMA.
2 ABMA says Commerce Department.
3 It is a Commerce Department survey that was done I
4 believe in conjunction with or with the support of ABMA,
5 and, to my knowledge, what you see here without any --
6 COMMISSIONER KOPLAN: Let me just ask you a quick
7 question.
8 MR. GREENWALD: Yes?
9 COMMISSIONER KOPLAN: Mr. Applebaum indicated that
10 there's a later version of this exhibit that's come out
11 since. Is that your understanding?
12 MR. GREENWALD: I don't know. I have not seen it.
13 What I can answer and what I'd like you to do, if
14 you don't mind, is ask the question, the exact same question
15 in the context of the pricing data that you have in the
16 record that we can talk about in the confidential session.
17 COMMISSIONER KOPLAN: Certainly. I'd be happy to
18 do that. Thank you very much. Thank you, Mr. Hoo.
19 Madam Chairman?
20 CHAIRMAN OKUN: Thank you.
21 Mr. Hoo, I wanted to ask you a couple questions
22 about your testimony when you were talking about where it is
23 that the Chinese bearings are competitive. One of the
24 places you talked about was the rollerblade market, and you
25 talked about the prices of Chinese bearings and that
relative to U.S. being essentially too expensive to make
these rollerblades be competitive, I guess. I'm
paraphrasing, so you can jump in.

My question is is that a market -- to your
understanding, you said the Chinese developed that market.
Was that a market? Do you have any knowledge of whether the
U.S. formerly supplied bearings to the rollerblade and then
lost it to the Chinese?

MR. HOO: No. To my best knowledge, no U.S.
manufacturer has ever in the past, today or the future made
or attempted to make that bearing.

CHAIRMAN OKUN: Okay. And it wasn't made in
Thailand or Singapore? You're just saying the Chinese
supplied these bearings to the manufacturers?

MR. HOO: I cannot go that far because the
rollerskate industry in the beginning imported a lot of
these bearings through Hong Kong, and I don't know whether
maybe the Chinese was -- certainly the biggest majority of
these bearings shipped through Hong Kong to the USA, but
there might be the same bearing made by Thailand, made by
Singapore, coming into the USA.

Particularly these rollerskates became suddenly a
fad. I don't know whether that's the correct English word.
Everybody wants to buy, so they are shipping all these
bearings by air freight to the USA. They couldn't get
enough. There were buyers coming with briefcases of cash in China, the Ningbo area. They said you have these bearings? I buy in cash.

During those periods of short supply there might be some bearings made in Singapore, made in Thailand that came also in the USA, but certainly there's no U.S. manufactured that ever appeared.

CHAIRMAN OKUN: You were talking earlier about which type of bearings? You talked about two. I apologize. I had to walk out of the room.

MR. HOO: Wheelchair bearings.

CHAIRMAN OKUN: Wheelchair. Is that a similar situation? I mean, was that a market that the Chinese developed or one where --

MR. HOO: Well, originally the U.S. wheelchairs were using either bushings or unground bearings. They were not very maneuverable. We worked. The biggest manufacturer of wheelchairs, they wanted the chair to be more maneuverable, less friction, so that the patient sitting on the chair can move much easier.

We developed the bearing for it. We were not aware from the beginning there was any domestic competitor of that bearing.

CHAIRMAN OKUN: Okay. I was listening to your comments and thinking of them in the context again of us
trying to look at the Chinese bearings, the prices and
whether in these other sectors that the Petitioners spoke to
in automotive whether those are the sectors again where the
Chinese being the lowest price, with very low prices, would
become the market, that people would turn to the market for
some of the reasons you indicated.

I guess I want to ask this question maybe to Mr. Greenwald in a threat context, which is even if you say that
at this point the Chinese have not become competitive or are
not taking market share from the domestic producers in the
markets that really matter for them, what do we make of the
threat of such?

MR. GREENWALD: There's very little evidence on
the record. Again, the best way to answer that question is
to go to the questionnaire responses of big purchasers or
ask do they or are there any imports that are anticipated
from China. They all answer as they answer.

The Chinese market is booming, as you saw from the
data. China is taking in now a lot of ball bearings. It's
very close to being a net importer rather than a net
exporter. The pricing is, as far as I can tell from the
data, certainly from unit value volume, stable or rising.
The rise in imports is not in any sense by my
reckoning material, so when you talk about, and I understand
that people talk about threat. In many ways it's the
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1 easiest thing to talk about, but you have to have some hard  
2 evidence that backs it up. Other than very soft allegations  
3 -- press releases, references to publications -- there's  
4 nothing to support it.

5 CHAIRMAN OKUN: I appreciate those comments.
6 I wanted to return to one area that Vice Chairman  
7 Hillman had explored which was something I was interested  
8 in, again going back to the chart with all the numbers on  
9 it.

10 The one thing I had wanted to ask, and, Mr. Hoo,  
11 maybe you could talk about that, was this morning when we  
12 had asked the domestic industry about some of the different  
13 things these bearings could be used for I believe that what  
14 they said was the 6203 bearing could be used for both an  
15 automobile and a treadmill.

16 I'm just trying to again go back to this issue of  
17 you're saying the standard size would be the 6203, but then  
18 the applications are influenced by the other factors that  
19 you described. Would that be accurate for the 6203 in your  
20 view?

21 MR. HOO: Yes. 6203 is a bearing. You go by the  
22 ISO standard. It has a 42 millimeter OD, 17 millimeter ID,  
23 a certain width.

24 Regardless of the bearing and where it's made,  
25 they all share the basic dimensions, but if you use the
bearing on the automobile alternator I understand three Japanese manufacturers, they use a different steel to begin with because that bearing must withstand a much higher temperature.

Number two, it has a different seating arrangement so that the grease, even at the high temperature, will not leak out and will stay in the bearing, plus there are other -- for example, the friction force between the seal and the inner ring. There are many other requirements.

A normal 6203 will definitely not meet those severe application conditions. Therefore, the same 6203 ABEC-1, the same dimension bearing, can be made cheaply for a commodity type application or to be made very sophisticated for a high, more reliable application.

CHAIRMAN OKUN: With a price premium for that?
MR. HOO: So price has no comparison. Yes.
CHAIRMAN OKUN: Okay. I know we've gone over this again and again, but I'm just trying to make sure I understand what I'm looking at in the record.

Mr. Greenwald, this might be more to you and to the other counsel. With regard to when we're looking at our pricing data which we collected, and we have a 6203-ZZ radial ball bearing single road deep through. I mean, all the dimensions on there. Would the product reflected in there be going to different applications?
MR. GREENWALD: I strongly suspect the answer is yes.

CHAIRMAN OKUN: Mr. Hoo, do you agree? You seem to know your industry.

MR. HOO: Yes. Yes, definitely.

CHAIRMAN OKUN: I mean, I know we can't recreate a record at this point. Is there anything that could have been further broken out to have been able to see that?

MR. GREENWALD: What you have is a matrix, I'm afraid, and nothing is dispositive. You have a matrix that has uses. You have product types that are by ABEC. You have bearing types, radial versus the others. At every point in this matrix you will see differences.

I don't know how you would have got in one snapshot, just in one question, what seems to me so clear from aggregating the answers to the various questions that are in the questionnaire responses.

CHAIRMAN OKUN: Okay. Thank you for those responses.

Let me turn to Commissioner Miller. Oh, I'm sorry. Vice Chairman Hillman. I'm looking right past. Sorry.

VICE CHAIRMAN HILLMAN: I hope just a couple quick follow ups.

Mr. Hoo, I really appreciated your testimony about

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the auto bearings and found it very helpful. I wonder if
you could describe the auto bearings that you sell in China.
Are you selling a number of the bearings, of your bearings,
into the Chinese auto market?

MR. HOO: Yes.

VICE CHAIRMAN HILLMAN: Are they the same bearings
that you're shipping here to the United States?

MR. HOO: No. For example, our company, we sell
front and rear wheel bearings to the Volkswagen models made
in China. This is by far the biggest model of automobile
produced in China.

They use in the rear wheel two separate tapered
roller bearings, in the front wheel a generation one tapered
roller bearing. Those kind of a bearing arrangement was
stopped by General Motors say 35 years ago. Maybe I'm
mistaken by a given five years, but those bearings are no
longer used in the U.S.

VICE CHAIRMAN HILLMAN: What you're describing are
tapered bearings?

MR. HOO: Tapered. In the front wheel there's
some generation one ball bearings, some generation one
tapered. Both.

VICE CHAIRMAN HILLMAN: Okay.

MR. HOO: Both are used. Yes.

VICE CHAIRMAN HILLMAN: Now, other than that are
there other ball bearings that you are selling in China --

MR. HOO: Yes.

VICE CHAIRMAN HILLMAN: -- that are different from

what you're selling in the United States?

MR. HOO: Yes, because the automobile design, the
automobile models being produced in China first brought in
by Volkswagen, the Santana, is a very old model. Those
bearings that are used in that model are no longer used in
the USA.

The newer model I mentioned, American Chrysler-

Jeep and Buick, General Motors Buick, they use a very modern
bearing, and we are not supplying any because the automobile
companies, they need a history established. They want to
make sure the bearings they put in is going to last 10 to 15
years. Otherwise they're going to suffer a recall.

Before we can establish that even though we make a
bearing physically it could be very dimensionally very close
to what they are using, but there's no chance our bearing
will be used because General Motors will say you have no
past history established with us.

The same thing. We could not ship those bearings
to the U.S. market because no automobile company is willing
to risk a huge recall without knowing the history of our
bearings.

VICE CHAIRMAN HILLMAN: I appreciate that answer.
I mean, that's very helpful.

I have to say I'm trying to square it a little bit with some of the exhibits that the Petitioners put in their brief. I mean, one of them highlights, you know, how Ningbo General Bearing achieved Ford's Q-1 -- Quality One -- status and QS9000 certification.

The exhibit goes on to quote Ford as saying that General Bearing -- that your company's capability to meet the strict manufacturing criteria of the U.S. automobile industry and that you have a new 49,000 square foot plant that has high tech automated production lines.

Some of what we're seeing indicates, you know, that there's something on the record suggesting that you are, if you will, qualified, certified to do this, if you will, somewhat more higher end. I wondered if you could comment on how those certifications relate to the ability to provide bearings for particular applications.

MR. HOO: We have and I read to the Commissioners an affidavit made, signed, sworn by our president.

VICE CHAIRMAN HILLMAN: Yes. I see that now.

MR. HOO: Our supply of ball bearings to Ford Motor Company is limited to one application, which is steering. This morning there were some gentleman from some company -- I only say his back -- saying that steering is you just oscillate. You don't rotate. Therefore, there's
no problem.

In each automotive application of bearings there is a different quality requirement.

VICE CHAIRMAN HILLMAN: Okay. And a different qualification? I mean, that's what I was trying to understand.

MR. HOO: Right.

VICE CHAIRMAN HILLMAN: This is suggesting that you have this Q-1 status, and I'm just trying to understand a little bit more. How far does that get you? It gets you obviously the right to sell these particular steering bearings. Not the right, but the opportunity to sell these steering bearings.

MR. HOO: Correct.

VICE CHAIRMAN HILLMAN: Does it get you any further than that? I mean, Ford has said you're a Q-1, you know, QS9000 supplier. That means what?

MR. HOO: We're talking about one application of ball bearings. We have another application of non-ball bearings supplied to Ford. The Q-1 only certifies that we have a good quality control system. That's what the quality is.

VICE CHAIRMAN HILLMAN: Okay.

MR. HOO: We're consistent. Therefore, one year we ship, and Ford first is sampling and inspecting our
supply. After a certain period of time they feel our quality control system is reliable. Therefore, they award us a Q-1 award, which means from now on our shipment of that particular bearing into Ford they don't have to go through incoming inspection anymore.

VICE CHAIRMAN HILLMAN: Okay. Now, if you --

MR. HOO: Each bearing must be qualified on its own merits.

VICE CHAIRMAN HILLMAN: That's what I needed to understand. If you then wanted to sell them a different bearing for a different application, you would have to go through all over again another qualification process, even though they already kind of know you as a company and you have gotten this Q-1 status for the steering bearings.

If you were to try to do some other kind of bearing for them, you're saying you would have to go through a completely separate qualification process for that?

MR. HOO: Yes, ma'am.

VICE CHAIRMAN HILLMAN: And typically how long does that qualification process take?

MR. HOO: That would take about -- if there is a road test involved, they have to put in first it's tested as a component and then tested on the road, so the whole process may take at least two years, maybe three years. It
took us almost two to three years to get the first not so
sophisticated steering column bearing qualified.

VICE CHAIRMAN HILLMAN: Okay. Are you seeking to
qualify other bearing types with U.S. auto makers now?

MR. HOO: At the moment we're trying to qualify, first of all, the automobiles made in China because these automobiles are using imported bearings. We wanted to get a share of those bearings to establish a good record and a reference before we begin thinking about exporting bearings.

VICE CHAIRMAN HILLMAN: Okay. So you're not seeking any qualifications with U.S. auto makers in the United States at this point?

MR. HOO: First of all, we are trying to defend our homeland. Then we started --

VICE CHAIRMAN HILLMAN: Okay.

MR. HOO: -- thinking about invasion.

VICE CHAIRMAN HILLMAN: I'm not going to call it an invasion. Are any U.S. auto makers in the United States testing any of your other bearings, ball bearings?

MR. HOO: We have asked, for example, General Motors to test a very non-sophisticated we call them a bearing, a strut bearing, S-T-R-U-T. That's it. In the U.S. it's only $1.20 a bearing. It's very simple.

VICE CHAIRMAN HILLMAN: Okay.

MR. HOO: Yes. We'd like to at least for those
automobiles made in China start with a not so sophisticated application to start to use our bearings.

VICE CHAIRMAN HILLMAN: Okay. Last question. You are obviously describing a significant expansion in Chinese demand for bearings, I mean, if there is a lot of auto production and other things, and yet when I look at our data in terms of what we're looking at, what our data would suggest in terms of Chinese capacity to produce bearings, Chinese actual production levels of bearings, it's showing that in 2003 and 2004 it's going to go down and down, both the capacity to produce bearings and the actual production of bearings, which doesn't strike me as particularly consistent with the idea that there is all of this demand.

I'm just wondering whether maybe the data that we have is not very good. I know you mentioned that you're also, you know, familiar with some of the bearing associations within China. I'm just wondering whether you think there are other sources on the Chinese bearing industry that might have better data on this because our data is showing a decline in Chinese capacity, a decline in production. They're not realistic.

MR. HOO: The data you have are limited to the target of this investigation. There are bearing companies established, owned by the Chinese. I read to you a list of 29 bearing factories invested by these multinational
If you take into consideration they will come in dressed like Chinese and then the whole of China because we are a country, and we like to treat all investors fairly, equitably, so they enjoy every bit of the benefit that a local Chinese bearing company enjoys. They will very soon come in.

Already I point out that Koyo Seiko is exporting $40 million of ball bearings a year from China. Minebea is exporting $41 million U.S. dollars of ball bearings from China. Those Chinese, and we certainly accepted them as Chinese.

Maybe China after USA is the most open, economically open market country in the world now thanks to the effort by Charlene Barshefsky and Mr. Novak and Mr. Greenwald. They were working hard for the U.S. Government.

VICE CHAIRMAN HILLMAN: I knew that would be brought up at some point, Mr. Greenwald.

MR. HOO: You give him credit for it. Now we ask him do whatever you promised us.

VICE CHAIRMAN HILLMAN: Thank you very much.

MR. GREENWALD: Commissioner Hillman, I think it is true that if you look at the base, your database on Chinese producers, foreign producers' questionnaires, certainly I didn't see an awful lot of the affiliates that
Mr. Hoo is talking about, and that may be the difference.

CHAIRMAN OKUN: Now, I'll turn to Commissioner Miller.

COMMISSIONER MILLER: I do have one follow-up that I want to ask. It may be for you to begin with, Mr. Hoo, but I think I'll probably put a question to the Petitioners. Regarding the Ford account, which you and Vice Chairman Hillman have also been talking about and I've been looking at the different press releases that the company put out, you said that it is Mr. Gussack's understanding that these bearings were being imported, were coming from Japan prior to purchasing them from General Bearing. Do you know whether there were U.S. producers that were competing for that particular sale?

MR. HOO: I cannot answer that. I don't know that is a fact.

COMMISSIONER MILLER: Okay, that's fine.

MR. HOO: But, I did see the bearing that Ford gave us, says this is the bearing, and we clearly saw the bearing said "Japan" on it.

COMMISSIONER MILLER: Okay. Mr. Applebaum or Mr. Stewart, if you, since you've raised this particular account in your original pre-hearing brief, could supply any information that you have that demonstrates to your knowledge that U.S. companies with U.S. production were
competing for the Ford account, I would appreciate it.

MR. APPLEBAUM: We will seek to gather that information. Also, I was going to do this later, in lieu of a question, urge the staff, since we had not seen this affidavit, that they to confirm the information that's been presented here directly with the Ford Motor Company, because you've been receiving a lot of claim facts and I don't know if they're true or not, which only the Ford Motor Company could confirm, they're not coming directly from Mr. Hoo. But, we will seek to provide you with any information on whether U.S. companies competed for that business.

COMMISSIONER MILLER: Right, because you did present this particular example in your brief.

MR. APPLEBAUM: We did.

COMMISSIONER MILLER: So, I would appreciate it. I have no further questions, at this point.

CHAIRMAN OKUN: Mr. Koplan?

COMMISSIONER KOPLAN: No.

CHAIRMAN OKUN: Let me turn to staff, to see if staff has questions of this panel.

MS. JONES: I'd just like to repeat the same request I made to the Petitioners earlier today, namely in terms of addressing any like product or captive production issues, in terms of the specific factors that the Commission usually uses. Thank you.
MR. GREENWALD: We'll do that.

MR. MCCLURE: Staff has no further questions.

CHAIRMAN OKUN: Thank you. Let me turn to Petitioners, to see if Petitioners have questions for this panel.

MR. APPLEBAUM: We have no questions.

CHAIRMAN OKUN: Okay. Then that will conclude the open public presentation of the Respondents. We will now take a few moments to clear the room, to go to the closed session, and we will reconvene once the secretary has notified us that the room has only APO.

(Whereupon, at 3:16 p.m., the open session adjourned.)
CHAIRMAN OKUN: Apparently everyone who wishes to hear the closing statements are in the room already, so Mr. Applebaum, you may proceed.

MR. APPLEBAUM: After this long day, I appreciate the commissioners willing to stay and hear closing statements. I will try and be brief.

Mr. Greenwald has made much out of an allegation that this is a case about soft data and an absence of data on the record, and I'm not -- after hearing this entire hearing, I'm not sure of what he is talking about.

We put an awful lot of evidence on the record, the latest of which is, of course, bringing six members of the industry to testify before you today under oath. We had 10 affidavits attached to the prehearing brief. We had a considerable majority of the industry provide questionnaire responses with very detailed information supporting competitive overlap and lost sales, and of course, we have all of the other data that the staff has collected which we believe supports our case.

Perhaps what he was talking about was in addition to all of that evidence we also put in, along with counsel for Timken/Torrington, considerable promotion price lists, brochure, website evidence in which the Chinese producers...
set forth what they claim to the United States potential
customers what they can produce and make available in the
United States.

In my long experience with the ITC, that's always
been evidence of what an industry can do, not just the
importing industry, but the U.S. industry as well, and I
think when Timken -- I'm sorry -- Torrington provided you
the comparison of all the other -- the Chinese companies
with their own priced list, it's our information that they
are claiming to be able to produce all those products in
most applications.

So one of the reason why this data is more
important than normal is is something that has already been
said, but it wasn't confidential information in the APO
session, which is that we may have to rely on what the
Chinese sell and are capable of selling from that kind of
data more than usual because they haven't come here to
present it directly.

We had one charming gentleman from China testify
for the Chinese industry, otherwise it was distinguished
counsel from Wilmer, Cutler & Pickering. You would
ordinarily expect to see here U.S. customers, U.S.
distributors of Chinese product, and there are many U.S.
companies who Chinese facilities, who sell Chinese bearings
in the United States. One of them was Peer, which had

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counsel appearance today, but none of their executives were
here. They are the kind of people that could have been
answering the questions that you would rather hear from them
than just counsel and the like.

So I would suggest to you that there is very hard,
clear, strong evidence on the record, it's not soft, and we
are not -- when we put the promotional and advertising and
website material of the Chinese into the record, we are not
creating that, we are taking is straight from them. We are
taking from them what it is they claim they can do, and more
importantly, what they are representing to the United States
ball bearing consuming industry they are capable of doing.

We believe that you have heard direct testimony
about head-to-head competition. We think you have got many
direct verifiable lost sales allegations. You have got what
is normal in one of these cases.

One thing on the global rationalization which we
have already commented in our pre-hearing brief, we will do
further is we don't agree with the allegations there, but I
would point out to you that even if they were true, which
they are not, they don't have any relevance under this
statute you are interpreting today.

The only issue before you is whether the United
States industry producing ball bearings and parts is
materially injured or threatened with such industry by

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Chinese dumped imports, and it doesn't matter what's going on in China or Europe or Asia and the like. But of course, we don't agree, in any event, with the allegations.

I will conclude with a comment I made at the preliminary closing because Mr. Hoo once again complained that the United States wasn't carrying out its fairness obligations under the WTO.

The WTO does have an antidumping code. China, just as the United States is with its exports, is responsible for not violating the antidumping act of the United States, and I think you now have a record before which indicates that at least in this instance Chinese imports have materially injured and threatened the U.S. industry with that injury.

Thank you.

CHAIRMAN OKUN: Thank you.

Mr. Greenwald.

MR. GREENWALD: You don't really want to hear more rhetoric, do you? So I'm going to close with two points. One is the evidence is what the evidence is.

Second, on some of the affidavits, we would have taken them a little more seriously because some of them are from purchasers if the purchasers had actually provided you with a purchasers questionnaire response. That to me is the difference between hard data and soft data.
So if petitioners want to improve the record, the best thing they could do instead of relying on affidavits is actually get some of the people that are willing to give affidavits to actually respond to the Commission's questionnaires.

Thank you.

CHAIRMAN OKUN: Thank you.

Post-hearing briefs, statements responsive to questions and request of the Commission, corrections to the transcript must be filed by March 13, 2003, closing the record and final release of data to parties is March 26, 2003, and final comments are due March 28, 2003.

If there is no other business before us, this hearing is adjourned.

(Whereupon, at 5:10 p.m., the hearing in the above-entitled matter was adjourned.)
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AFTERNOON SESSION 144
CERTIFICATION OF TRANSCRIPTION

TITLE: Ball Bearings from China

INVESTIGATION NO.: 731-TA-989

HEARING DATE: March 6, 2003

LOCATION: Washington, D.C

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 3/6/03

SIGNED: LaShonne Robinson
Signature of the Contractor or the Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
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SIGNED: Gabriel Rosenstein
Signature of Court Reporter